BRE BANK SA

ANNUAL REPORT 2000

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KEY FIGURES OF BRE BANK

	1996	1997	1998	1999	2000
Total assets (PLN m)	4 081	6 142	11 045	14 549	16 290
Own funds (PLN m)	395	816	1 230	1 365	1 858
Solvency ratio	12.0%	15.6%	12.1%	11.2%	13.1%
ROE	29.9%	26.2%	20.7%	50.4%	21.6%
Cost/income ratio	42.3%	47.3%	36.7%	26.7%	58.1%
Net interest margin	6.9%	5.3%	4.2%	2.1%	2.3%
Branches	17	19	23	24	25
Staff	1 301	1 694	2 153	2 154	2 504

EARNING FIGURES OF BRE BANK (in PLN'000)

	1996	1997	1998	1999	2000
Net interest income	222 899	286 747	361 769	291 970	385 279
Commission income	59 953	94 762	133 782	439 669	190 116
Income from shares and other securities	1 204	5 040	4 779	8 478	20 027
Result on financial operations	12 972	(3 312)	162 690	751 610	117 893
General expenses	(120 575)	(187 157)	(283 437)	(397 861)	(444 759)
Gross profit before tax	197 162	197 419	345 124	1 028 083	472 485
Net profit	114 715	146 275	205 087	665 047	355 828

KEY RATIOS

	1996	1997	1998	1999	2000
Number of shares (m)	14.5	19.0	22.8	22.8	23.0
Book value (PLN m)	509.6	961.9	1 435.5	2 030.4	2 213.9
Per share					
Earnings per share (PLN)	7.9	9.4	10.1	29.2	15.6
Book value per share (PLN)	35.1	50.6	63.0	89.1	96.4
Dividend per share (PLN)	3.0	3.0	3.0	8.0	5.0
Ratios					
Price/Earnings	10.9	7.7	8.0	4.5	8.4
Price/Book value	2.5	1.4	1.3	1.5	1.4
Dividend yield	3.5%	4.1%	3.7%	6.1%	3.8%

CONTENTS

MISSION OF BRE BANK

It is the mission of BRE Bank to develop strong lasting relations with clients and shareholders by providing top-quality financial services and maximising the Bank's value.

The mission is pursued using the capacities of the Bank and its Group to develop a comprehensive offer of financial products and services for both corporate and retail clients.

The new economy offers multiple opportunities. It is BRE Bank's aspiration to tailor them to clients' needs.

In 2000, the Bank's mission was extended to new areas, which reflects the fifteen years of the Bank's operations, from an institution financing foreign trade corporations to a robust and expansive capital group offering a comprehensive portfolio of financial products and services for both corporate and retail clients. According to the mission, providing top-quality financial services for corporate and retail clients requires a strong leverage of combined capacities of the Bank and Group subsidiaries.

An important part of the newly adopted mission is taking advantage of opportunities afforded by the new economy. The Bank aspires to tailor those opportunities to clients' needs.

New parts of the mission are reflected in the Bank's 2001-2006 Strategy.

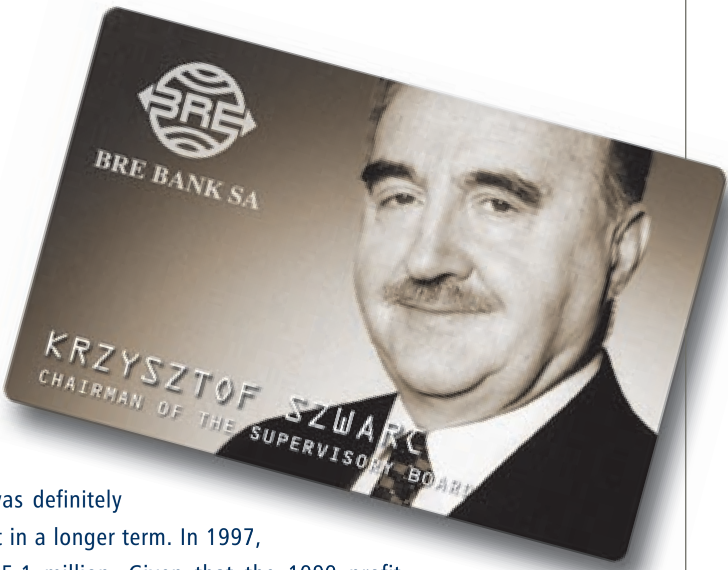
The Bank will respond to the challenges of the coming years by developing a comprehensive offer of financial products and services for both corporate and retail clients across the Group. The service rendered is always top-quality and most state-of-the-art, using high-tech distribution channels available to all BRE Bank Group clients.

The continued enhancement of the Bank's competitive edge and the quality of its products will rely, among others, on the e-BRE project. Its major objective is to establish internet culture both at the Bank and across its strategic subsidiaries. The e-BRE project will facilitate client service and provide a financial offer fit for the 21st century.

In the coming six years, the Bank wants to consolidate its position in all businesses: corporate banking, investment banking, and asset management. The Bank's expansion into the new area of retail banking will rely on mBank, operational as of November 2000, and Multibank, soon to be launched.

The attainment of these strategic objectives requires a new sales policy. The policy will focus on cross-selling. The sales force will be reorganised accordingly so the Bank's business units and its strategic companies can offer and promote all products of the Group.

LETTER BY THE CHAIRMAN OF THE SUPERVISORY BOARD



Dear Shareholders!

The past year, although not as record-setting as 1999, was definitely successful. Let us consider the growth rate of the Bank's net profit in a longer term. In 1997, the Bank's net profit was PLN 146.3 million; in 1998, PLN 205.1 million. Given that the 1999 profit of PLN 665 million was largely due to one-time extraordinarily profitable transactions (such as the sale of PTC and BIG Bank Gdański shares), the 2000 profit of PLN 355.8 million certainly follows the continuing upward trend.

The same trend is noted with respect to the Bank's dividend. The Management Board has proposed that the General Shareholders' Meeting approve a 2000 dividend of PLN 114.9 million, or PLN 5 per one share.

The milestones of 2000 certainly include the Bank's launch of its retail banking business.

The Bank's Management and Supervisory Board have long believed that the Bank should operate in the retail sector. The challenge required both necessary funds and most of all, broad organisational efforts. I am glad that the Bank's project was co-ordinated by Mr Sławomir Lachowski, previously Deputy President of PKO BP, appointed Member of the Management Board of BRE Bank SA in May 2000. His experience and expertise were instrumental in preparing the Bank's expansion into the retail banking market. The decision to launch a most state-of-the-art, high-tech, fully virtual retail bank has been truly successful. Over a single month, mBank - the Bank's retail franchise - with its two products offering very attractive interest rates won a high number of clients and deposits.

I am positively certain that the Bank will further strengthen its position in this market segment in the year 2001 with both mBank and the other retail banking project soon to be launched: Multibank. I believe Multibank will once again demonstrate that the Bank is an undisputed technological leader in all its businesses.

Another important development of late 2000 was the Bank's decision to become the strategic shareholder in Bank Częstochowa. BRE Bank's credit support helped Bank Częstochowa regain liquidity and continue its operations. BRE Bank's acquisition of a large new issue of Bank Częstochowa shares in 2001 will provide yet another capital injection. Following its restructuring, Bank Częstochowa will serve BRE Bank's retail franchise.

The year 2000 was a year of consolidations, both in the Commerzbank Group and in the BRE Bank Group. Having received the necessary approvals, Commerzbank acquired further BRE Bank shares and became a 50% shareholder, consolidating BRE Bank's profit within its Group. Hence BRE Bank will on the one hand need to consolidate its financial statements drawn up under international standards within the Commerzbank Group; and on the other hand, its creditworthiness in international financial markets has improved.

Ownership of several subsidiaries has changed due to the amicable termination of co-operation with Hestia. Hestia divested from BRE Hestia Service and PTE Skarbiec Emerytura while BRE Bank sold its investment in STU n.Ż. Alte Leipziger Hestia to Alte Leipziger Europa. Now the Bank has no equity investment in the insurance sector.

Last year, the Bank's capital grew by PLN 11.5 million: 170.5 thousand new shares were issued under the programme of management stock options granted to the Bank's Management in 1997. The twofold growth of the Bank's market value from the time the options were allocated until they were exercised demonstrates the effect of the adopted incentive instruments. Further options were granted in 2000 and are exercisable in 2003. These options are available to a broader group of managers, not only in the Bank but also across the Group: they were allocated to 155 persons, compared to 41 in the first programme. The share price for the options was set based on the average stock market price in the first quarter of 2000 (PLN 135.94). If exercised, the options will add another PLN 65.2 million to the Bank's equity in 2003.

I strongly believe that once again the incentive scheme will benefit the Shareholders and enhance the value of both the Bank and its strategic subsidiaries, driving up the Group's market valuation.

In conclusion, may I thank the Shareholders of the Bank for their trust and support. I also want to thank the Members of the Bank's Supervisory Board, elected in May 2000 for the new biannual term of office, for their co-operation and commitment. The active involvement of the Supervisory Board and its efficient communication with the Management Board facilitated mutual exchange of information and helped the Bank's productivity. In 2000, the Supervisory Board met four times; in addition, its Executive Committee met on three occasions. I also wish to thank the Bank's Management Board and all staff for their contribution to improving the market position of BRE Bank.

Krzysztof Szwarc

Chairman of the Supervisory Board

LETTER BY THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders!

The year 2000 was a time of dynamic expansion of BRE Bank's product offer and a year of enhancing the quality of the financial services rendered by the Bank and its subsidiaries. It was also another year of above-average profits for the Bank. The Bank's strong financial performance relied on its extensive experience and strong position in many businesses. The Bank's net profit was PLN 355.8 million, one of the highest in the market.

The Bank's equity amounted to PLN 1 858.0 million; a growth of 36% over 1999. The balance sheet total at the end of December 2000 was PLN 16 290.1 million, 12% up from the previous year. The growth in the balance sheet total was a result of, among others, a successful issue of BRE Bank's Eurobonds worth € 200 million, redeemable in June 2005.

The Bank closed the year 2000 with strong performance indicators compared to the banking sector average: its ROE amounted to 21.6%, ROA 2.1%, cost/income ratio 58.1%, solvency ratio at a safe 13.1%.

In order to tailor its offer to clients' growing expectations, the Bank has launched its retail banking business. As of 26 November 2000, the Bank offers attractive retail products and services rendered by mBank, the first fully virtual bank in Poland. Committed to use high-tech access channels, such as the internet, mobile telephones, and multifunctional ATMs, mBank did not need to develop brick-and-mortar outlets and introduced very attractive interest rates: 15.5% for current accounts, and 16.5% for on-demand savings accounts. The offer has addressed the real market need, as demonstrated by very strong interest in the mBank service and the fast growing number of new accounts. Ten weeks into the business, mBank had 30 thousand accounts, ranking it among the leaders in internet banking in Poland.

For 2001, BRE Bank plans to expand its retail banking offer. Drawing upon the mBank experience, the brick-and-click Multibank service will first be launched in mid-2001 to combine traditional banking with state-of-the-art access channels (internet, mobile telephones, multifunctional ATMs).

Given BRE Bank's expansion into the retail banking market and its modern, top-quality banking service targeting this sector, the Bank decided in December 2000 to become the strategic investor in Bank Częstochowa through the acquisition of new shares (to represent over 80% of Bank Częstochowa's share capital and over 75% of its votes). Following restructuring and integration of Bank Częstochowa as a retail banking platform, BRE Bank intends to reduce its investment to 51%, as in other subsidiaries of the Group.

In 2000, BRE Bank successfully continued its core businesses: corporate banking, investment banking, and asset management. The Bank received a distinction in the Entrepreneur-Friendly Bank competition; was for the fifth time named the Best Domestic Bank in Poland by *Euromoney*; for the fourth time named the Best Bank in Poland by the magazine *Gazeta Bankowa*; and awarded as Best Bank of 2000 in the fourth edition of the Polish Finance Virtuosos competition.

The Bank's numerous achievements are primarily a result of its consistent quality management policy. It is BRE Bank's ambition to provide top-quality products and services to all clients. In 1999, BRE Bank was the first bank in Poland to become ISO 9001 certified for its product "BRESOK Electronic Money Order". The challenge of the coming years is to be quality certified for all BRE Bank products, and in the future to implement a Total Quality Management system.

In 2000, BRE Bank had a strong presence and visibility in the investment banking market. One of the major events of 2000 was the acquisition of the controlling stake in Optimus SA and the preliminary sale agreement with International Trading and Investments Holding SA, the buyer of the Optimus shares.

With its extensive experience in new economy investment, BRE Bank is also a co-author of the B2B e-commerce platform project. On the initiative of BRE Bank and Optimus, in collaboration with CommerceOne, a leading provider of B2B e-commerce platform technologies and global solutions, a new business will be set up to integrate the Polish B2B market with global B2B e-commerce.

The Bank's and its Group's other major investment in the sector include cable.com SA (wideband wire data transmission), eCard SA (e-commerce payment card services), and Polskie Sieci Teleinformatyczne SA (e-commerce software).

In the past year, the Bank took further measures to expand the BRE Bank Group and its geographic scope. With the acquisition of Intermarket Factoring Bank AG, Austria, in which the Bank holds 51.43% of shares plus a 50% stake in its Czech subsidiary Transfinance a.s., the BRE Bank Group won a leading position in the Central European factoring market.

BRE Asset Management Sp. z o.o. is a new company set up to reinforce the position of the Group in the asset management market. Its core business is to manage clients' security portfolios (formerly a service offered by BRE Securities) and to provide investment consulting.

With a view to consolidate present and future profits of its strategic subsidiaries, the Bank has decided to rationalise its shareholdings. Thus, the Bank acquired another 1% of shares in the mortgage bank RHEINHYP-BRE Bank Hipoteczny, getting a 50% stake and the dominant position. The Bank also plans to raise its investment in BRE Leasing to over 50%. BRE Bank's shareholding in the investment fund company Skarbiec TFI was reduced from 60% to 51%. With its new dividend fund Kasa2, Skarbiec TFI was the undisputed leader of the Polish investment fund market in 2000, managing nearly 40% of all assets (as at the end of December 2000).

It is the objective of BRE Bank for the coming years to maintain its leading position in banking technology. Consequently, the Bank has launched its e-BRE project to instil internet culture both within BRE Bank and across the Group. The Bank already operates an internet-based version of its electronic banking system BRESOK. The e-BRE project comprises many other features to facilitate customer service and provide a comprehensive financial offer. The Bank also acquired a new computer system for its corporate banking operations, GLOBUS, to replace the existing system IBS-90 (in operation since 1993). GLOBUS will be implemented in 2001 and 2002.

While launching new projects helping the Bank and its strategic companies to grow and win new markets, BRE Bank is also developing its risk management systems. BRE Bank very early started its preparatory work to adopt new international capital adequacy and risk controlling and management standards which will probably take effect in 2004. Taking into account the draft guidelines of the Basel Committee for Banking Supervision, the Bank is working on a methodology of risk identification, assessment and management for all risk categories in the Bank's business. BRE Bank is also refining its internal rating system and implementing necessary reorganisation. In particular, the Bank created a Financial Risk Department in the past year. More information about risk management at BRE Bank SA can be found in the section "Organisation and Management".

BRE Bank attaches great importance to consistent implementation of corporate governance according to the 1999 guidelines of the OECD Council. Equal treatment of all Shareholders, effective supervision as well as co-operation with creditors, employees, local communities and all other stakeholders have been and remain an important aspect of the Bank's operation.

In 2000, BRE Bank continued its information policy expected by Shareholders. The main principle of the policy is transparency. Exchange of opinions and direct communication with the Management Board are important factors in building up partnership relations, crucial to ensure understanding of and support for the Bank's operations. Transparency and easy access to information about the Bank were appreciated by 150 stock market analysts, investment advisors and brokers in Poland participating in the annual poll "The Best Listed Company of 2000" run by the Polish paper *Parkiet*. BRE Bank scored best in the survey, which showed acknowledgement of both high quality of its management, a positive outlook for the future, and strong investor relations.

All these measures helped BRE Bank to remain among the top Polish banks in 2000, both in terms of its financial performance as well as market position. I hope this will also stimulate client satisfaction and enhance the shareholder value, the major objectives of our business.

This, however, does not prevent the Bank's active involvement in initiatives of particular social significance. The BRE Bank Foundation has for 6 years sponsored charitable causes. The Bank is also a recognised originator and participant of projects benefiting Polish culture. The Bank supports Polish artists and cultural institutions (such as the National Library, the Kordegarda Gallery, the Silesian Dance Theatre). It was due to BRE Bank's financial support that numerous exhibitions, concerts, and performances were made possible. In 2000, BRE Bank was the main sponsor of the Polish production of the internationally famous musical *Miss Saigon*, staged by the Warsaw Music Theatre Roma. In its recognition of the Bank's role, the Polish Ministry of Culture placed the Bank on the List of Gold Sponsors.

BRE Bank's role in economic transition also focuses on educational efforts. The Bank has established strong co-operation with schools, universities and foundations which support Polish science. The Bank has for years worked with the CASE Foundation, arranging seminars which are a forum for expert discussions on crucial aspects of Polish economy. The Bank's role in the Internet In Schools Programme organised by the Polish Foundation for the Promotion of Science was recognised with the title of a Silver Sponsor awarded by the President of Poland.

May I thank our Shareholders for their trust and co-operation, and assure them that both the Bank's Management and all staff will do their best to further strengthen the Bank's position and enhance its shareholder value, and to provide our clients with comprehensive top-quality financial services through state-of-the-art distribution channels.

Wojciech Kostrzewa

President of the Board of Management

DEVELOPMENTS IN THE ENVIRONMENT

DEVELOPMENTS IN THE ENVIRONMENT

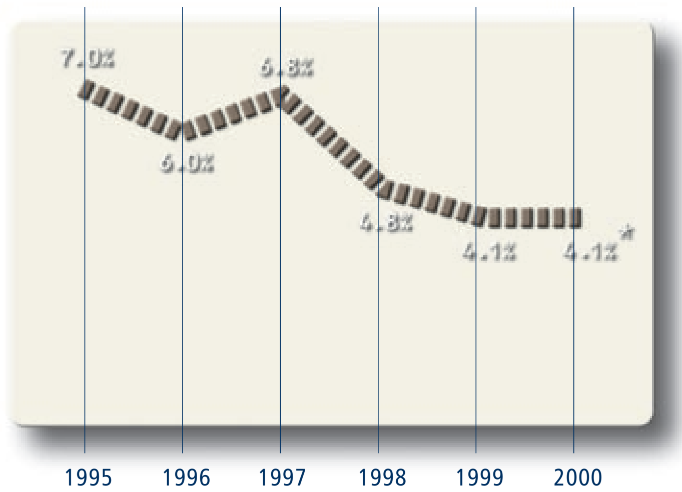
POLAND'S ECONOMY IN 2000

Economic Growth Rate

Poland's economy in 2000 grew at a rate close to that of 1999. The GDP growth rate was 4.1%. However, the 2000 economic development displayed a weakening growth rate, falling quarter by quarter.

The lower growth rate was a consequence of slowing consumption and investment as a result of the tight monetary policy. The growth rate of private consumption fell from 5.8% to 3.6% in the second half of 2000; the growth rate of gross investment in fixed assets went down from 6.8% to 4%. Wages in real terms grew less than in 1999 (1.2% compared to 3%) while social benefits decreased in real terms.

Exports were the major economic driving force, favoured by positive market conditions in the economies of Poland's main trading partners. Foreign direct investment continued to grow; the incremental FDI of the past decade approached the mark of US$ 50 million.



GDP GROWTH RATE
previous year = 100

* GUS estimates

Production Driven by Growing Exports

From January to December 2000, industrial output fell by 7.1%. While average employment was 6.3% lower, productivity measured by output per employee was ca. 14% higher than in 1999. Quarter by quarter, the growth rate of industrial output kept falling (growth of 10.7%, 9.6%, 6.7%, and 2.5%, respectively).

Its breakdown by sector changed positively: the share of power-intensive and material-intensive sectors shrank while that of high-tech industries grew. In mining, output fell by 1.7%. The output of industrial processing and that of the power sector grew by 7.3% and 11%, respectively.

In spite of problems with sales volume, the financial standing and performance of the corporate sector improved in 2000. Overall revenues grew faster than costs. Gross return on sales increased from 1.4% in 1999 to 2.2% in the first three quarters of 2000 while net return grew from 0% to 0.9%.

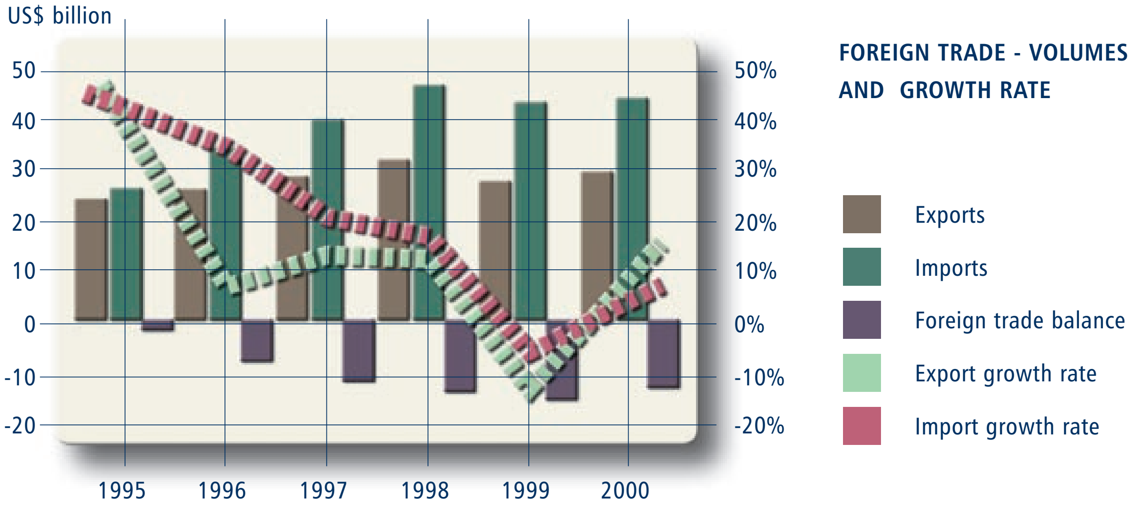
Deteriorating Labour Market

As at the end of 2000, the enterprise sector employed over 5.3 million people, 165 thousand less than in December 1999. There were over 2.7 million people registered as unemployed. Unemployment in 2000 stood at 15% (13% in 1999). The increase in 2000 was due to the lower economic growth rate, restructuring of many sectors, expiration of privatisation agreements which had obligated employers to keep employment stable and had restricted redundancies, as well as the highest growth rate in Europe of working age population.

Improving Foreign Trade Balance

Exports of goods grew by 7.3% in 2000 over 1999; imports grew by 1.7%. These figures suggest that the tight monetary policy restricted imports and improved the foreign trade balance. Exports were promoted by favourable market conditions in both Western and Eastern markets. The balance of trade in goods was at a negative US$ 13.1 billion at the end of December 2000, US$ 1.2 billion less than in the previous year.

Taking into account other foreign trade items – balance of payments for services, revenues, transfers, unclassified current payments – the current account gap gradually grew throughout 2000 to reach US$ 9.9 billion at year-end; still, that was US$ 1.7 billion less than in 1999. The deficit in current payments was equal to 6.2% of GDP, compared to 7.5% at the end of 1999. Almost the entire deficit was financed through the inflow of foreign direct investment - a positive development.



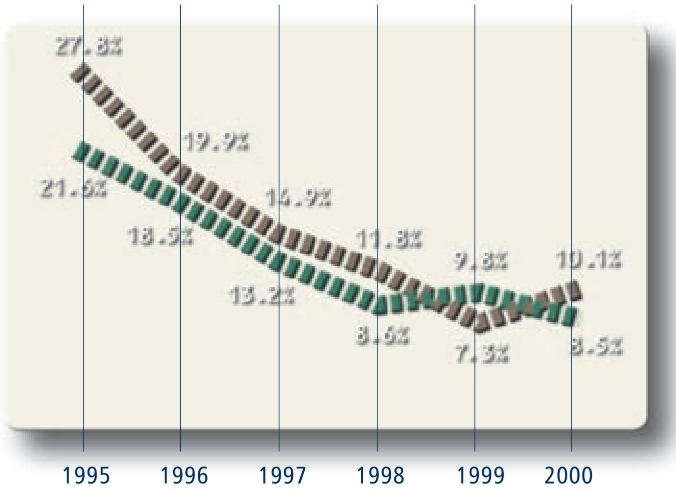
FOREIGN TRADE - VOLUMES AND GROWTH RATE

The currency assets of the National Bank of Poland (NBP) grew in 2000 by US$ 150.1 million to US$ 27 463.9 million at the end of 2000, representing more than the equivalent of seven months' average imports of goods and services.

Inflation Above Budgeted Targets

Consumer prices grew by 8.5% from January to December 2000 (9.8% during the same period in 1999), 3.3 percentage points above the budgeted targets. In the first three quarters of 2000, consumer prices were growing faster than in 1999; as of November, their growth (over December 1999) was lower than in 1999 (over December 1998). As in 1999, the fastest increase in prices (11% up) was seen in services. The prices of foodstuffs and non-alcoholic beverages were 8.5% higher than in December 1999. The prices of alcoholic beverages and tobacco products rose by 5.8%; other consumer prices by 6.5%.

Average annual inflation in 2000 amounted to 10.1%, compared to a lower 7.3% in 1999.



INFLATION

Average annual inflation

December to December inflation
December of previous year = 100

Inflation was mainly affected by two negative supply shocks: the sharp rise of foodstuff prices in mid-2000 due to unfavourable weather conditions, and numerous increases of fuel prices caused by international fuel market developments and the excise tax.

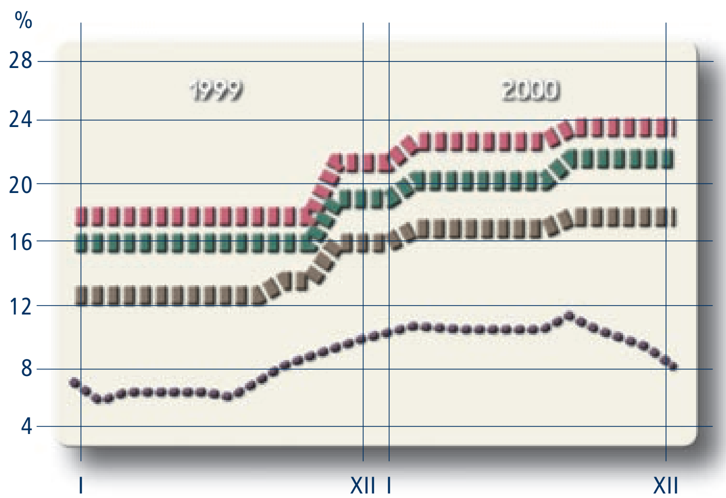
Appreciation of the Zloty

As of 12 April 2000, the crawling peg devaluation of the zloty (0.3% per month), the bracket restriction of daily fluctuations of the market fx rate against the centrally fixed rate (+/-15%), and the valuation of the zloty based on the €/US$ basket have been abandoned.

The official average rate of the US dollar was 4.3126 PLN/US$ in December 2000, 3.4% higher than in December 1999. The € rate was 3.8804 PLN/€, 8.1% less than in 1999. Taking into account a 8.5% year-on-year inflation, the zloty has appreciated in real terms, not only against the weak € but also against the US$.

Tight Monetary Policy

In 2000, the Monetary Policy Council (RPP) pursued a tight monetary policy aimed at curbing domestic demand and inflation.



NBP INTEREST RATES

Lombard rate

Rediscount rate

Intervention rate

Inflation

In February, given growing CPI, RPP raised interest rates by 1 percentage point: the lombard rate to 21.5%, the rediscount rate to 20%, and the intervention rate to 17.5%. In July 2000 year-on-year inflation grew to 11.6% and NBP's inflationary target (5.4%-6.8%) turned unrealistic; hence, in late August 2000, RPP once again decided to raise the interest rates by 1.5 percentage points. The main rates remained unchanged throughout the rest of the year (19-23%); yet in December 2000, RPP signalled its intention to reduce the rates as it changed its monetary policy bias from tightening to neutral.

The high real interest rates boosted the households' propensity to save and suppressed their interest in loans. In January 2000, the annual growth rate of household loans was 52.8%; in December, it fell to 32%. At the end of December 2000, household debt stood at PLN 48.3 billion. The growth rate of PLN household deposits changed month by month and amounted to 14.4% in January 2000 and 24.4% in December 2000, on a year-on-year basis.

For corporates, their limited demand for loans was due to weakening market conditions and their low liquidity, which made bank loans all the harder to get. Corporate debt in December 2000 was 13.4% higher than a year earlier. Corporate deposits grew by 2.1% over the year.

Stock Market

Stock market transactions in 2000 grew by over 100% in value and crossed the mark of PLN 240 billion during the year.

The number of IPOs was lower than in 1999: 13 compared to 28. The market capitalisation grew by 7% to PLN 134 billion. The small growth in capitalisation is also a result of little movement of stock market indices. WIG and WIG-20 closed the year at a level similar to that in late 1999. A new index of IT and telecommunication companies, TechWIG, was introduced in early 2000 (46% up).

In 2000, the Securities and Exchange Commission (KPWiG) allowed 42 new issues of shares. The stock market lost 5 companies, another 5 were subject to mergers. At the end of 2000, there were 225 public listed companies, including 135 in the main market (including National Investment Funds), 59 in the parallel market, and 30 in the open market. KPWiG approved 6 new investment fund companies; there are now 21 fund companies.

The derivatives market – especially the futures market – developed dynamically.

In November 2000, a new stock exchange system, Warset, was introduced. The system facilitates investors' access to continuous quotations, allows instant monitoring of quotations and offers, and enables fast transactions and settlements. Warset allows investors to place new types of orders (in terms of their conditions and validity). Investors can place orders over the internet, instantly registered in the stock exchange system.

DEVELOPMENTS IN BANKING IN 2000

The banking environment in 2000 was largely affected by the decisions of the Monetary Policy Council (RPP) to twice raise the interest rates by a total of 2.5 percentage points.

As a result, the interest rates hike boosted banks' interest margins: following the first three quarters of 2000, the margin was 4.15%, compared to 4.04% for January-December 1999. This allowed banks to raise higher interest revenues: in January-September 2000, those were 22.6% higher than a year earlier. Banks' non-interest income also grew by 18.2%.

Commercial banks' overheads in 1-3Q 2000 were 23.5% higher than in the same period of 1999. The high payment (totalling PLN 484 million) required by the guarantee fund for clients of the bankrupt Bank Staropolski strongly affected banks' net profits. In January-September 2000, the total net profit of the banking sector was 2.7% lower than a year earlier.

Growing Savings, Less Growth in Loans

Due to the interest rates hike, propensity to save grew while interest in loans diminished (with the only exception of June 2000 when loans were taken to acquire shares in the oil company Orlen's public offering).

The value of PLN deposits was 17% higher than in December 1999; the value of retail deposits grew by 24.4% and that of corporate deposits by 2.1%. FX deposits grew by 8.3%.

The value of loans was 17.3% higher than in December 1999; retail loans grew by 32.0%, corporate loans by 13.4%. The 1999 growth rate was 27.4% for total loans, 53.2% for retail loans, and 21.9% for corporate loans.

The lower growth rate of loans was accompanied by a deteriorating quality of the loan portfolios caused by the weakening standing of borrowers and increasingly expensive loans. This was true of both corporate and retail loans. A year ago, irregular loans represented 13.7% of the overall portfolio (15.8% for corporate loans, 6.6% for retail loans); in 2000, the proportion was 14.6% (16.7% for corporate loans, 8.2% for retail loans). To banks, that implied a higher cost of provisions.

Banks were also affected by the decision to float the zloty as of 12 April 2000. This raised the fx risk in currency markets and provided a stimulus for a fast development of hedging instruments.

Faster Consolidation

Mergers that were performed or announced in 2000, significantly affecting the Polish banking sector, include:

1. acquisition of Bank Handlowy w Warszawie (BHW) by Citibank Overseas Investment Corporation and its merger with the subsidiary Citibank (Poland). The merged bank will still be named BHW; it will become a leading player in corporate banking. It also intends to play a major role in retail banking based on state-of-the-art distribution channels;

2. initiation of the consolidation of Bank Zachodni and WBK. Allied Irish Bank is the strategic shareholder in both banks. The merged bank will be the largest financial institution in Western Poland;

3. merger of PBK with the Polish entity of Bank Austria, BA/CA Poland, and the intended consolidation of PBK and BPH following the merger of Bank Austria and Bayerische Hypo – und Vereinsbank, the major shareholders in the two Polish banks (Bank Austria controls 53.3% of PBK's equity, HypoVereinsbank holds 86.1% of BPH shares);

4. merger of BIG Bank Gdański and BIG Bank.

As a result of the mergers underway and many smaller investments by foreign companies (e.g. the increased investment of Banco Comercial Portugues and Eureko B.V. in BIG Bank Gdański; creation of Toyota Bank Polska, 100% owned by foreign investors), the number of banks with a majority stake held by foreign shareholders grew from 39 at the end of 1999 to 48 at the end of September 2000; their own funds represented 76.8% and their assets 69.1% of the total of all banks operating in Poland.

Electronic Banking

In 2000, the internet became a new distribution channel and an asset in attracting new clients. Several banks launched web-based services.

The pioneers included Pekao SA with its Telepekao 24, BPH, Fortis Bank, Handlobank, Lukas Bank, WBK. There were 96 thousand internet banking users at the end of 2000. BRE Bank also offers electronic services through mBank, the first fully virtual bank in Poland, accessible only through the internet and telephone, without brick-and-mortar outlets.

BANK'S FINANCIAL STANDING IN 2000

BANK'S FINANCIAL STANDING IN 2000

The year 2000 was another year of BRE Bank's above-average profits. Although not as record-setting as in 1999, the growth rate of the Bank's net profit continued to follow an upward trend.

The Bank's balance sheet total was PLN 16 290.1 million as at the end of 2000, a growth of 12.0% over the year-end 1999.

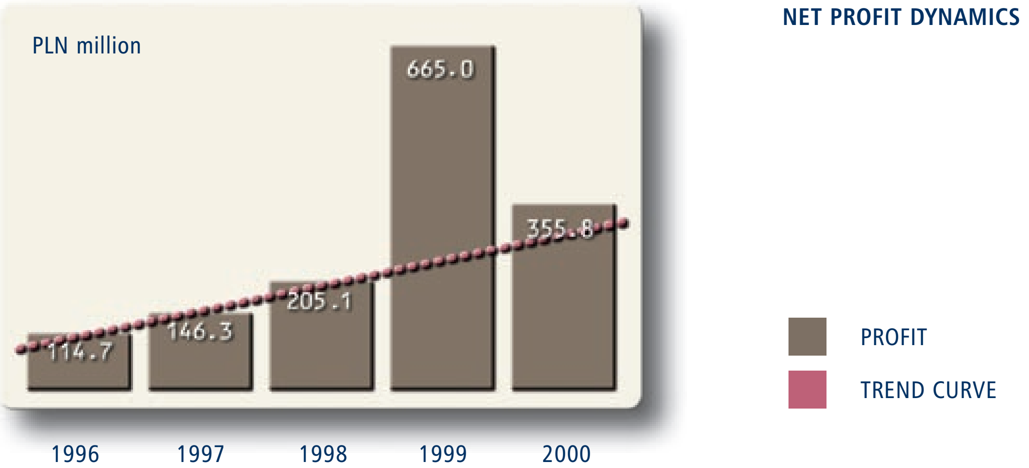
The Bank's strong financial standing in 2000 was reflected in its rating from Moody's (financial standing D, positive outlook, deposits Baa1/P-2 – the country level) and Fitch IBCA (December 2000: long-term credit rating BBB+). The € 200 million bound issue of BRE International Finance B.V. guaranteed by BRE Bank received a BKd Senior Unsecured – Dom.Curr: Baa1 rating from Moody's.

Profit

BRE Bank's extensive experience and strong market position in many business segments resulted in a very positive financial performance.

As at the end of 2000, BRE Bank generated a gross profit of PLN 472.5 million. The 2000 corporate income tax amounted to PLN 116.7 million; the effective income tax rate was 24.7% (35.3% in 1999). The Bank's net profit totalled PLN 355.8 million, one of the highest market results.

NET PROFIT DYNAMICS



The Bank's annual profit figures should be considered bearing in mind that the 1999 profit was largely due to extraordinarily profitable transactions – the sale of Polska Telefonia Cyfrowa (PTC) and BIG Bank Gdański shares. Its portfolio investments provided the Bank with substantial capital gains, producing a net profit growth rate of 220% in 1999. The 2000 profit continues the upward trend, as illustrated by the trend curve for 1996-2000.

2000 Performance Ratios

All of the Bank's performance ratios remain at a high level, above the sector average. This is also true for the year 2000. Particularly noteworthy is the strength – compared to other banks and the entire banking sector – of ROA, ROE and the cost/income ratio for 2000 (the average for all commercial banks in 1-3Q 2000 was: ROA 1.1%, ROE 15.5%, cost/income ratio 60.7%).

	1997	1998	1999	2000
Solvency Ratio [1]	15.6%	12.1%	11.2%	13.1%
Return on Assets (ROA) [2]	2.7%	2.4%	4.8%	2.1%
Return on Equity (ROE) [3]	26.2%	20.7%	50.4%	21.6%
Real Return on Equity (ROE real) [4]	13.0%	12.1%	40.6%	13.1%
Cost/Income Ratio [5]	47.5%	36.7%	26.7%	58.1%
Net Interest Margin [6]	5.3%	4.2%	2.1%	2.3%

All ratios for January-December 2000 except the solvency ratio.

Compared to 1999, some of the Bank's ratios were lower in 2000. This was due to the steep rise in ratios in 1999, especially ROA and ROE, following the Bank's sale of stakes in two entities (PTC and BIG Bank Gdański).

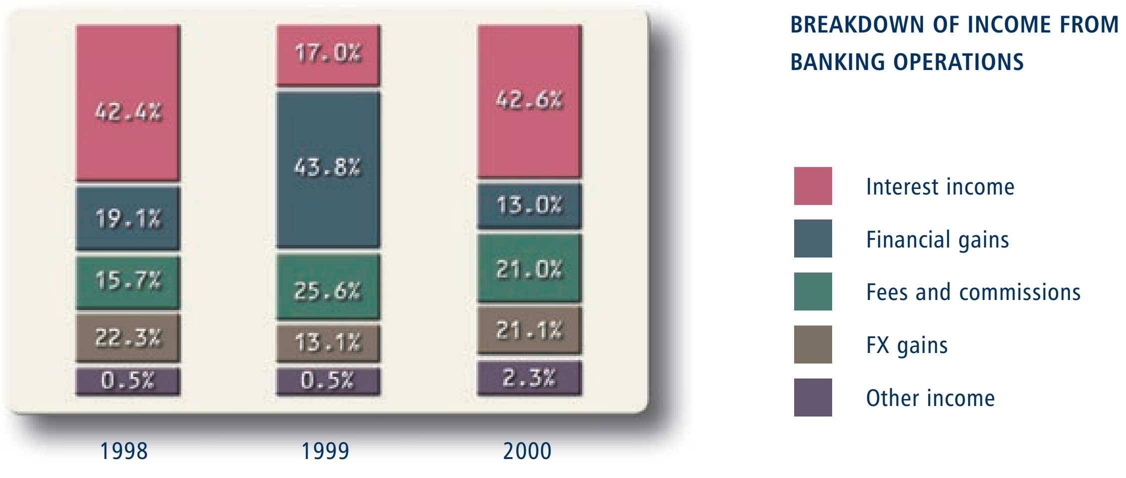
Net Income from Banking Operations

The Bank's net income from banking operations reached PLN 904.6 million at the end of 2000, compared to PLN 1 717.2 million in 1999.

It was one of the consequences of the 1999 transactions described above; in 1999 the Bank had generated very high financial gains, a strong commission income, and – due to the conversion of income – significant foreign exchange gains. This is why in comparison the 2000 figures, although very positive (financial gains at PLN 117.9 million, commission income at PLN 190.1 million, fx gains at PLN 191.3 million), stood below the 1999 level.

Interest income grew significantly and reached PLN 385.3 million, 32% more than in 1999. This was a result of the overall situation in the banking market and the NBP interest rates hike, conducive to growing interest margins.

The breakdown of income from banking operations is shown below:



1 Own funds to risk-weighted assets according to NBP methodology
2 Net profit to average assets
3 Net profit to average own funds based on daily balances
4 Nominal return on equity adjusted for inflation (year-on-year)
5 Administration cost (including depreciation) to net operating income
6 Net interest income to average assets

Other Operating Income

The Bank's overall revenues in 2000 also included other operating income, in particular the following large items:

- income of PLN 35 million from the sale of office space in the Blue Tower, Bankowy Square, Warsaw (formerly the location of the Bank's Head Office);
- PLN 12.5 million received as reimbursement for the relinquished merger;
- interest from overpaid corporate income tax: PLN 10.5 million (by decision of the Warsaw Tax Inspection Office, the Bank was returned the overpaid income tax plus penalty interest at a total of PLN 27.1 million, following the recognition of the Bank's right to use investment-related tax breaks in 1997 when the Bank was constructing its Head Office at Senatorska St.; as a result, relevant provisions were released).

Overheads

The Bank's overheads in 2000 amounted to PLN 444.8 million, comprising personnel costs (incl. social benefits) with 45.6% and non-personnel and other costs with 54.4% of the total.

The cost regime helped to keep the cost levels virtually unchanged (taking into account inflation, the real growth in cost was 3.3%).

An important cost item for the Bank in 2000 occured with payments and contributions to the Bank Guarantee Fund (BFG). The cost incurred by the Bank was PLN 28.1 million, half of the amount paid due to the bankruptcy of Bank Staropolski.

Depreciation reached PLN 80.7 million at the end of 2000, 31.7% more than a year earlier. This was due to the Bank's growing fixed assets (two completed investment projects: construction of the Head Office and the new premises of the Warsaw Branch; acquisition of computer hardware) and fast growth in intangible fixed assets (mainly the acquisition of new software necessary for further expansion).

Provisions

In 2000, BRE Bank created provisions and wrote off for the revaluation of financial assets a total of PLN 369.8 million, compared to PLN 481.0 million in 1999. Provisions released and deductions against the revaluation of fixed assets stood at PLN 397.4 million in 2000, compared to PLN 247.5 million in 1999.

A large part of provisions released were those unrelated to client credit risk: PLN 80.5 million was released in provisions set up against the Bank's exposure in CIS countries, another PLN 27.1 million in provisions against overpaid income tax (see "Other Operating Income"), and PLN 9.8 million in provisions against disputed claims in relation to the real estate investment at Aleja Szucha, Warsaw.

On the whole, all operations in provisions and revaluation of assets added PLN 27.5 million to the operating profit. A year earlier, the figure was negative with PLN 233.5 million.

BANK'S FUNDING

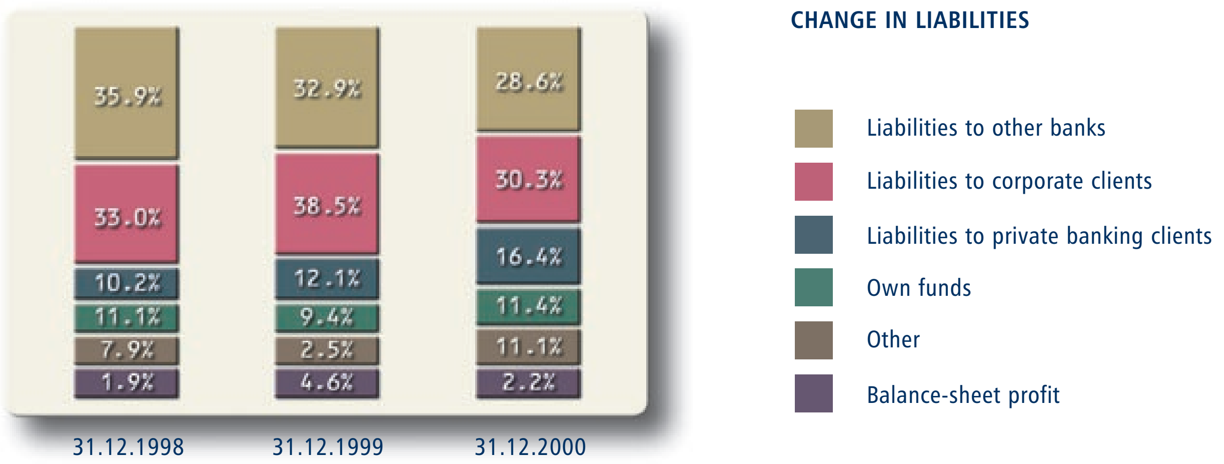
Client Deposits

The main source of funding of the Bank's operations were liabilities to clients. They represented 46.7% of total liabilities. At the end of 2000, liabilities to clients stood at PLN 7 606.4 million, up 3.4% compared to 1999. An exceptionally high level of deposits at the end of December 1999 (PLN 7 356.7 million) and their sharp drop in January 2000 (PLN 6 264.5 million) adversely affected the (year-on-year) growth rate of liabilities despite their gradual growth in successive months of 2000. A comparison of average annual balances is more indicative as it shows a 25.1% growth in this item.

Funds deposited by private banking clients had a significant share in total deposits. In December 2000, private banking deposits stood at PLN 2 667.6 million, 35% of the total. A year earlier, they represented 24% of the total client deposits with the Bank. This demonstrates the growing role of private banking as a source of funding for the Bank.

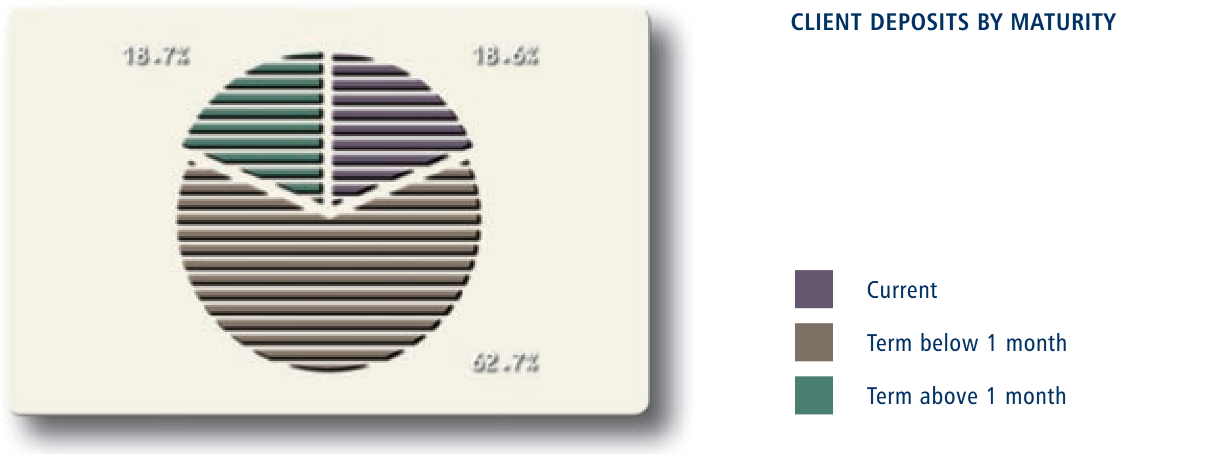
The breakdown of liabilities as at the end of 2000 and in previous years is shown below:

CHANGE IN LIABILITIES



Most of the deposits (77.3%) were PLN funds. FX deposits were typically in US$ (54.4% of fx deposits) and DM (21.2% of fx deposits), followed by € deposits (20.4% of total fx deposits). The total share of deposits in € and Euroland currencies in all fx deposits was ca. 44%; their share in all client deposits was ca. 10%.

CLIENT DEPOSITS BY MATURITY



Funding from Banks and Other Financial Institutions

The second largest source of funding of the Bank's operations were liabilities to banks and other financial institutions, even though those went down by 2.5% compared to 1999. Their share in total liabilities was 28.6% in 2000 (32.9% in 1999). The Bank's need for inter-bank funding diminished due to a € 200 million Eurobond issue by BRE International Finance B.V. a special purpose vehicle for the bank's international funding operations (the issue was accounted for under "Special Funds and Other Liabilities").

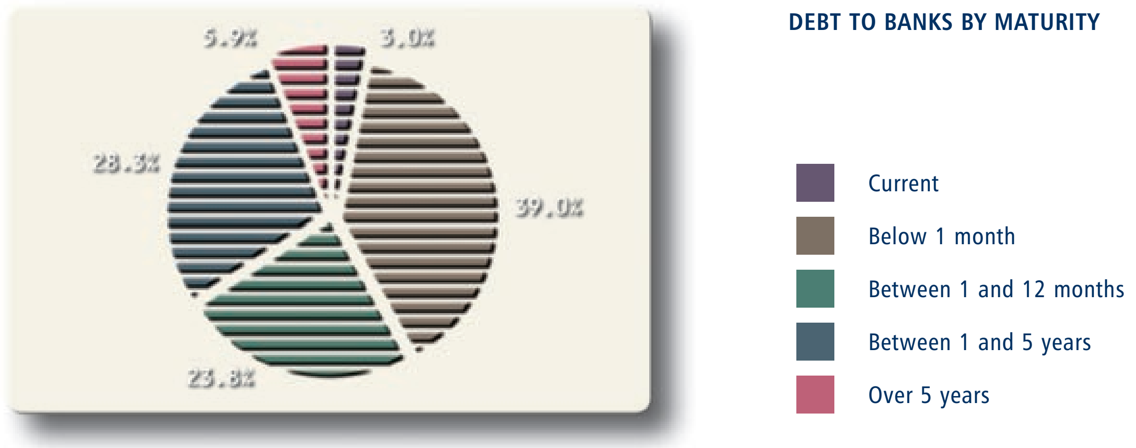
The Bank's total debt to the financial sector as at the end of December 2000 was PLN 4 663.4 million, both with respect to current accounts and term deposits with BRE Bank (44.8% of the Bank's debt to financial institutions) as well as credits and loans taken by BRE Bank in the domestic and international markets (54.1%).

Most of the funds provided by financial institutions were denominated in foreign currencies (60.9%) rather than zlotys (39.1%).

As at 31 December 2000, there were 17 utilised bank credits, including 4 taken in 2000. The Bank also used two credit lines extended by foreign banks and three other credit lines: from the European Investment Bank, from Efibanca, and from Kreditanstalt für Wiederaufbau.

The Bank's efforts to raise funding through credits from other financial institutions were much less intense in 2000 compared to previous years. Thanks to the successful issue of Eurobonds, BRE Bank raised sufficient funds, reducing its need for other funding.

Funds provided by banks and financial institutions are typically of much longer maturity than the debt owed to banking clients – see the chart below:



€ 200 Million Eurobonds Issue

In 2000, the Bank turned to a new source of funding. Through BRE International Finance B.V., a 100% BRE Bank-owned subsidiary seated in the Netherlands, the Bank issued five-year bonds in Euromarket. The rating agency Moody's assigned this issue a long-term credit rating of Baa1 (equal to the Republic of Poland's rating).

The Eurobonds were listed on the Luxembourg stock exchange. Their maturity is 9 June 2005.

Own Funds

The Bank's own funds (PLN 1 858.0 million) represented 11.4% of total liabilities, or 13.6% (PLN 2 213.8 million) including the net profit of 2000.

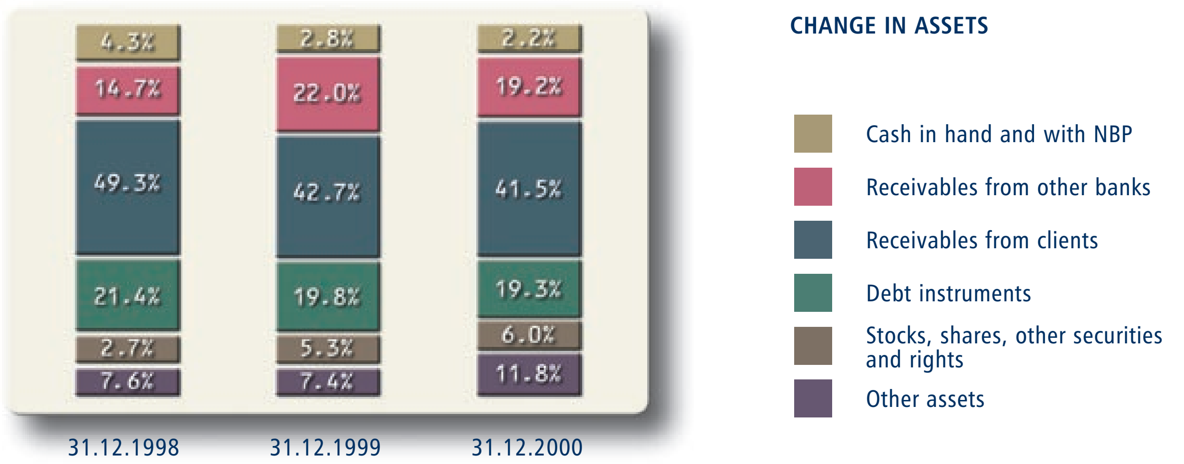
BANK'S ASSETS

As at the end of 2000, the Bank's balance sheet total was PLN 16 290.1 million, a growth of 12% compared to the year-end of 1999.

The largest share in the Bank's assets (41.5%) was that of receivables from clients, which stood at PLN 6 760.9 million at the end of December 2000, a growth of 8.7%.

Given deteriorating domestic market conditions and high interest rates that have largely suppressed demand for loans, the overall growth rate of the portfolio was lower than in 1999.

The breakdown of assets on a comparative basis is shown below:



The second largest item were debt instruments: 19.3% of total assets. Compared to the end of 1999, at PLN 3 137.9 million the portfolio's value was up 9.1%.

Among debt instruments, the share of monetary bills issued by NBP grew to 28.3%, more than the share of Treasury bills, until recently the largest item of the portfolio. The relatively high share of Treasury bonds remained largely unchanged, although now the bonds were mostly denominated in foreign currencies (37.3% of the portfolio, compared to 28.8% in 1999).

The share of receivables from other banks in total assets remained almost unchanged with 19.2%, equivalent to PLN 3 126.5 million.

Stocks and shares in other companies, including other securities and rights, represented 6% of the assets and stood at PLN 984.3 million at the end of 2000, compared to PLN 765.6 million in 1999. The value of stocks and shares in subsidiaries and affiliates grew by PLN 149.8 million, a result of the expansion of the Group and equity investment in Group companies.

LENDING AND GUARANTEES

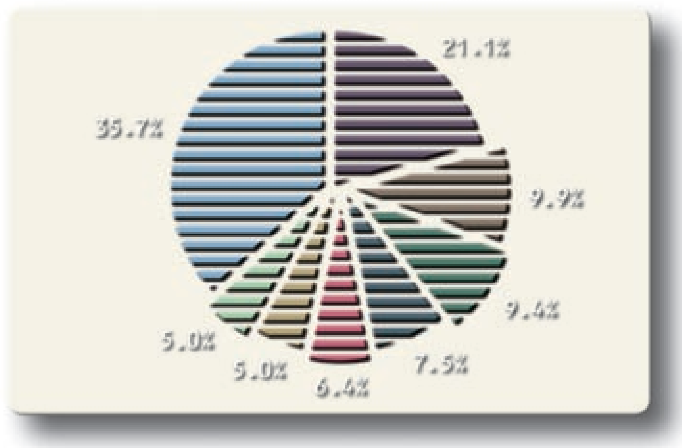
The Loan Portfolio

The Bank's receivables from clients at the end of 2000 amounted to PLN 6 760.9 million, 8.7% more than in 1999. The Bank's share in this lending sector remained unchanged with 4% in 2000 (4.2% in 1999).

Of loans given to clients, the highest share was traditionally that of loans to trade companies (21.1%).

A new development in 2000 was the relatively high (9.4%) share of loans to non-corporate clients, including loans to private banking clients as well as instalment loans granted by BEST SA.

The loan portfolio by borrower as at the end of December 2000 is shown below:



PORTFOLIO BY BORROWER

- Trade
- Transport, vehicles
- Non-corporate clients
- Real estate service
- Food industry
- Construction
- Financial services
- Other

The breakdown of loans by debt type was similar to that of 1999. The share of overdraft facilities grew by a narrow 2.6% (after 17.8% in 1999), while that of working capital loans fell (29.4% of the portfolio at the end of 1999).

The breakdown of loans by type in 2000 was as follows:

• Investment loans	41.9%
• Working capital loans	25.3%
• Overdraft facilities	20.4%
• Revolving loans	9.1%
• Other loans	3.3%

In terms of currencies, half of all loans were PLN loans (54.5% at the end of December 1999). Among fx loans, the highest share was that of US$ loans (26.6% of all receivables from clients), DM loans (13.4%) and € loans (7.1%). The total share of loans in € and Euroland currencies was 26.6% of the loan portfolio, and over 53% of all fx loans.

Loans by maturity (outstanding period until repayment as of the balance sheet date) show a similar breakdown as in 1999: the majority of the loans (59.8% including overdraft facilities) were loans with maturity below 1 year.

LOAN PORTFOLIO BY MATURITY

The share of irregular loans reached 12.9% of all gross receivables from clients (7.2% at the end of 1999).

The statistical deterioration of the portfolio quality was due to:

- weaker market conditions in Poland;
- Bank's exposure to sectors where privatisation is delayed, adversely affecting the financial standing of borrowers;
- restructuring undertaken by new owners;
- Banking Supervision Commission's (KNB) more stringent interpretation of borrowers classification and credit rating.

Importantly, the same issues were noted across the Polish banking sector, as reflected in the growing ratios of irregular corporate loans: 16.7% in September 2000, compared to 15.8% at the end of 1999. In this context, BRE Bank's irregular loans ratio of 9.6% in 3Q 2000 suggests robust management of the Bank's credit risk.

Among irregular loans, the highest share was that of substandard loans (4.9%). Doubtful loans accounted for 4.5% of the portfolio (2.5% in December 1999), while lost loans represented 3.5% of the portfolio, a growth of only 1.1 percentage points over 1999.

[1] All conversions into US$ use the fx rate quoted at the end of December 2000: 4.14 PLN/US$

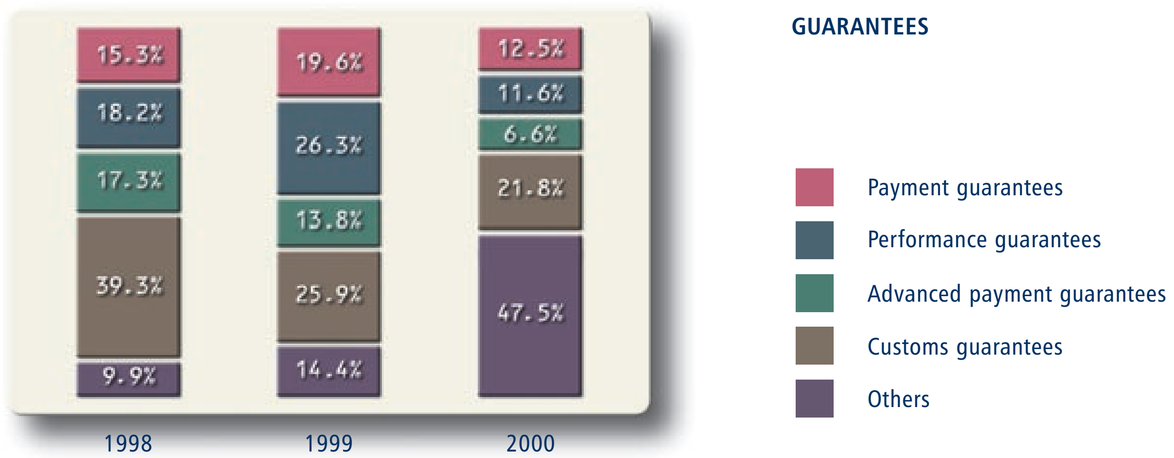
Guarantees

As at the end of December 2000, the value of off-balance-sheet liabilities under extended guarantees was PLN 1 911.8 million, a growth of 132.9% compared to the year-end of 1999.

The largest item that contributed to the growth was the five-year guarantee to BRE Bank's subsidiary BRE International Finance B.V. related to its issue of a € 200 million Eurobond; as at the end of December 2000, it was worth PLN 770.9 million.

Given its size, the said guarantee affected the structure of the guarantee portfolio and caused a change in its currency breakdown. As at the end of December 2000, fx guarantees represented 65% of the portfolio; PLN guarantees still prevailed in December 1999. The breakdown of the portfolio by type also changed: until recently, customs guarantees accounted for the highest share.

The breakdown of the portfolio by type as at 31 December 2000 is shown below:



"Others" includes the guarantee to BRE International Finance representing 40.8% of the total portfolio.

Due to the aforementioned guarantee, the breakdown of the portfolio by sector also changed: 48.4% of the total are guarantees granted to financial services sector companies excluding insurance and pension funds, 16.2% are guarantees to wholesale or retail trade companies, 13% to construction companies.

In 2000, the breakdown of the portfolio by maturity also changed in favour of longer-term guarantees. Guarantees by maturity as at 31 December 2000 were as follows:

- 41.6% - maturity over 5 years;
- 24.4% - maturity between 1 and 5 years;
- 25.1% - maturity between 3 and 12 months;
- 8.9% - maturity below 3 months.

BRE BANK GROUP

The aspiration to meet all clients' needs even beyond typical and ordinary banking services has been the main rationale for developing BRE Bank Group comprising specialised companies owned or co-owned by the Bank.

The Bank's investments in subsidiaries and affiliates, most of which are of strategic importance to the BRE Bank Group, grew by PLN 149.8 million through capital increases in the Group companies and through the acquisition or creation of new companies.

The Bank's major equity transactions in 2000 include:

- acquisition of Intermarket Factoring Bank AG, Vienna, (51.43% of shares) and its Czech subsidiary Transfinance a.s. (50% of shares);
- acquisition of 50% of shares in BRE Private Equity Sp. z o.o. (formerly Everest Capital Polska) to be merged with BRE Private Equity I (formerly BRE/Cresco Management); the balance-sheet value of shares held in the two companies at the end of 2000 was PLN 32.7 million;
- two new limited partnerships were set up: BRELINVEST Sp. z o.o. Fly 1 and BRELINVEST Sp. z o.o. Fly 2, to finance a leveraged lease (acquisition of two aircraft) for the Polish airline PLL LOT SA; at year-end, BRE Bank's investment amounted to ca. PLN 30 million;
- BRE Asset Management SA was set up;
- BRE International Finance B.V., Amsterdam, a special purpose vehicle for the bank's international funding operations;
- acquisition of shares in newly established BRE.locum Sp. z o.o. to operate as a real estate developer; the Bank's stake in its share capital at the end of 2000 was 70% with an investment of PLN 2.8 million.

In 2000, BRE Bank sold BRE Rachunkowość Sp. z o.o. (45% of shares) to the other shareholders.

Ownership of the joint ventures of the Bank and STU Hestia Insurance changed due to ownership changes within Hestia. The arrival of a new shareholder of Hestia necessitated amicable termination of co-operation. Hestia divested from BRE Hestia Service and PTE Skarbiec-Emerytura while BRE Bank sold its investment in STU n.Ż. Alte Leipziger Hestia to Alte Leipziger Europa. Now BRE Bank does not hold an equity investment in the insurance sector.

The strategy of Group expansion aims at maximisation of synergies within the Group, and consequently maximisation of the Bank's earnings. In 2000, the Bank undertook far-reaching efforts to reorganise the Group and integrate its businesses. This led to the identification of strategic companies, including:

BEST SA

BEST is specialised to provide credit and insurance products and services.

Loans granted by BEST stood at nearly PLN 600 million in 2000. BEST is the fifth largest intermediary with an 8.5% share in the instalment credit market (*Prawo i Gospodarka*, 10 January 2001).

In 2000, BEST expanded its domestic branch network in all regions of Poland; it now has 124 outlets. BEST also launched its direct sales inspectors network and a call centre.

BRE Bank remained BEST's major shareholder with a stake of 81.9% of equity and 90% of votes at the end of 2000.

BMF SA

BMF provides corporate finance and mergers and acquisitions advisory and – in cooperation with BRE Bank Securities – arranges public share issues.

BMF has been the leading corporate finance advisor in Poland for the several years.

The value of transactions advised by BMF amounted to more than PLN 4 billion in 2000 alone.

BRE Asset Management SA

BRE Asset Management SA is a new subsidiary of BRE Bank Group, set up in September 2000. BRE Bank holds 80% of its shares worth PLN 1.6 million; the other shareholder is The Foundation for Polish Science (Fundacja na Rzecz Nauki Polskiej).

The core business of the company is to manage clients' securities portfolios and offer advisory services in securities trading.

BRE Hestia Service Sp. z o.o. (as of 2001: Skarbiec Serwis Finansowy)

The company distributes retail financial products. It sells insurance products (property insurance, life insurance, pension funds of OFE Skarbiec-Emerytura), investment fund products of Skarbiec TFI, mortgage loans, and mBank products.

To provide for the company's further market expansion, it was given a capital injection in 2000. BRE Bank, holding a 51% stake, raised its investment by PLN 1.5 million to PLN 6.5 million. As the other shareholder, Hestia Insurance, divested, the Bank acquired the remaining 49% of shares, likely to be later sold to ADIG. Consequently, BRE Bank's investment grew to PLN 16.7 million at the end of 2000.

BRE Leasing Sp. z o.o.

BRE Leasing Sp. z o.o. ranks second among all leasing companies in Poland, up from number three (1999) due to the 32.2% growth in leased assets in 2000 (PLN 723.1 million).

In the past year, the company launched a new product, "leasing limit", used to finance multi-phase investment: the client is offered a commitment to finance investment programmes, including a guarantee of fixed financial terms and conditions. The company also developed its co-operation with suppliers (suppliers leasing programmes) to offer clients both a product and its financing.

BRE Private Equity Sp. z o.o.

At the end of 2000, there were two National Investment Fund managing companies owned by BRE: BRE Private Equity I (formerly: BRE/Cresco Management) and BRE Private Equity (formerly: Everest Capital Polska). BRE Bank held a 50% stake in each.

The operations of BRE Private Equity I and BRE Private Equity were practically merged (joint location, management, staff). In 2000, both companies managed the assets of six NIFs.

Dom Inwestycyjny BRE Banku SA (BRE Bank Securities)

2000 was the second year BRE Bank Securities operated as a separate legal entity; the Bank remains its 100% owner.

BRE Bank Securities ranked first among all brokerage houses in terms of the number of forward transactions and third in terms of stock trading. For its achievements, BRE Bank Securities was twice awarded by the President of the Warsaw Stock Exchange in 2000.

BRE Bank Securities ranked third among all brokerage houses in terms of the number of issues in 2000.

This performance in the context of growing competition would not have been possible without new technologies. In May 2000, BRE Bank Securities launched the internet-based client service system BreBrokers. The system allows investors to execute securities transactions on the Warsaw Stock Exchange (GPW) and in the parallel market (CTO), trade in rights and derivatives, order money transfers, and acquire Treasury bonds and investment fund products managed by Skarbiec TFI. BreBrokers' website (www.brebrokers.com.pl) provides real-time access to all information necessary to make investment decisions.

In 2000, BRE Bank Securities received an PLN 8.7 million capital injection from BRE Bank which acquired new shares. Consequently, the share capital of BRE Bank Securities grew from PLN 26 million to PLN 34.7 million.

Intermarket Factoring Bank AG

Intermarket Factoring Bank AG is a new subsidiary of BRE Bank Group. The Bank acquired 51.43% of its shares from the previous shareholders, a group of Austrian banks.

Intermarket Factoring Bank is the leading factoring institution in Austria with a 50% market share, and Intermarket Bank group is the market leader in Central and Eastern Europe.

BRE Bank's investment in Intermarket Factoring Bank has strengthened the factoring operations of the Group. Additionally, Intermarket Factoring Bank is a shareholder of Polfactor.

PTE Skarbiec-Emerytura SA

The pension fund company which manages the pension fund Skarbiec-Emerytura launched its operations on 1 March 1999. By the end of 2000, the fund had 388.7 thousand subscribers and net assets of PLN 234.3 million.

In 2000, the Bank's investment in Skarbiec-Emerytura grew by PLN 15.6 million to PLN 159.8 million, while its percentage stake remained unchanged at 75%. In January 2001, BRE Bank bought the remaining 25% from Hestia Insurance. The Bank plans to reduce its investment to a target 51%.

RHEINHYP-BRE Bank Hipoteczny SA

In 2000, the mortgage bank RHEINHYP-BRE Bank Hipoteczny received an PLN 85 million capital injection (PLN 41.7 million from BRE Bank alone). Consequently, BRE Bank's investment grew to PLN 66.2 million while its stake remained unchanged (49% at the year-end of 2000). In early 2001, BRE Bank acquired another 1% of shares, its stake growing to 50%.

A milestone of 2000 was the bank's first issue of mortgage bonds (PLN 5 million) in post-war Poland. The bonds' maturity is 5 years. CERA rated the bank's bonds as AA+, the highest rating so far, equal to that of the State Treasury. The issue was acquired in a private placement targeting institutional investors.

RHEINHYP-BRE Bank Hipoteczny operates through a network of regional outlets across Poland. It is present in the 15 largest cities, has recently opened branches in Gdańsk and Olsztyn, and plans to open a branch in Kielce.

Skarbiec TFI SA

Skarbiec TFI SA, founded by BRE Bank and German ADIG (a subsidiary of Commerzbank AG), is one of the fastest growing investment fund companies in the Polish market. Continuing growth in assets under management has ensured the company's strong position among all funds. Skarbiec TFI offers diversified investment opportunities.

In 2000, Skarbiec TFI ranked number one among all funds with 39% of total assets invested in the domestic funds market.

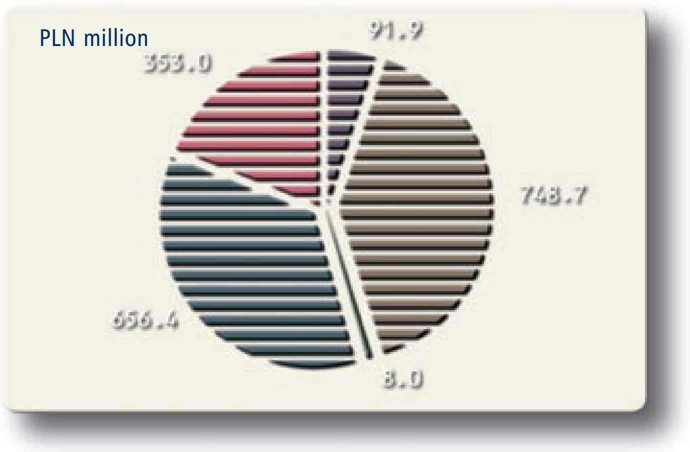
The greatest contribution to the performance of Skarbiec TFI was that of the dividend fund Kasa2 offered to legal entities. Its assets stood at nearly PLN 2 billion at the end of 2000.

In the past year, the ownership structure of Skarbiec TFI changed. The changes were aimed at ensuring the strategic company's strong market position enabling the launch of new funds. BRE Bank's percentage stake decreased from 60% to 51% as the Bank sold some shares to ADIG, now holding a 49% stake. With a share capital increase to PLN 66 million, BRE Bank's investment in Skarbiec TFI grew by PLN 17 million to PLN 34 million.

SHAREHOLDERS AND EQUITY

There were no material changes among BRE Bank's shareholders in 2000: Commerzbank AG remains the only shareholder holding more than 5% of the votes.

Commerzbank's stake in the Bank's equity in 2000 grew from 48.74% to 50%. Hence BRE Bank will on the one hand need to consolidate its financial statements drawn up under international standards within the Commerzbank Group; and on the other hand, its credit worthiness in international financial markets has improved.



BRE BANK'S OWN FUNDS AS AT THE END OF 2000

In 2000, the Bank's share capital was raised by PLN 682 thousand through a new issue of 170 500 shares under the management stock option programme approved by the General Meeting of Shareholders on 24 May 2000. The options had been allocated to the Bank's Management in 1997. The nominal value was PLN 4 per one share, the issue price was fixed in 1997 at PLN 71.35, the average of 20 successive quotations starting on 23 June 1997. The total value of the issue was PLN 12.2 million; deducting commissions and other cost, the Bank's own funds grew by PLN 11.5 million: its share capital grew by PLN 0.7 million and its reserve capital by PLN 10.8 million. The capital increase was registered by the court on 15 September 2000.

Considering the positive effects of this incentive scheme for the Bank's managers, the General Meeting of Shareholders decided to allocate another 479,500 three-year options which can be exercised (converted into shares) in 2003. The new scheme covers 155 managers of the Bank and Group companies.

In addition to the increase of share capital, the Bank's own funds grew in 2000 also due to the allocation of the 1999 profit: PLN 361.1 million was allocated to reserve capital, PLN 120 million to the general banking risk fund; on the whole, the Bank's own funds grew by PLN 481.1 million.

The Bank's own funds stood at PLN 1 858.0 million at the end of 2000, 36% more than in 1999.

ORGANISATION AND MANAGEMENT

ORGANISATION AND MANAGEMENT

Change on the Bank's Management Board and Supervisory Board

The Thirteenth General Meeting of Shareholders held on 24 May 2000 elected the Bank's Supervisory Board consisting of:

Mr Krzysztof Szwarc - Chairman

Mr Klaus-Peter Müller - Deputy Chairman

Members: **Ms Henryka Bochniarz, Mr Gromosław Czempiński, Mr Jan Guz, Mr Jan Kulczyk, Mr Maciej Leśny, Mr Andreas de Maizière, Mr Enrico Meucci, Mr Jan Szomburg, Mr Nicholas Teller, Mr Sławomir Wiatr.**

The Supervisory Board appointed its Executive Committee consisting of: **Mr Krzysztof Szwarc, Mr Klaus-Peter Müller, Mr Maciej Leśny, and Mr Andreas de Maizière.**

By Resolution of the Supervisory Board dated 24 May 2000, a new Management Board was appointed for a term of three years, consisting of:

WOJCIECH KOSTRZEWA
President and General Director

ANTON M. BURGHARDT
Deputy President and Bank Director

KRZYSZTOF KOKOT
Deputy President and Bank Director

HENRYK OKRZEJA
Deputy President and Bank Director

JAN ZIELIŃSKI
Deputy President, Bank Director, and Chief Accountant

SŁAWOMIR LACHOWSKI
Member, Bank Director

BRE Bank Group Organisation

In order to prepare the Bank's management system for new challenges, including cross-selling and market expansion in 2000, efforts were made to consolidate the operations of the Bank's Departments and selected subsidiaries working in the same businesses.

Consequently, Business Lines were identified, comprising Bank Departments and subsidiaries, responsible for strategic targets in the areas of investment banking, corporate banking, asset management and private banking, and retail banking. As a result, the Bank's existing organisation was not replaced but rather supplemented by a functional structure to better leverage capacities of the Group in market expansion.

Each of the Business Lines was assigned strategic subsidiaries, which are owned or co-owned by the Bank and provide financial services complementary to the Bank's. The Bank and its subsidiaries constitute the BRE Bank Group shown in the chart on the next page (as at 1 January 2001):

BRE BANK GROUP

	INVESTMENT BANKING	CORPORATE BANKING	RETIAL BANKING	ASSET MANAGEMENT AND PRIVATE BANKING
BANK	• Treasury • Capital markets • Specialised finance • Custody • Financial institutions	• Large corporates • SMEs • Trade finance	• Multibank • mBank	• Proprietary portfolio investments • Private Banking
STRATEGIC SUBSIDIARIES	• BRE Bank Securities • BMF	• RHEINHYP-BRE Bank Hipoteczny • BRE Leasing • Intermarket Factoring Bank - Polfactor* - Transfinance*	• BEST	• Skarbiec TFI • PTE Skarbiec-Emerytura • BRE Private Equity • BRE Asset Management • Skarbiec Serwis Finansowy
RISK MANAGEMENT AND OPERATIONS				
ACCOUNTING, IT, ADMINISTRATIONS, COMMUNICATIONS				

The other Departments of the Bank were also grouped into areas supporting banking operations, risk management, accounting, IT, communication (including strategy and development), and administration.

The Risk Division incorporates, as of the second half of 2000, a new Financial Risk Department responsible for two major tasks: integration of the risk management system through co-ordination of risk measurement methodologies with risk hedging and controlling; and the identification, measurement, and controlling of all risk categories across the Bank, independently of the financial risk decision-making units.

The organisation, operation, and co-ordination of all units in each area is the responsibility of a Management Board Member and a Bank Director.

According to strategic guidelines, the share of each Business Line in the Bank's gross operating profit will gradually change. The Bank's main source of income in the future will not be traditional banking services (their contribution to total income will decrease in the coming years), but asset management, financial advisory, financial engineering, and retail banking.

* BRE Bank also holds a direct stake

Branch Network

In the past year, the Bank's branch network was reorganised. 11 of the Bank's branches were transformed into Regional Branches, including those in Bydgoszcz, Gdańsk, Kraków, Katowice, Lublin, Łódź, Olsztyn, Poznań, Szczecin, Warsaw, and Wrocław. The other 14 outlets remained Branches.

In 2000, a new Branch was opened in Kalisz. At year-end, the Bank's branch network comprised 25 local outlets.

BRE BANK NETWORK

Quality Management

BRE Bank strives to ensure the best possible quality of its services. All operations of the Bank are aimed at providing top-quality financial services. This is possible thanks to state-of-the-art technologies, continuous training, and service standards.

BRE Bank was the first Polish bank to be ISO 9001 certified in February 1999 with its product "BRESOK Electronic Money Order". The challenge of the coming years is to be quality certified for all BRE Bank products, and in the future, to implement a Total Quality Management system (TQM).

Quality management is co-ordinated by the Plenipotentiary of the Management Board for Quality. The Bank's quality management system is subject to regular internal and third-party audits. The Bank's employees are trained in quality policy and quality standards binding at the Bank: more than half of all staff were trained in 2000.

e-BRE Project

The Bank launched its e-BRE project in the second half of 2000. It is a comprehensive effort to further digitalise and modernise the Bank and its strategic subsidiaries. The objective of the project is to develop a modern organisation using all opportunities allowed by state-of-the-art technologies both in internal communication and in client relations and service. The e-BRE project will develop a system of management information mining and storage to improve both the quantitative and the qualitative performance of the BRE Bank Group. One of the targets is to implement e-procurement to reduce the overheads of the Bank and its strategic subsidiaries.

The e-BRE project has already covered work on developing Customer Relationship Management systems, automatic reporting over the intranet, integration of the Bank's systems with Globus, extension of the WAN, internet access across the Group.

By introducing and establishing organisational culture relying on information technology, the e-BRE project will allow the BRE Bank Group to offer top-quality products and client service fit for the 21st century.

Human Resources, Training

At the end of 2000, the Bank employed 2 504 people, i.e., 350 more than a year before. The workforce grew in the second half of 2000, mainly due to the launch of retail banking, but also through recruitment in the IT area necessary for the e-BRE project.

The Bank's staff is relatively young: 64.4% are below the age of 35. A growing proportion (nearly 60%, compared to 54.4% in 1999) have higher education. Those employees of the Bank who took evening, weekend, or postgraduate courses were offered reimbursement of the cost; 235 people used this assistance in 2000.

BRE Bank puts a strong emphasis on improving professional qualifications. The Bank offers specialist, computer, and language training courses. As the Bank plans to apply for ISO certification for all of its products, it arranges thorough training in quality management.

A large group of employees (934 people) took part in external training; 208 persons were trained abroad.

IT System Management

Striving to remain a leader in banking technologies, the Bank regularly invests in software, hardware, and IT modification.

The major projects of 2000 include the GLOBUS system licence and maintenance agreement with Temenos. GLOBUS is a central system for corporate banking which will replace IBS-90 implemented in 1993. The first GLOBUS modules will be rendered operational in 2001; implementation is scheduled to be completed in mid-2002. The system will support the Bank's real-time financial operations. It will also supply updated management information necessary to monitor the Bank's business. GLOBUS implementation will use a new hardware platform installed in 2000 in the modernisation of IBS-90 (to cut down the transaction time).

In 2000, the Bank bought a Kondor+ system to ensure comprehensive service for money and capital market transactions through recording, valuation, and controlling of the Bank's position. The Retail Banking Line implemented the Altamira system.

As the Bank's internet-based services expand, a new internet version of the electronic banking system BRESOK has been developed. The system was also equipped with new features, enabling electronic post giros and direct debits.

In order to achieve strategic targets which require extensive use of information technology, the Bank's IT efforts were entrusted to specialised Departments responsible for IT planning and management, IT development and implementation, and IT operation and user support.

BUSINESS LINES

BUSINESS LINES

INVESTMENT BANKING

Money and Currency Markets

Money Market Instruments

In 2000, the Bank was actively involved in the interbank PLN and FX money markets, striving to ensure necessary liquidity and uninterrupted client service. The Bank accepted short-term deposits, took loans, and traded in securities.

The Bank had at the end of the year 2000 outstandings to banks and financial institutions of PLN 4 663.4 million (including short-term funds, with maturity below 1 year, at PLN 3 038.4 million). The Bank's gross receivables from other banks and financial institutions at the end of 2000 stood at PLN 3 195.4 million, including PLN 2 682.8 million in receivables with maturity below 1 year.

Throughout the year, the Bank maintained a relatively small proprietary portfolio of Treasury bills; as a primary market dealer, the Bank traded Treasury bills and ranked number one – just as in 1999 – among all Polish banks in the National Bank of Poland's ranking Dealers Activity Index.

Development of Derivatives

The year 2000 was another year of fast development in derivatives trading. Significant fluctuations of the PLN exchange rate against foreign currencies, in particular € and US$, increased clients' interest in fx hedging. There was increasing demand for PLN currency options on the part of international banks involved in operations in the Polish market. Consequently, the volume of trading in fx options grew three-fold while the Bank's market share expanded to 25%; the Bank also consolidated its position as a market maker.

Increasing demand also stimulated BRE Bank's efforts to extend its offer of hedging instruments. The Bank started to offer cross–currency interest rate swaps (CIRS) for corporate clients taking fx loans. The derivatives offer was also extended beyond traditiona l currencies (Czech Crown, Japanese Yen, Swiss Franc).

Given the central bank's two interest rates hikes in 2000, the Bank's clients were very interested in forward rate agreements (FRA) and interest rate swaps (IRS). As a result, the average balance of contracts opened in 2000 grew, compared to 1999, from PLN 3 billion to PLN 8 billion for IRS's and from PLN 6 billion to PLN 11 billion for FRA's.

BRE Bank's operations in the derivatives market in 2000 were highly evaluated in a survey arranged by the British financial magazine *RISK*. The Bank ranked first with respect to PLN forward rate agreements and short-term currency swaps.

Capital Markets

Debt Issues

BRE Bank arranges debt issues for corporate clients and banks. The total nominal value of debt instruments issued in 2000 through BRE Bank was PLN 4 403.2 million, a growth of 55% over 1999. The Bank worked with 26 issuers in 2000.

At the end of 2000, BRE Bank ranked third (*CERA,* 29 December 2000, No. 24 /88) in terms of the number of issues. In terms of outstanding debt issued (PLN 842.6 million as at 31 December 2000), the Bank ranked fifth among all debt issuing banks. Thus, in 2000, the Bank maintained its strong position in the debt market.

The largest issue programmes arranged in 2000 include the agreement with Autostrada Wielkopolska SA providing for a 37-year issue programme of subordinated discount and interest bonds; the nominal value of the first tranche was PLN 3 261.6 million. BRE Bank will also administer the financial flows of the A2 motorway construction project. Other major programmes include the issue of certificates of deposit with a nominal value of PLN 300 million for Opel Bank SA, and the issue of PLN 150 million short-term bonds for Browary Żywiec SA.

Mortgage Bonds

In the past year, BRE Bank signed an agreement whereby it arranged the first issue of mortgage bonds in post-war Poland for the mortgage bank RHEINHYP-BRE Bank Hipoteczny under a PLN 100 million Mortgage Bonds Issue Programme Agreement (private placement).

The mortgage bonds issued under the Programme were rated AA+ by CERA (equal to the local currency rating of the Republic of Poland) and will be one of the safest debt instruments available in the domestic market.

In June 2000, the first PLN 5 million tranche of mortgage bonds was issued. The bonds were mainly acquired by banks; this situation will prevail until investment restrictions for other financial institutions, including pension funds, investment funds, and insurance companies are lifted.

Warrants

2000 was a year of fast development in the warrants market. The scale of this expansion is best attested by the fact that while in 1999 warrants trading on the Warsaw Stock Exchange was worth only PLN 15 million, turnover in 2000 grew by several hundred percent.

In 2000, BRE Bank continued to issue successive series of warrants on stocks and stock market indices in the public market: 4 series of purchase and sale warrants on the WIG-20 index, 2 series of purchase warrants on the NIF index, and 20 series of purchase warrants on stocks of 10 listed companies. At the year-end, 26 series of purchase warrants on stocks of 13 listed companies were in trading.

BRE Bank's offer of WIG-20 warrants was also extended to 6 series; the maximum value of each series was raised three times, a direct consequence of investors' increasing demand for such warrants. As the new stock exchange system Warset was implemented, standards for all warrants were updated accordingly.

Specialised Finance

In the past year, the Bank continued to work actively as a provider of syndicated loans: BRE Bank took part in 17 transactions, including 7 as lead arranger and 10 as co-arranger. The Bank's total exposure under the syndicated loans granted in 2000 was PLN 527.2 million.

In 2000, a total of over 20 large syndicated loans (more than PLN 75 million each) with a total value of over PLN 8 billion were extended to Polish companies; banks operating in Poland lent over PLN 6 million. Of those, BRE Bank ranked third in terms of its contractual exposure (*Rzeczpospolita*, 25 January 2001).

The Bank also arranged another tranche of aircraft leasing worth US$ 34 million, and was increasingly active in financing mergers and acquisitions.

Custody

In 2000, BRE Bank strengthened its position as depository, best demonstrated by a five-time growth (from PLN 5.1 billion at the end of 1999 to PLN 29 billion at the end of 2000) in the value of deposited clients' assets.

This dynamic growth in assets is a result of both good co-operation with open-end pension funds and, primarily, new deposit contracts, including those for corporate bonds worth over PLN 3 261.0 million issued by Autostrada Wielkopolska SA. In 2000, the Bank also started co-operation with employee pension funds.

The scale and dynamics of the development of BRE Bank's custodial service in 2000 is illustrated by the figures below:

- 40% growth over 1999 in the average number of transactions cleared per month;
- 20% growth in the number of accounts operated at the end of 2000;
- growth from 5% to over 29% in the share of BRE Bank clients' assets in the total assets placed by depositories with the National Securities Deposit (KDPW);
- Bank's high share as a depository in transactions cleared through KDPW: ca. 12% by number of transactions and ca. 10% by value of transactions throughout 2000.

The Bank has broadened its custodial services. In 2000, based on top-quality computer systems ensuring security of assets and a broad range of reporting for clients, the Bank started to offer a comprehensive service including deposits and transactions on securities in domestic and foreign capital markets. Clients can also use a new product: loans of securities.

Stock Exchange Trading

In the past year, the most successful of the decade as measured by brokerage houses' turnover, BRE Bank Securities (Dom Inwestycyjny BRE Banku) remained number three among all houses in the stocks market with a market share of 6.4%.

In terms of the number of forward transactions, BRE Bank Securities ranked first among all brokerage houses with 351 thousand contracts, 11.7% of the total (*Rzeczpospolita*, 4 January 2001).

For its achievements, BRE Bank Securities was twice awarded by the President of the Warsaw Stock Exchange in 2000.

Primary Stock Market

In 2000, the public stock market was still affected by weak economic conditions. 52 public offerings were successfully performed by 23 brokerage houses. BRE Bank Securities organised 4 issues in the primary market and ranked third among all houses in terms of the number of issues.

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

In 2000, BRE Bank took part in underwriting consortia arranged for the largest public offerings in Poland i.e. the offerings of PKN Orlen SA and Netia Holdings SA.

In terms of the value of underwritten issues, BRE Bank was among the leading players in Poland.

Corporate Finance Advisory

BMF, a BRE Bank Group company, is a renowned provider of corporate finance and mergers and acquisitions advisory.

BMF is also an advisor in the privatisation of selected chemical companies (Zakłady Azotowe w Puławach, Zakłady Azotowe w Tarnowie-Mościcach, Zakłady Azotowe Kędzierzyn, Zakłady Chemiczne Police).

The major transactions of the past year in which BMF acted as advisor include:

- State Treasury's sale of shares in Metalexport, Opoczno, Będzin Power Plant (BMF acted as advisor to the buyer, MEAG);
- second public offering for PKN Orlen;
- acquisition by Pilkington International Holding, BMF's client, of shares in Pilkington Sandoglass;
- advisory for Gdynia Shipyard, TUiR Warta, Agency for Industrial Development (ARP), Kredyt Bank in the acquisition of PLO's new shares;
- advisory for BRE Bank in the acquisition of Intermarket Factoring Bank AG.

The value of transactions advised by BMF was over PLN 4 billion in 2000 alone.

CORPORATE BANKING

BRE Bank offers comprehensive and modern corporate financial services. In addition to current accounts, payment cards, diversified deposits, and a wide range of loans, clients are offered professional foreign trade finance products including letters of credit, documentary collection, forfaiting, factoring, guarantees and bonds, and fx hedging instruments.

Foreign Trade Finance

In Poland's foreign trade, 2000 closed at US$ 28 277 million in exports, a 7.3% growth over 1999, and US$ 41 422 million in imports, a 1.7% growth.

The share of BRE Bank (excluding capital flows) in foreign trade finance was 14%, compared to 15.5% in 1999. The share was higher for exports (15.4% of Polish exports) than for imports (13%).

Foreign trade transactions executed by BRE Bank in 2000 were worth US$ 9 746.2 million, including US$ 4 350.5 million in exports and US$ 5 395.7 million in imports.

The Bank's service relies on an extensive network of correspondents (banks with whom BRE Bank has exchanged swift and/or telex keys): 1 450 at the end of 2000, including 35 nostro correspondents and 72 loro correspondents. The Bank also takes advantage of the global network of correspondents of its strategic shareholder, Commerzbank.

Export transactions related to capital flows were worth US$ 239.6 million, while similar import transactions stood at US$ 911.1 million. The total value of capital transactions was US$ 1 150.7 million.

Although the average value per one transaction in foreign trade fell, the Bank noted a high increase in the number of transactions (up 15%), a result of the Bank's intense efforts in foreign trade finance and a good prospect for the future.

Leasing

Through its specialised subsidiary, BRE Leasing Sp. z o.o., BRE Bank offers the full range of leasing services. In 2000, BRE Leasing reported a 32.2% growth in leased assets (PLN 723.1 million).

The share of leased machinery and equipment in the overall portfolio of leasing contracts executed in 2000 was 41%. The share of commercial road vehicles was 33.8%, and that of other commercial vehicles 23.4% (including two EMBRAER aircraft leased to LOT).

Factoring

In 2000, BRE Bank consolidated the factoring operations of the Group: the existing subsidiary Polfactor was joined by Intermarket Factoring Bank AG, Vienna and Transfinance a.s., Prague.

Intermarket Factoring Bank, a member of the BRE Bank Group, is the leading factoring institution in Austria and in the Central and Eastern European markets. BRE Bank also acquired 50% of shares in Intermarket Factoring Bank's Czech subsidiary, Transfinance a.s.

The investment will help BRE Bank's leading and active contribution in the development of factoring services, both in Poland and in the region.

Mortgage Loans

The BRE Bank Group offers mortgage loans for residential and commercial real estate construction through RHEINHYP-BRE Bank Hipoteczny. The bank offers an exceptionally long term of financing: up to 25 years for retail clients and up to 15 years for real estate developers.

RHEINHYP-BRE Bank Hipoteczny launched its lending operations in March 2000. Its loan portfolio (over PLN 63 million at the end of 2000) mainly consists of loans extended to SMEs for modernisation, repair, and acquisition of small residential and commercial real estate property; the majority of loans is denominated in €.

ASSET MANAGEMENT

As planned, fund management plays an increasing role in the operations of the BRE Bank Group. Assets under management grow steadily, from pension funds, through investment funds, to private equity funds.

BRE Bank Investment in Stocks and Shares

In 2000, the Bank's portfolio of stocks, shares, and other securities and rights grew as a consequence of the pursued strategy including both further expansion of the BRE Bank Group and a stronger focus on the management of a proprietary portfolio of stocks and shares.

The balance-sheet value of stocks, shares, other securities and rights held by the Bank grew to PLN 984.3 million, up PLN 218.7 million from 1999. Although the Bank disposed of shares in 13 companies in 2000, the total number of companies it has invested in rose from 65 in 1999 to 71 at the end of December 2000. In addition, some companies witnessed ownership changes due to preparations for the Bank's new 2001-2006 strategy.

Long-Term Equity Investment

Pursuant to its strategy, BRE Bank together with its Group last year committed to a number of investments in stocks and shares of companies of business sectors that offer above-average returns in a longer term.

Of such investments, the largest in 2000 was the acquisition of shares in cable.com SA, a company set up as a holding to control businesses operating in the wideband wire data transmission. Together with Computerland SA, the Bank signed an agreement to establish eCard SA, an e-commerce company specialising in servicing internet-based trade; another shareholder in eCard SA is WBK.

In 2000, the Bank together with its subsidiaries acquired 19.78% of Optimus shares representing 43.2% of the votes. The Bank and ITI Holding SA, strategic investor, signed a preliminary sale/purchase agreement for the entire package of Optimus shares. A part of the selling price will be paid in cash, and the other part in bonds convertible into shares to be issued by ITI Holding SA in an IPO. The final agreement will be executed by the parties in 2001 when the conditions precedent are met.

Under the agreement, Optimus will be split into an IT/integration part (Technologies) and an internet portal. ITI is the strategic investor for Onet, which is of paramount importance to the future of the portal and to further growth in the number of its users. The separation of Onet from the Optimus Group is also to the advantage of the other companies of the holding as it enables independent development of the most attractive subsidiaries in the IT/integration part.

In addition, BRE Bank holds a call option to buy from ITI some of the shares to be acquired by ITI in the technologies company formed after the split of Optimus.

The Bank and Optimus also executed an agreement providing for a new company to be set up in order to operate the largest Polish B2B electronic transactions and trade platform. Commerce One (a leading provider of B2B e-commerce platform technologies and global solutions) may also be involved in the project. At its launch, the B2B platform should attract many of the Bank's corporate clients; the Bank will also be the first-choice clearing institution for all users of the platform.

In addition to stocks and shares, BRE Bank's investment portfolio in 2000 also included units of participation in three investment funds, including PLN 150 million in the Skarbiec TFI dividend fund Kasa2.

At the end of 2000, the Bank's total equity investment was equal to 52.7% of its own funds (the cap under the Banking Law is 60%).

Pension Funds

Of the 21 pension fund companies operating in the market, PTE Skarbiec-Emerytura, a member of the BRE Bank Group, ranks third in terms of its per annum rate of return. Due to professional management of assets, units of participation in Skarbiec-Emerytura were each worth PLN 13.3, a return rate of 18.29%.

At the end of December 2000, its net assets managed by PTE Skarbiec-Emerytura amounted to PLN 234.3 million.

Investment Funds

At the end of 2000, total assets managed by all investment funds operating in Poland stood at PLN 6.65 billion, more than twice the amount of the 1999 figure. Skarbiec TFI, a member of the BRE Bank Group, managed 39% of those total assets, compared to 19% a year earlier (*Rzeczpospolita,* 17 January 2001).

In 2000, Skarbiec TFI ranked first in the investment funds market, leaving the previous leaders, Pioneer and DWS, far behind.

The greatest contribution to the performance of Skarbiec TFI was that of the dividend fund Kasa2 open to legal entities. Even though other investment fund companies have also offered dividend funds, Skarbiec TFI's product was the most attractive. Kasa2 assets stood at nearly PLN 2 billion at the end of 2000. By comparison, the total value of funds managed by all dividend funds in Poland was PLN 2.6 billion at the end of 2000.

As in previous years, the company's operations in 2000 focused on fund management. Of its funds, the best investment in 2000 was Sezam I whose investment certificates grew by 377% in value. Other funds also produced very good performance: the balanced fund Skarbiec Waga generated returns of 19.76%, Skarbiec Akcja 18.15%, the money market fund Skarbiec Kasa 16.15%, and Skarbiec Obligacja 15.93%.

Private Equity Funds

Private equity funds were managed by two BRE Bank Group companies: BRE Private Equity I and BRE Private Equity.

In 2000, both companies managed the assets of six NIFs: Fund 1. Pierwszy NFI, V NFI Victoria, VII NFI im. Kazimierza Wielkiego (until October 2000), X NFI Foksal (until September 2000), XIII NFI Fortuna, and XIV Zachodni Fundusz Inwestycyjny.

The net assets managed by both companies amounted to PLN 805.1 million at the end of 2000.

Securities Portfolio Management Service

BRE Asset Management SA is a new subsidiary of the BRE Bank Group licensed by the Securities and Exchange Commission (KPWiG) in November 2000. The company manages clients' securities portfolios and offers advisory in securities trading.

BRE Asset Management will take over the portfolio management function of BRE Securities.

Financial Intermediation

BRE Bank's strategic subsidiaries of the Asset Management Line include Skarbiec Serwis Finansowy. The company distributes retail financial products, e.g.: life and non-life insurance, pension funds of PTE Skarbiec-Emerytura, investment fund products of Skarbiec TFI.

RETAIL BANKING

BRE Bank has started to develop its retail banking service to achieve the specific financial benefit of a stable source of recurring revenues. Moreover, modern retail banking reduces overheads and makes the Bank more independent of interbank and capital markets funding.

BRE Bank's retail banking strategy includes two projects: mBank and Multibank. Both will initially operate within the Bank but will later be turned into stand-alone companies since BRE Bank does not plan to become a universal bank but rather remain a corporate service provider. The two retail franchises, mBank and Multibank, may in the future (within approximately five years) be floated on the public market.

Retail service is also offered by BEST, a strategic subsidiary of the BRE Bank Group.

mBank

mBank is the first fully virtual retail bank in Poland and in Central and Eastern Europe. It launched its operations on 26 November 2000. mBank introduced two bank accounts with attractive interest rates plus the debit card VISA Electron.

Since the launch of mBank, there has been very strong interest in its offer. An average 400 accounts are opened daily. At the end of 2000, five weeks into its business, mBank operated 15 thousand accounts, ranking second, after WBK (40 thousand clients), on par with BPH, and ahead of Handlobank, Pekao SA, and Fortis Bank. The continued high growth in new accounts suggests that mBank will operate at least 100 thousand accounts at the end of 2001, thus becoming the leader in this sector.

The new business model of retail banking, introduced in Poland by mBank, consists in:

- discounted pricing, including both interest rates and fees and commissions charged for transactions;
- no brick-and-mortar outlets, access through modern distribution channels: fixed-line or mobile telephone (SMS, WAP), internet, ATM, debit card;
- high-tech IT enabling real-time operations.

mBank incorporates all those features. The effective per annum interest rate offered for eMAX savings accounts at the time of its launch was higher than that for most term deposits in traditional banks. The interest rate for eKONTO, the savings and current account, was twice that offered by other banks. mBank comes as a breakthrough in retail banking deposits.

Despite the very high interest rates on eMAX (16.5%) and eKONTO accounts (15.5%), the new business model ensures a profitable interest margin against interbank market rates (WIBOR 1M) of 3 to 4 percentage points.

Multibank

Another project in BRE Bank's retail banking activities is Multibank, a brick-and-click concept combining traditional and state-of-the-art banking technologies. A pilot project will be launched in the first half of 2001; Multibank will open its full operations following the testing phase, possibly in the autumn of 2001.

Multibank will target demanding retail clients and entrepreneurs who use modern banking technology but in exceptional situations expect to be serviced at the bank branch. Multibank will mainly rely on remote access channels; its outlets will provide consulting and information thus helping the client to adapt to internet banking.

Credit Intermediation

BEST, a credit and insurance intermediary, doubled its portfolio of loans in 2000 compared to 1999. BEST not only remained number five in the market but also caught up with its competitors. The number of contracts executed was 187 thousand.

BEST's share in the instalment loans market was 8.5% (*Prawo i Gospodarka*, 10 January 2001).

BEST's portfolio is dominated by cash loans given in collaboration with BRE Bank, Bank Śląski, and PKO BP. In its insurance business, BEST co-operates with Hestia Insurance, Compensa, and EnergoAsekuracja.

PLANS AND PROSPECTS

PLANS AND PROSPECTS

Market Objectives

The Bank's objectives for the coming years focus on retaining the profile of a corporate bank with a very strong and robust market position in investment banking, asset management and private banking, and the development of a state-of-the-art retail banking franchise using high-tech distribution channels, to be later floated as a stand-alone company.

The Bank's strategy provides for a sustained high share of corporate banking in the most profitable sector of large corporations (a market share of 25-27% by number of companies) and a growing share (10%) in the fastest developing market of medium-sized enterprises.

Further expansion of the Bank's corporate client base will be supported by closer co-operation between the BRE Bank Group and Commerzbank subsidiaries. In addition to opportunities of attracting the strategic partner's clients and enhancing services offered to the Bank's own clients, the co-operation will also help to regionalise the operations of the BRE Bank Group and the Commerzbank Group. A coherent regional policy of customer service, especially in factoring, leasing, mortgage banking, asset management, and advisory service, will ensure better market expansion and reduce its cost.

In the coming two years, the Bank's client base will be extended to the group of retail clients, using electronic distribution channels and a network of small, automated branches. The offer targets individuals who live in large cities as well as small family businesses. It will provide the Bank with a stable deposit base, add consumer loans to its product range, and boost the share of commission income.

The Bank will continue to pursue its active policy of selective proprietary equity investments in those sectors which offer above-average returns.

The Bank also plans to reach out to foreign markets, especially with factoring or advisory services at an early phase.

BRE Bank's strategy should ensure the Bank's stable position among the top five banks in Poland in terms of equity and assets in the long term.

Financial Objectives and Targets

In 2001-2002, BRE Bank hopes to achieve real ROE of 14% and 15%, respectively; the ratio will grow in successive years to reach 19% in 2006.

The Bank's capital will grow in the coming years exclusively through the allocation of approximately two-thirds of generated profits. The Bank does not plan further large issues of shares, with the exception of smaller issues necessary to implement the management stock option scheme. If in need of additional capital, the Bank will use subordinated loans.

Closer co-operation within the Group will lead to cost savings, especially in legal service, administration, human resources, IT, promotion and advertising. This, combined with other measures, will help the Bank achieve a cost/income ratio of 45% (now 58.1%) within six years, assuming that costs will need to grow as the scope of business expands.

Enhanced Shareholder Value

As BRE Bank consolidates its position in Poland, expands to selected foreign markets, and represents Commerzbank in selected markets of Central and Eastern Europe, the Bank will win a strong position within the Commerzbank Group; combined with the planned financial consolidation at the Group level this should boost the valuation of BRE Bank.

This in turn should provide the Shareholders with maximum return on their capital invested. According to the strategy, one third of the Bank's profit will be paid out as dividend.

The stable dividend policy and sustained improvement of the Bank's financial performance as well as a growing market value of BRE Bank Group companies should enhance the Bank's share price on the stock market.

BRE Bank Group Reorganisation

Efficient provision of financial services of the entire BRE Bank Group requires growing capacities of the Bank and a new sales policy. The sales force of each Group company should not only specialise in selected products or customer segments but also offer and promote all of the Group's products within their specialised business.

As the Bank prepares for the implementation of the new capital adequacy standards (BIS) in the banking system, which will introduce more stringent requirements and more thorough risk assessment, BRE Bank will undertake research, further develop its risk assessment systems, and co-operate closely with Commerzbank.

2001 Financial Projections

According to the Bank's projections for 2001, its net profit is expected to reach PLN 404 million. The Bank's financial plan provides for an improved balance sheet structure due to a growing share of client deposits; sustained growth of interest income; 20-25% growth in commission income and foreign trade finance; high capital gains (representing over 20% of operating income); high quality of the loan portfolio; and a sustained ratio of provisions for irregular loans.

Due to stringent controlling of personnel and non-personnel expenses, the cost/income ratio should be lower than in 2000: 53%.

Return on equity (ROE) in nominal terms is projected to reach 20.2% in 2001; the Bank's solvency ratio is projected at 12.8%. As a result, the Bank's earning per share (EPS) will be PLN 17.61.

FINANCIAL REPORT

The abbreviated financial report of BRE Bank SA for the year ended 31 December 2000 that follows was prepared on the basis of the financial statements of the Bank for the above period. It does not contain all data presented in the financial statements of BRE Bank SA as at and for the year ended 31 December 2000. 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 2000 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 2000 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 2000. The Registered Auditor's opinion on the financial statements of BRE Bank SA as at and for the year ended 31 December 2000 was expressed exclusively in those financial statements and was signed by PricewaterhouseCoopers Sp. z o.o. on 15 February 2001.
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 ON THE ABBREVIATED FINANCIAL REPORT TO THE SHAREHOLDERS OF BRE BANK SA

The attached abbreviated financial report of BRE Bank SA, Warsaw, 18 Senatorska Street (hereafter referred to as "the Bank") was prepared by the Management Board of the Bank based on the audited annual financial statements of the Bank for the year ended 31 December 2000 ("the financial statements").

We have audited the annual financial statements of the Bank from which the abbreviated financial report was derived. On 15 February 2001 we issued an unqualified audit opinion on these financial statements.

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

For a better understanding of the Bank's financial position and the results of its operation for the year ended 31 December 2000, 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 it was derived and our audit report thereon.

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

Antoni F. Reczek
Chairman of the Management Board

Registered Auditor
No. 90011/503

PricewaterhouseCoopers Sp. z o.o.

Registered Audit Company
No. 144

Warsaw, 15 February 2001

INTRODUCTION TO THE 2000 ABBREVIATED FINANCIAL REPORT

1. Basic information about the Bank

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

The Bank is engaged in providing banking and financial consulting services as well as business operations within the scope defined in the Bank's Articles of Association.

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

The Bank may open and maintain accounts in Polish and foreign banks and has a foreign exchange permit.

The Bank engages in the following:

1) banking activities:

- maintaining bank accounts;
- accepting savings and deposits;
- clearing financial transactions;
- granting and taking out loans;
- transactions in bills of exchange and cheques;
- issuing and accepting guarantees and warranties;
- foreign exchange transactions and financial services with respect to foreign trade;
- servicing government loans;
- issuing securities, trading in the said securities and maintaining security deposit accounts;
- engaging in commissioned activities connected with issuing securities;
- custody of securities and providing safe deposit boxes;
- engaging in future and forward transactions;
- purchase and sale of receivables;
- engaging in activities of a representative bank as stipulated in the Act on bonds.

2) other activities:

- economic and financial consulting;
- managing funds as commissioned by State authorities and other entities;
- purchasing shares in banks and companies operating under the Commercial Code, and purchasing units and investment certificates in investment funds in Poland and abroad;
- establishing and participating in establishing banks and companies operating under the Commercial Code in Poland and abroad;
- engaging in acquisition activities on behalf of pension funds;
- acting as depository as defined in the Act on the organisation and functioning of pension funds;
- acting as depository as defined in the Act on the organisation and functioning of investment funds;
- engaging in activities which consist of accepting orders for purchasing and repurchasing and subscribing for units or investment certificates in investment funds;
- maintaining registers of pension fund and investment fund members.

According to the NACE classification, BRE Bank SA engages in "Other foreign exchange agency transactions".

The financial report includes data for the period from 1 January 2000 to 31 December 2000, and comparative data for the period from 1 January 1999 to 31 December 1999.

2. Comparability of financial data

Since 1 January 2000, the Bank records in its books of account and reflects in its balance sheet and income statement the result on the valuation of derivatives and forward and futures transactions at their market values, in accordance with the principles described in the introduction to the semi-annual report SAB-P 2000, item 3.

Before 1 January 2000, derivatives and forward and futures transactions were valued in the same manner as they are now, according to principles described in the notes to the annual report SAB-R 1999, item 2; however, in the period ended 1 January 2000, the valuation result was not included in the income statement or the balance sheet. The items were valued on a current basis for management purposes as presented in the annual report SAB-R 1999 as at 31 December 1999.

Since 1 January, the valuation result is reflected in the Bank's financial statements on a current basis.

Moreover, in 2000 the following items were reclassified:

- shares and ADS of Netia Holdings SA - from the investment securities portfolio (disclosed in "Shares in other entities"), to trading securities portfolio (disclosed in "Other securities and property rights") and
- shares of joint-stock companies held as investments - from "Shares in other entities" to "Other securities and property rights" (in accordance with the requirements of the Bank Chart of Accounts). The largest item of PLN 62 149 thousand related to shares in ITI Holding SA.

3. Accounting principles

a) Basis of the report

The financial statements of BRE Bank SA were prepared based on binding regulations included in:

- the Accounting Act of 29 September 1994 (Journal of Laws No. 121/591, with subsequent amendments) ("the Accounting Act");
- the Banking Law of 29 August 1997 (Journal of Laws No. 140/939, with subsequent amendments) ("the Banking Law");
- the Decree of the Council of Ministers of 22 December 1998 on the type, form and scope of current and periodical information submitted by issuers of securities admitted to public trading (Journal of Laws No. 163/1160);
- the Act on Corporate Income Tax of 15 February 1992 (Journal of Laws No. 106/482, with subsequent amendments) ("the Corporate Income Tax Act");
- Resolution No 1/98 of the Banking Supervision Commission of 3 June 1998 on detailed accounting principles for banks and the preparation of notes to financial statements (NBP Official Journal No. 14/27) ("BSC Resolution No. 1/98");
- Resolution No. 8/99 of the Banking Supervision Commission of 22 December 1999 (NBP Official Journal No. 26/43) concerning the principles for providing against banking risk ("BSC Resolution No. 8/99").

The notes to the financial statements were prepared in accordance with the Decree of the Council of Ministers of 22 December 1998 concerning the type, form and scope of current and periodic information and the dates for their submission by issuers of securities admitted to public trading (Journal of Laws No. 163/1160).

b) Basis of accounting

In the years ended 31 December 1999 and 2000, the Bank used the accounting policies adopted on a consistent basis, with the exception of changes to accounting policies described in paragraph 2 of the Introduction. The said policies are described below.

In accordance with the matching principle, the accounting records and the financial result include all income earned and corresponding costs incurred relating to a given financial year, irrespective of the dates of their payment.

Individual assets, liabilities and equity components are stated at cost actually incurred, taking account of the prudence principle.

The value of individual assets, liabilities and equity components, income and the corresponding cost items are determined individually for each item. Assets, liabilities and equity components, income and the corresponding costs or extraordinary gains and losses which differ in nature are not netted off against one another.

c) Bills eligible for rediscounting at the Central Bank

Bills 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, customers and the public sector

These are stated in the balance sheet in net amounts, i.e. at the nominal value plus accrued interest not due, due and subject to capitalisation, less specific provisions for receivables classified as "watch", "substandard", "doubtful", and "loss".

e) Receivables/payables relating to purchasing/selling securities with a re-purchase clause

'Repo' and 'reverse repo' transactions are defined as selling and purchasing securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price. Regardless of the underlying assets, the said transactions are posted to balance sheet accounts as deposits (sale of securities) or placements (purchase of securities) secured with a lien on the securities. The transaction effects no change in the composition of the securities portfolio.

f) Debt securities

Debt securities held for trading are stated at the lower of cost adjusted for accrued interest, discount or premium and net realisable value (e.g. a stock quotation).

A decrease or an increase in value, determined on the valuation date, i.e. as at the month-end, separately for each type of security, is recorded in the books of account. There is a decrease in value when the net realisable value is lower than cost. There is an increase in value when the net realisable value is higher than in the previous month. The securities are then stated at the lower of the said value and their cost.

Debt securities held as investments are stated at cost adjusted for accrued interest, discount or premium and write-downs due to permanent diminution in value.

Permanent diminution in value of securities or permanent improvement in their value, determined on the valuation date, e.g. as at the month-end, separately for each type of security, is recorded in the books of account. Permanent diminution in value means that the stock quotation of securities has remained below their cost for at least three consecutive months. Permanent improvement in value of securities means that their stock quotation has reached or exceeded the value determined during the last valuation for at least three consecutive months. The securities are stated at an adjusted amount as at the last day of the three-month period unless their cost was lower than the said value.

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

The Bank sells debt securities from its portfolio, issued by the same issuer but purchased in different periods and at different prices, in accordance with the lowest profitability principle, which means that the least profitable securities are sold first, regardless of the length of time they have remained in the Bank's portfolio.

Discount - if the cost is lower than the nominal value, or premium - if the cost is higher than the nominal value, are amortised on a straight-line basis over the period from the date of purchase to the date of sale or redemption. Amortised discount or the issuer's premium are credited or debited to the income statement.

g) Equity investments

Equity investments comprise shares categorised into trading and investment portfolios.

Shares in the trading portfolio are stated at the lower of cost and net realisable value (e.g. a stock quotation). The difference between cost and net realisable value is charged to financial costs. If the value of the said shares increases, they are nonetheless stated at cost.

Shares in the investment portfolio are stated at cost net of write-downs due to permanent diminution in value. Permanent diminution in value means that the stock quotation of securities has remained below their cost for three consecutive months. Provision for such diminution in value is determined by comparing the cost with the market price 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 Corporate Income Tax Act. In the past, the Bank's tangible fixed assets were revalued periodically in accordance with the principles specified in the applicable regulations. The revaluation of the said assets is reflected in the revaluation reserve in the balance sheet.

The Bank has depreciated the principal categories of its tangible and intangible fixed assets using the following rates:

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 cost of less than PLN 3 500.0 are entered in the Fixed Asset Register and depreciated on a one-off basis upon purchase.

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 comprise deferred tax asset.

Accruals comprise the cost of benefits provided to the Bank which do not yet constitute a liability. Accrued income also comprises income received in advance and interest payable to the Bank - capitalised and qualified - until received or written off.

j) Liabilities

The Bank's liabilities mainly arise from deposits accepted from customers and inter-bank deposits and loans. Liabilities are stated at amounts due as at the balance sheet date, including interest accrued but not due.

k) Specific and general provisions

The Bank records specific provisions for doubtful receivables in accordance with the Banking Supervision Commission Resolution No. 8/99. General banking risk provisions are recorded in accordance with the Banking Law.

Transfers to the general risk provisions are determined in accordance with Art. 130.2 of the Banking Law. Amounts to be transferred are calculated as 1.5% of the loan portfolio based on the average value of outstanding loans less the value of loans which are covered in full by specific provisions.

The Bank also records deferred tax provisions based on 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 deferred tax provision. A negative difference is included in prepayments. Movements in the deferred tax provision 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 accrues for long service bonuses and retirement payments.

All provisions for risks and losses are taken into account in determining the financial result of the Bank.

l) Equity

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

The Bank's share capital is stated in the amount specified in the Bank's Articles of Association and entered in the Trade Register at par.

Supplementary capital is accumulated from transfers from profits and a share premium. In addition, the difference between the pre- and post-revaluation balance of tangible fixed assets sold is transferred from reserves to supplementary capital.

Other reserves which serve the purposes specified in the Bank's Articles of Association are accumulated from transfers from profits or share premium. In addition, the difference between the pre- and post-revaluation balance of tangible fixed assets may be credited to other reserves. In accordance with the Banking Law, the Bank's general risk fund is also composed of transfers from profits.

Revaluation reserve is credited with the net difference in the value of tangible fixed assets before and after a revaluation performed in accordance with the Act. The reserve represents a movement in the net value of tangible fixed assets shown in the balance sheet as a result of revaluation. Upon disposal of a tangible fixed asset (i.e. selling, giving away, scrapping or concluding that it is missing), the corresponding portion of revaluation reserve is transferred to supplementary capital.

The net profit/loss for the year represents a profit/loss as shown in the income statement. Net profit is presented net of the corporation income tax charge and deferred tax provision based on timing differences in recognition of income as earned and costs as incurred for accounting and tax purposes.

m) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Polish zloty on a daily basis, using the average NBP exchange rate in force on a given day, including the exchange rate in force on the last working day of the reporting period. Both realised and unrealised foreign exchange gains and losses are recognised in the income statement for a given period.

The Bank includes foreign exchange gains and losses on derivatives in its income statement on their valuation.

The following exchange rates were used in translating the data given in the report into euro:

- individual assets and liabilities and equity as well as the dividend declared were translated at the average exchange rate in force as at 31 December 2000, announced by the National Bank of Poland, i.e. PLN 3.8544;

- individual components of the income statement for the 12 months of 2000 were translated at an exchange rate which constituted the arithmetical mean of the average NBP rates in force on the last day of each of the 12 months of 2000. The average exchange rate computed in this way was PLN 3.8898;

- earnings per share for the 12 months were translated at an exchange rate which constituted the arithmetical mean of the average NBP rates in force on the last day of each of the 12 months of 2000. The average exchange rate computed in this way was PLN 4.0079.

n) Off-balance sheet derivatives and forward and future transactions

Derivatives and forward and future transactions are stated at the nominal value of the underlying instrument in off-balance sheet accounts, in their absolute values, i.e. both receivables and payables arising on the transactions are recorded.

As at the balance sheet date both off-balance sheet derivatives and forward and future transactions are valued. The supreme policy in the valuation of off-balance sheet instruments is the market valuation.

Quoted derivatives and forward and future transactions are valued based on current exchange quotations as at the valuation date. Other derivatives and forward and future transactions are valued using mathematical models, based on current financial data as at the valuation date.

The valuation results are shown according to the classification of the derivatives and forward and future transactions into hedging transactions and other.

Hedging transactions are concluded to offset the risk connected with a given asset or liability, referred to as the hedged item, by a hedging transaction. The hedging instrument is valued according to the "mirror image" principle. This principle consists of "matching" the recorded value of the hedging instrument with the recorded value of the hedged instrument. It assumes the superiority of the matching principle over the prudence principle and underlines the importance of reflecting the economic substance of the transaction in the books of account. If, as a result of the valuation, the value of the hedged item exceeds the cost of the item (adjusted for the discount or premium which had already been accounted for), then in accordance with the prudence principle such excess value of the hedged instrument should not be disclosed in the balance sheet nor in the income statement. Additionally, in accordance with the "mirror image" principle, the proportional loss on the valuation of the hedging instrument should neither be disclosed in the balance sheet or in the income statement. On the other hand, if, as a result of the valuation, the value of the hedged item (adjusted for the premium or discount already accounted for) is lower than cost, then the difference is set off against the comparable gain on the valuation of the hedging instrument. The "mirror image" principle may only be used on the assumption that the identification of the hedging relationship, as well as the assumed effectiveness of the hedge – as at the date of its inception and throughout its duration – are documented. When the hedging strategy becomes partially or completely ineffective, the valuation of the hedging instrument (or a non-hedging part thereof) is disclosed using principles applicable to other derivatives.

The result on valuation of other derivatives and forward and future transactions is always disclosed in the income statement.

The Bank uses the following valuation methods with respect to off-balance sheet instruments and forward and future transactions:

"Market risk" instruments

- Sell/buy back transactions

Sell/buy back transactions are defined as selling or purchasing securities at a fixed price in the future. They are recorded in off-balance-sheet accounts until cleared.

Such transactions, regardless of the type of underlying assets, are booked as two separate transactions, i.e. sale of assets involving a decrease in the portfolio balance with a receipt of cash from discount amortisation or/and coupon interest, and purchase of underlying assets involving an increase in the portfolio balance with the commencement of discount amortisation until the redemption date.

Sell/buy back transactions (or forward and future calls/puts) are valued by comparing the current market price of the underlying instrument with its discounted future/forward price as at the valuation date, based on the zero-coupon rates in force as at the given date. The valuation result is disclosed in the income statement under "Provisions and write-downs" or "Reversal of provisions and write-downs". The discount receivable is amortised on a straight-line basis and disclosed in the income statements under "Interest income or expense".

- Warrants for securities

Warrants for securities are recorded off balance sheet at the nominal values of underlying assets. Premium earned on selling a warrant is recorded in the balance sheet under "Other assets" until realised. The profit or loss on selling a warrant is calculated using a mathematical model and recorded in the balance sheet in correspondence with the "Result on financial transactions" in the income statement.

- Futures

Future contracts are recorded on off-balance sheet accounts at nominal value. They are valued based on exchange quotations. Gains or losses on the valuation are recorded in the income statement under "Result on financial transactions" in correspondence with the nostro account in the balance sheet.

Interest rate instruments

- Forward Rate Agreement (FRA)

Forward Rate Agreements involve purchasing/selling interest rate contracts denominated in a specific currency, with a specific amount, maturity and interest rate. The nominal value of the interest rate contract is recorded off-balance sheet. The FRAs are valued using a mathematical model and recorded in the balance sheet in correspondence with the "Result on financial transactions" in the income statement.

- Interest Rate Swap (IRS)

Interest Rate Swaps involve exchanging streams of fixed and floating interest payments calculated, respectively, on the basis of a fixed interest rate and a floating interest reference rate with respect to interest sub-periods and notional amounts of transactions in individual interest sub-periods, denominated in a specific currency. The notional amount is recorded off-balance sheet. Net unrealised gain/loss on IRS transactions is calculated using a mathematical model and recorded in the balance sheet in correspondence with the "Result on financial transactions" in the income statement, whereas interest accrued as at the balance sheet date is disclosed in the balance sheet in correspondence with the "Net interest income/expense" in the income statement.

If there are two-currency transactions the notional amount is valued identically as in forward/future contracts.

- Interest rate options

Interest rate options are stated at nominal value on off-balance sheet accounts. The premium received/paid on sale/purchase of the option is disclosed in "Other assets" until cleared. Options are valued using a mathematical model and disclosed in the balance sheet in correspondence with the "Result on financial transactions" in the income statement.

Currency futures and forwards

These transactions are disclosed by the Bank in off-balance sheet accounts at nominal value. Currency purchase/sale options and currency warrants are valued using a mathematical model.

Gains/losses on spot transactions are calculated by comparing the transaction rates with the average NBP rate in force as at the valuation date.

The profit/loss on forward transactions is calculated by comparing the discounted forward transaction rate as at the valuation date with the average NBP rate as at that date.

Unrealised profit/loss on the market valuation of currency future and forward transactions is stated in the income statement under "Foreign exchange result".

o) Determining the financial result

- Interest income

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

Interest income, including interest on loans classified as "normal", is credited to the income statement and disclosed in the balance sheet in amounts due from financial institutions, and customers and the public sector.

Accrued interest due, not received, constitutes suspended interest and is shown as part of "deferred income" in the balance sheet not later than 30 days after the due date.

Interest on non-performing loans is included in interest income on a cash basis and recorded in the income statement upon receipt.

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

Interest income also comprises capital gains on selling bonds.

- Interest expense

Interest expense comprises interest paid and accrued on clients' deposits and own securities issued by the Bank.

Interest payable is calculated on a cumulative basis as at the end of each day. Costs relating to a given reporting period are recorded in the income statement on an accruals basis.

- Commission

Commission mainly comprises income other than interest received on loans and bank guarantees granted. Commission also comprises the Bank's fees for conducting cash transactions, maintaining accounts for clients, making money transfers, fees relating to letters of credit and other charges. Commission also comprises income from brokerage activities. Commission is credited to the income statement when paid.

Commission cost which comprises payments made in connection with loans raised, re-financing transactions, letters of credit, collection procedures and exchange transactions is charged to costs when paid.

- Income from shares and other securities

This income includes dividends received from entities in which the Bank holds shares. Dividends are recognised in the income statement upon receipt.

- Result on financial transactions

This item comprises gains/(losses) on selling securities and gains/(losses) on transactions in derivatives recognised upon receipt of payment. It also comprises increases and decreases in the value of trading securities.

- Foreign exchange result

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

Both realised and unrealised income and costs for the financial year, denominated in foreign currencies, were translated at the NBP mid-exchange rate as at the year-end rather than the rate applicable on the transaction date.

- Provisions and write-downs

Provisions are created in respect of:

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

Specific provisions cover the risks associated with individual transactions. Provisions for risk associated with specific transactions relate to off-balance-sheet assets and liabilities which were analysed on an individual basis and classified as "watch", "sub-standard", "doubtful" or "loss".

The classification is performed in accordance with Resolution No. 8/99 of the Banking Supervision Commission. The general risk provision is set up in accordance with the provisions of the Banking Law.

- Corporate income tax

Corporate income tax is charged at 30% (in 1999 – 34%) and calculated on the basis of the profit before tax computed in accordance with accounting regulations and adjusted for tax exempt income and disallowed costs.

The deferred tax provision is calculated based on timing differences in recognition of income as earned and costs as incurred for accounting and tax purposes. The deferred tax provision was calculated at the rates in force in the years when the costs were actually expensed and the income earned. The change in the method of calculation led to an increase in the deferred tax provision of PLN 11 160 thousand. Timing differences include investment relief, the valuation of derivative and future and forward transactions, interest income and expense calculated on an accruals basis, provisions for "loss" loans and guarantees that were non-deductible for tax purposes, 75% of provisions for "doubtful" loans and guarantees granted after 1 January 1997 and 100% of provisions for "doubtful" loans granted until 31 December 1996. The corporate income tax charge is the total of corporate income tax due and increases or decreases in the deferred tax provision.

In accordance with the Corporate Income Tax Act of 15 February 1992 (Journal of Laws No. 106/482, with subsequent amendments), the Bank used investment relief in 1994-2000, reducing the tax base by the following amounts:

1994 – PLN 5 539 thousand,

1995 – PLN 11 490 thousand,

1996 – PLN 49 140 thousand,

1997 – PLN 47 327 thousand,

1998 – PLN 58 915 thousand,

1999 – PLN 128 495 thousand,

2000 – PLN 28 904 thousand.

The Bank also used an investment bonus of:

1995 – PLN 2 770 thousand,

1996 – PLN 5 745 thousand,

1997 – PLN 24 570 thousand,

1998 – PLN 24 631 thousand,

1999 – PLN 29 457 thousand,

2000 – PLN 43 974 thousand.

p) Items not recognised in the income statement

Interest (due and not due) on non-performing loans and capitalised interest is not recognised in the Bank's income statement; it constitutes suspended income until paid. Income arising on discount, other interest received in advance (relating to future reporting periods) and costs paid in advance (relating to future reporting periods) is also excluded from the Bank's income statement.

4. Major differences between the International Accounting Standards and the Polish Accounting Regulations

The Bank prepares its financial statements only in accordance with Polish Accounting Regulations ("PAR"). If the Bank prepared its financial statements in accordance with International Accounting Standards ("IAS"), it would be necessary to consider the differences between the two sets of standards. The major differences that might arise include the following:

- According to Polish Accounting Regulations, trading securities are stated at the lower of cost and market value. In financial statements prepared in accordance with IAS, the Bank would be able to state such securities at their market value. According to PAR, securities held as investments are stated at cost less permanent diminution in value. In financial statements drawn up in accordance with IAS, the Bank would be able to periodically revalue such securities.

- In stand-alone financial statements prepared in accordance with PAR, the Bank states all shares in subsidiaries and associates at cost less permanent diminution in value. When preparing financial statements in accordance with IAS, the Bank would be able to disclose them using the equity method.

- In financial statements prepared in accordance with PAR, the Bank transfers a part of its net profit to the Company's Social Fund. When preparing financial statements in accordance with IAS, the Bank should recognise these charges in its income statement.

- According to IAS, the classification of individual items would be governed by different principles. The scope of data presented would also be different.

BALANCE SHEET

Assets

PLN´000

		Note	31.12.00 current year	31.12.99 previous year
I.	Cash and balances with the Central Bank		358 513	413 120
II.	Debt securities eligible for rediscounting at the Central Bank		78 043	36 393
III.	Amounts due from the financial sector	1	3 126 545	3 195 926
	1. Current		78 635	68 935
	2. Term		3 047 910	3 126 991
IV.	Amounts due from customers and the public sector	2	6 760 935	6 217 524
	1. Current		1 260 965	1 063 515
	2. Term		5 499 970	5 154 009
V.	Amounts due arising from purchased securities with a repurchase clause		-	-
VI.	Debt securities	3	3 137 915	2 875 436
VII.	Shares in subsidiaries	4,6	412 120	345 031
VIII.	Shares in associates	5,6	161 733	79 035
IX.	Shares in other entities	7	25 457	151 222
X.	Other securities and property rights	8	384 995	190 336
XI.	Intangible assets	9	184 052	141 666
XII.	Tangible fixed assets	10	792 542	710 785
XIII.	Treasury shares for resale		-	-
XIV.	Other assets	11	846 637	152 763
	1. Assets for resale		24 007	22 928
	2. Other		822 630	129 835
XV.	Prepayments and accrued income	12	20 580	39 909
	1. Deferred tax assets		13 744	33 868
	2. Other		6 836	6 041
TOTAL ASSETS			**16 290 067**	**14 549 146**

Liabilities and equity

PLN´000

		Note	31.12.00 current year	31.12.99 previous year
I.	Amounts due to the Central Bank		60 000	-
II.	Amounts due to the financial sector	13	4 663 406	4 783 372
	1. Current		138 150	105 549
	2. Term		4 525 256	4 677 823
III.	Amounts due to customers and the public sector	14	7 606 382	7 356 700
	1. Saving deposits, including:		-	-
	a) current		-	-
	b) term		-	-
	2. Other, including:		7 606 382	7 356 700
	a) current		1 399 702	1 824 748
	b) term		6 206 680	5 531 952
IV.	Amounts due arising from sold securities with a repurchase clause		-	-
V.	Liabilities arising from securities issued		-	-
VI.	Special funds and other liabilities	15	1 482 548	105 861
VII.	Accruals, deferred income and qualified income	16	178 693	149 944
VIII.	Provisions	17	85 180	122 846
	1. Deferred tax provision		-	-
	2. Other provisions		85 180	122 846
IX.	Subordinated liabilities		-	-
X.	Share capital	18	91 882	91 200
XI.	Share capital not paid up (negative amount)		-	-
XII.	Supplementary capital	19	748 738	737 913
XIII.	Revaluation reserve		7 969	7 969
XIV.	Other reserves	20	1 009 441	528 294
XV.	Foreign exchange gains/losses on the translation of foreign branch offices		-	-
XVI.	Retained earnings or loss brought forward		-	-
XVII.	Net profit (loss)		355 828	665 047
TOTAL LIABILITIES AND EQUITY			**16 290 067**	**14 549 146**
Capital adequacy ratio			13.10	11.19
Book value			2 213 858	2 030 423
Number of shares			22 970 500	22 800 000
Book value per share (in PLN)			96.38	89.05

Off-balance-sheet items

PLN´000

		31.12.00 current year	31.12.99 previous year
I.	Off-balance-sheet commitments	7 372 023	4 167 602
	1. Granted:	6 603 641	3 754 852
	a) relating to financing	4 691 798	2 933 850
	b) guarantees	1 911 843	821 002
	2. Received:	768 382	412 750
	a) relating to financing	166 421	150 918
	b) guarantees	601 961	261 832
II.	Liabilities arising from sales/purchase transactions	85 973 455	37 895 832
III.	Other:	-	-
TOTAL OFF-BALANCE-SHEET ITEMS		**93 345 478**	**42 063 434**

Income statement

PLN´000

		Note	For the year ended 31 December 2000	For the year ended 31 December 1999
I.	Interest income	21	1 625 939	1 132 560
II.	Interest expense	22	1 240 660	840 590
III.	**Net interest income (I-II)**		**385 279**	**291 970**
IV.	Commission income	23	210 552	478 067
V.	Commission expense		20 436	38 398
VI.	**Net commission income (IV-V)**		**190 116**	**439 669**
VII.	Income from shares and other securities and property rights	24	20 027	8 478
VIII.	**Result on financial transactions**	**25**	**117 893**	**751 610**
IX.	Foreign exchange result		191 268	225 511
X.	**Profit on banking activities**		**904 583**	**1 717 238**
XI.	Other operating income		91 908	31 772
XII.	Other operating expenses		26 126	28 447
XIII.	Overhead costs of the Bank	26	444 759	397 861
XIV.	Amortisation of intangible assets and depreciation of tangible fixed assets		80 664	61 255
XV.	Provisions and write-downs	27	369 846	480 969
XVI.	Release of provisions and reversal of write-downs	28	397 358	247 464
XVII.	Net provisions and write-downs (XVI- XV)		27 512	(233 505)
XVIII.	**Operating profit**		**472 454**	**1 027 942**
XIX.	Net extraordinary gains		31	141
	1. Extraordinary gains		157	232
	2. Extraordinary losses		126	91
XX.	**Profit before tax**		**472 485**	**1 028 083**
XXI.	Corporate income tax	29	116 657	363 036
XXII.	Other mandatory appropriations of profit		-	-
XXIII.	**Net profit**	**30**	**355 828**	**665 047**
Net profit			355 828	665 047
Average weighted number of ordinary shares			22 856 833	22 800 000
Profit per ordinary share (in PLN)			15.57	29.17

Movements in equity

PLN´000

	Note	For the year ended 31 December 2000	For the year ended 31 December 1999
I. Equity as at the beginning of the year		**2 030 423**	**1 435 462**
a) changes to accounting policies		-	-
b) adjustment of fundamental errors		-	-
I.a. Equity as at the beginning of the year after reconciliation to comparative data		**2 030 423**	**1 435 462**
1. Share capital as at the beginning of the year		**91 200**	**91 200**
1.1. Movements in the share capital		682	-
a) increase (due to):		682	-
- issue of shares		682	-
b) decrease		-	-
1.2. Share capital as at the end of the year		**91 882**	**91 200**
2. Share capital not paid up as at the beginning of the year		**-**	**-**
2.1. Change in the share capital not paid up		-	-
2.2. Share capital not paid up as at the end of the year		**-**	**-**
3. Supplementary capital as at the beginning of the year		**737 913**	**737 847**
3.1. Movements in the supplementary capital		10 825	66
a) increase (due to):		11 483	66
- issue of shares		11 483	-
- (statutory) appropriation of profit		-	-
- appropriation of profit (above the minimum amount required by law)		-	-
- transfer from the revaluation reserve in connection with excluding Dom Inwestycyjny (BRE Bank Securities) from the Bank's organisational structure		-	60
- sale and scrapping of tangible fixed assets		-	6
b) decrease (due to):		658	-
- cost of issuing shares		658	-
3.2. Suplementary capital as at the end of the year		**748 738**	**737 913**
4. Revaluation reserve as at the beginning of the year		**7 969**	**8 040**
4.1. Movements in the revaluation reserve		-	(71)
a) increase		-	-
b) decrease (due to):		-	71
- sale and scrapping of tangible fixed assets		-	11
- transfer to the supplementary capital in connection with excluding Dom Inwestycyjny (BRE Bank Securities) from the Bank's organisational structure		-	60
4.2. Revaluation reserve as at the end of the year		**7 969**	**7 969**
5. General banking risk reserve as at the beginning of the year		**233 000**	**98 000**
5.1. Movements in the general banking risk reserve		120 000	135 000
a) increase (due to):		120 000	135 000
- charges to costs		-	-
- transfer from profit		120 000	135 000
b) decrease		-	-
5.2. General banking risk reserve as at the end of the year		**353 000**	**233 000**

PLN ´000

	For the year ended 31 December 2000	For the year ended 31 December 1999
6. Brokerage activity fund as at the beginning of the year	**-**	**20 000**
6.1. Movements in the brokerage activity fund	-	(20 000)
a) increase	-	-
b) decrease (due to):	-	20 000
- taking the Brokerage House out of the Bank's organisational structure	-	20 000
6.2. Brokerage activity fund as at the end of the year	**-**	**-**
7. Other reserves as at the beginning of the year	**295 294**	**275 288**
7.1. Movements in other reserves	**361 147**	**20 006**
a) increase (due to):	361 147	20 006
- transfer from profit to other reserves	361 147	-
- transfer from the general banking risk reserve of an amount equivalent to transfers less income tax	-	-
- transfer from the revaluation reserve	-	-
- excluding the Brokerage House from the Bank's structure's organisational structure	-	20 000
- transfer from the revaluation reserve of proceeds from the sale and scrapping of tangible fixed assets	-	5
- other increases (arising from rounding up figures)	-	1
b) decrease	-	-
7.2. Other reserves as at the end of the year	**656 441**	**295 294**
8. Foreign exchange losses on the translation of foreign branch offices	**-**	**-**
9. Retained earnings or loss brought forward as at the beginning of the year	**665 047**	**205 087**
9.1. Retained earnings as at the beginning of the year	**665 047**	**205 087**
a) changes to accounting policies	-	-
b) adjustment of fundamental errors	-	-
9.2. Retained earnings as at the beginning of the year after reconciliation to comparative data	**665 047**	**205 087**
a) increase	-	-
b) decrease (due to):	665 047	205 087
- transfer to the general banking risk reserve	120 000	135 000
- transfer to other reserves	361 147	-
- transfer to the Social Fund	1 500	1 687
- dividends for the shareholders	182 400	68 400
9.3. Retained earnings as at the end of the year	**-**	**-**
9.4. Loss brought forward as at the beginning of the year	**-**	**-**
9.5. Loss brought forward as at the beginning of the year after reconciliation to comparative data	**-**	**-**
9.6. Loss brought forward as at the end of the year	**-**	**-**
9.7. Retained earnings or loss brought forward as at the end of the year	**-**	**-**
10. Net profit	**355 828**	**665 047**
a) net profit	355 828	665 047
b) net loss	-	-
II. Equity as at the end of the year	**2 213 858**	**2 030 423**

Cash flow statement

PLN'000

	For the year ended 31 December 2000	For the year ended 31 December 1999
A. NET CASH FROM OPERATING ACTIVITIES (I +/- II) - indirect method*	**1 365 371**	**(206 416)**
I. Net profit (loss)	**355 828**	**665 047**
II. Total adjustments:	**1 009 543**	**(871 463)**
1. Amortisation and depreciation	80 664	61 255
2. Foreign exchange gains/losses	(1 349)	61 693
3. Interest and dividends	140 105	98 343
4. (Gain) loss on investing activities	(120 333)	(737 238)
5. Movements in other provisions	4 056	107 941
6. Corporate income tax (disclosed in the income statement)	116 657	363 036
7. Corporate income tax paid	(82 287)	(451 025)
8. Change in debt securities*	(304 129)	(106 957)
9. Change in amounts due from the financial sector	78 199	(2 029 006)
10. Change in amounts due from customers and the public sector	(543 411)	(358 263)
11. Change in receivables arising from purchased securities with a repurchase clause	-	-
12. Change in shares and other floating income securities	27 440	3 078
13. Change in amounts due to the financial sector	669 228	(274 008)
14. Change in amounts due to customers and the public sector	249 682	2 569 382
15. Change in liabilities arising from sold securities with a repurchase clause	-	(183 960)
16. Change in liabilities arising from securities	-	-
17. Change in other liabilities	646 943	(8 652)
18. Change in accruals and prepayments	11 825	20 958
19. Change in deferred income	36 253	(8 040)
20. Other adjustments	-	-
B. NET CASH FROM INVESTING ACTIVITIES (I-II)	**(356 545)**	**(380 302)**
I. Investing activity inflows	**668 313**	**1 257 750**
1. Sale of intangible assets	-	950
2. Sale of tangible fixed assets	39 539	3 804
3. Sale of shares in subsidiaries	7 064	59 055
4. Sale of shares in associates	40 491	64 967
5. Sale of shares in the holding company	-	-
6. Sale of shares in other entities, other securities (including marketable ones) and other property rights	565 247	1 120 614
7. Other proceeds	15 972	8 360
II. Investing activity outflows	**1 024 858**	**1 638 052**
1. Purchase of intangible assets	19 267	10 068
2. Purchase of tangible fixed assets	198 801	316 089
3. Purchase of shares in subsidiaries	131 274	341 071
4. Purchase of shares in associates	165 206	93 460
5. Purchase of shares in the holding company	-	-
6. Purchase of shares in other entities, other securities (including marketable) and other property rights	510 310	877 364
7. Purchase of Treasury shares	-	-
7a. Cost of purchasing PBR SA less cash and cash equivalents taken over	-	-
8. Other outflows	-	-

PLN ´000

		For the year ended 31 December 2000	For the year ended 31 December 1999
C.	**NET CASH FROM FINANCING ACTIVITIES (I-II)**	**(1 054 615)**	**485 173**
I.	**Financing activity inflows**	**191 301**	**1 200 271**
1.	Long-term bank loans raised	179 136	936 172
2.	Long-term loans raised with financial institutions other than banks	-	264 099
3.	Issue of debentures or other debt securities for other financial institutions	-	-
4.	Increase in subordinated liabilities	-	-
5.	Proceeds from issuing shares	12 165	-
6.	Repayable contributions from the shareholders	-	-
7.	Other inflows	-	-
II.	**Financing activity outflows**	**1 245 916**	**715 098**
1.	Repayment of long-term bank loans	842 851	78 113
2.	Repayment of long-term loans raised with financial institutions other than banks	63 930	50 321
3.	Redemption of bonds or other securities from other financial institutions	-	407 635
4.	Decrease in subordinated liabilities	-	-
5.	Cost of issuing shares	658	-
6.	Redemption of own shares	-	-
7.	Dividends and other payments to the shareholders	182 400	68 400
8.	Payments out of profit to members of the management and supervisory bodies	-	-
9.	Expenditure for social causes	-	-
10.	Payment of finance lease liabilities	-	-
11.	Other outflows	156 077	110 629
D.	**TOTAL NET CASH FLOWS (A+/-B+/-C)**	**(45 789)**	**(101 545)**
E.	**(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS AS AT THE BALANCE SHEET DATE**	**(45 789)**	**(101 545)**
-	including (decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	(1 847)	4 194
F.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**	**437 281**	**538 826**
G.	**CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (F+/- D)**	**391 492**	**437 281**

* The change in debt securities includes investing activity items

NOTES

Note 1

Amounts due from the financial sector by type

PLN´000

		31.12.00 current year	31.12.99 previous year
1.	Current accounts	79 298	69 598
2.	Bank loans, placements and other borrowings	3 000 737	3 159 614
3.	Receivables purchased	18 776	75 306
4.	Realised guarantees and warranties	10 005	10 017
5.	Other receivables	60 314	3 606
6.	Interest:	26 236	26 733
	a) not due	23 986	24 697
	b) due	2 250	2 036
Total gross amounts due from the financial sector		**3 195 366**	**3 344 874**
7.	Provision for non-performing loans to the financial sector (negative amount)	(68 821)	(148 948)
Total net amounts due from the financial sector		**3 126 545**	**3 195 926**

Amounts due from the financial sector by maturity

PLN´000

		31.12.00 current year	31.12.99 previous year
1.	Current amounts due	79 298	69 598
2.	Term amounts due within:	3 089 832	3 248 543
	a) up to 1 month	2 116 339	2 259 669
	b) 1 to 3 months	370 053	211 945
	c) 3 months to 1 year	196 391	253 928
	d) 1 to 5 years	336 729	372 197
	e) over 5 years	5 312	22 194
	f) overdue	65 008	128 610
3.	Interest:	26 236	26 733
	a) not due	23 986	24 697
	b) due	2 250	2 036
Total gross amounts due from the financial sector		**3 195 366**	**3 344 874**

Note 2

Amounts due from customers and the public sector by type

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Bank and other loans	6 740 863	6 131 338
2. Receivables purchased	55 545	60 776
3. Realised guarantees and warranties	1 422	2 640
4. Other receivables	61 099	109 520
5. Interest:	130 447	99 495
a) not due	100 636	77 123
b) due	29 811	22 372
6. Refunds of interest on preference loans	-	-
Total gross loans to customers and the public sector	**6 989 376**	**6 403 769**
7. Provision for non-performing loans to customers and the public sector (negative amount)	(228 441)	(186 245)
Total net amounts due from customers and the public sector	**6 760 935**	**6 217 524**

Amounts due from customers and the public sector by maturity

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Current amounts due	1 260 965	1 059 439
2. Term amounts due within:	5 597 964	5 244 835
a) up to 1 month	570 757	335 702
b) 1 to 3 months	402 390	503 912
c) 3 months to 1 year	1 865 201	1 957 159
d) 1 to 5 years	1 593 015	1 769 777
e) over 5 years	924 672	539 431
f) overdue	241 929	138 854
3. Interest:	130 447	99 495
a) not due	100 636	77 123
b) due	29 811	22 372
Total gross amounts due from customers and the public sector	**6 989 376**	**6 403 769**

Gross amounts due from customers and the public sector

PLN´000

	31.12.00 current year	31.12.99 previous year
1. "Normal" loans	5 383 322	5 235 342
2. "Watch" loans	589 824	612 052
3. Non-performing loans, including:	885 783	456 880
a) substandard	337 877	147 912
b) doubtful	308 427	158 270
c) loss	239 479	150 698
4. Interest	130 447	99 495
a) not due	100 636	77 123
b) due	29 811	22 372
- on "normal" and "watch" loans	-	2 556
- on non-performing loans	29 811	19 816
Total gross amounts due from customers and the public sector	**6 989 376**	**6 403 769**

Provisions for non-performing loans to customers and the public sector

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Pass	-	2 200
2. Watch	14	10 835
3. Non-performing	228 427	173 210
a) substandard	27 745	12 406
b) doubtful	44 563	33 085
c) loss	156 119	127 719
Total provisions for non-performing loans to customers and the public sector	**228 441**	**186 245**

Movements in provisions for non-performing loans to customers and the public sector

PLN´000

	31.12.00 current year	31.12.99 previous year
Provisions for non-performing loans to customers and the public sector as at the beginning of the year	**186 245**	**139 908**
1. Increase (due to):	251 267	223 206
a) provisions created	249 199	214 356
b) reclassification	2 068	7 030
c) foreign exchange gains and losses	-	1 820
2. Application (due to):	12 179	58 023
a) charge-offs	7 247	48 915
b) reclassification	-	9 108
c) foreign exchange gains and losses	4 932	-
3. Release (due to):	196 892	118 846
a) release of provisions	196 892	118 846
Provisions for non-performing loans to customers and the public sector as at the end of the year	**228 441**	**186 245**

Note 3
Debt securities

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Issued by central banks, including:	1 227 958	495 528
a) bonds denominated in foreign currencies	-	-
2. Issued by other banks, including:	30 386	67 470
a) denominated in foreign currencies	26 380	26 218
3. Issued by other financial institutions, including	313 328	-
a) denominated in foreign currencies	74 025	-
4. Issued by non-financial entities, including:	64 442	80 362
a) denominated in foreign currencies	18 704	6 137
5. Issued by the State Budget, including:	1 501 801	2 232 076
a) denominated in foreign currencies	1 169 593	829 551
6. Issued by local budget authorities:	-	-
a) denominated in foreign currencies	-	-
7. The Bank's own debt securities repurchased	-	-
Total debt securities	**3 137 915**	**2 875 436**

Debt securities

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Trading	2 791 892	2 099 264
2. Investment	346 023	776 172
Total debt securities	**3 137 915**	**2 875 436**

Note 4
Shares in subsidiaries

PLN´000

	31.12.00 current year	31.12.99 previous year
1. In banks	36 077	-
2. In other financial entities	340 988	320 199
3. In non-financial entities	35 055	24 832
Total shares in subsidiaries	**412 120**	**345 031**

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

Note 5
Shares in associates

PLN´000

	31.12.00 current year	31.12.99 previous year
1. In banks	66 150	24 500
2. In other financial entities	78 886	34 031
3. In non-financial entities	16 697	20 504
Total shares in associates	**161 733**	**79 035**

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

Note 6

Investment shares in subsidiaries and associates

	Company name (including its legal status)	Registered office	Business	Type of equity relationship	Date of taking control/ significant influence
1	Business Management & Finance SA	Warsaw	services	subsidiary	07-1997
2	Dom Inwestycyjny BRE Banku SA (BRE Bank Securities) [1]	Warsaw	services	subsidiary	07-1998
3	Budowa Centrum Senatorska Sp. z o.o.	Warsaw	services	subsidiary	04-1997
4	Polskie Towarzystwo Prywatyzacyjne Sp. z o.o.	Warsaw	services	subsidiary	05-1999
5	Pierwszy Polski Fundusz Rozwoju-BRE Sp. z o.o.	Warsaw	fund	subsidiary	11-1995
6	Drugi Polski Fundusz Rozwoju - BRE Sp. z o. o.	Warsaw	fund	subsidiary	10-1995
7	BRE Services Assistance Sp. z o.o. [1]	Warsaw	services	subsidiary	10-1997
8	AMBRESA Sp. z o.o. [1]	Warsaw	services	subsidiary	01-1996
9	BRE International Finance B.V. [2]	Amsterdam, Netherlands	services	subsidiary	05-2000
10	BRE Hestia Service Sp. z o.o.	Sopot	services	subsidiary	10-1999
11	the-the Sp. z o.o.[2,5]	Warsaw	services	subsidiary	12-2000
12	BRELINVEST Sp. z o.o. Fly 1 Sp. komandytowa	Warsaw	services	subsidiary	03-2000
13	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	Warsaw	services	subsidiary	03-2000
14	AMBRESA Sp. z o.o. - BRELLA Sp. komandytowa	Warsaw	services	subsidiary	07-1999
15	FERREX Sp. z o.o.	Poznań	manufacturing	subsidiary	07-1993
16	Promes Sp. z o.o.	Gdańsk	services	subsidiary	12-1993
17	BEST SA	Sopot	services	subsidiary	09-1998
18	BRE Asset Management SA [2]	Warsaw	services	subsidiary	09-2000
19	PTE Skarbiec Emerytura SA	Warsaw	pension fund	subsidiary	08-1998
20	PSM C. HARTWIG SA	Gdynia	services	subsidiary	01-1996
21	BRE.locum Sp. z o.o.	Łódź	services	subsidiary	09-2000
22	Intermarket Factoring Bank AG [1]	Vienna, Austria	banking	subsidiary	07-2000
23	SKARBIEC TFI SA[1]	Warsaw	services	subsidiary	08-1997
24	TRANSFINANCE a.s. [1]	Prague, Czech Rep.	services	associate	10-2000
25	BRE Private Equity I Sp. z o.o.	Warsaw	services	associate	11-1993
26	BRE Private Equity Sp. z o.o.	Warsaw	services	associate	04-2000
27	RHEINHYP-BRE Bank Hipoteczny SA	Warsaw	banking	associate	03-1999
28	BRE Leasing Sp. z o.o.	Warsaw	services	associate	12-1992
29	Budowa Centrum Plac Teatralny Sp. z o.o. w likwidacji	Warsaw	services	associate	11-1994
30	ZM Pozmeat SA	Poznań	services	associate	05-1999
31	Alte Leipziger Hestia SA	Sopot	insurance	associate	08-1998
32	Tele-Tech Investment Sp. z o.o.	Warsaw	services	associate	12-1999
33	Gdańska Giełda Towarowa SA [1]	Gdańsk	services	associate	01-1994
34	BRE Rachunkowość SA[4]				
TOTAL					

[1] Data as at 30 November 2000
[2] Company was formed in 2000 and does not prepare financial statements for 2000
[3] Data as at 30 September 2000
[4] Shares in the company were sold in 2000
[5] Shares in the company were purchased on the basis of a conditional agreement which came into effect on 29 January 2001

Shares at cost PLN '000	Total value adjustments PLN '000	Carrying value of shares PLN '000	Shareholding %	Proportion of voting rights at GSM %
10 897	0	10 897	100.00	100.00
34 700	0	34 700	100.00	100.00
1 480	0	1 480	100.00	100.00
7 867	0	7 867	100.00	100.00
1 000	12 490	(11 490)	100.00	100.00
67 689	41 289	26 400	100.00	100.00
4 745	0	4 745	100.00	100.00
850	0	850	100.00	100.00
77	0	77	100.00	100.00
16 697	0	16 697	100.00	100.00
20	0	20	100.00	100.00
15 154	0	15 154	99.84	99.84
14 844	0	14 844	99.84	99.84
30 627	0	30 627	99.67	99.67
1 815	0	1 815	97.86	97.86
950	0	950	93.41	93.41
26 657	8 902	17 755	81.93	90.04
1 600	0	1 600	80.00	80.00
159 788	0	159 788	75.00	75.00
4 500	0	4 500	75.00	75.00
2 800	0	2 800	70.00	70.00
36 077	0	36 077	51.43	51.43
33 967	0	33 967	51.00	51.00
12 968	0	12 968	50.00	50.00
5 940	0	5 940	50.00	50.00
26 771	0	26 771	50.00	50.00
66 150	0	66 150	49.00	49.00
2 940	0	2 940	49.00	49.00
4 340	0	4 340	38.75	38.75
17 587	5 230	12 357	29.84	29.84
30 077	0	30 077	25.03	25.03
2	0	2	24.00	24.00
188	0	188	23.15	23.15
641 764	**67 911**	**573 853**		

Note 7
Shares in other entities

PLN´000

		31.12.00 current year	31.12.99 previous year
1.	In banks	-	9 000
2.	In other financial entities	23 980	27 189
3.	In non-financial entities	1 477	115 033
Total shares in other entities		**25 457**	**151 222**

Note 8
Other securities and property rights by type

PLN´000

			31.12.00 current year	31.12.99 previous year
1.	Participation units in unit trusts		18 258	18 324
2.	Pre-emptive rights		-	7 360
3.	Derivative rights		-	8 356
4.	Other (by type):		366 737	156 296
	a)	shares in companies admitted to public trading	180 472	136 935
	b)	shares in companies subject to regulated over-the-counter trading	164 725	-
	c)	universal share certificates	-	-
	d)	National Investment Funds	21 540	19 361
	e)	operating securities of the Brokerage Office	-	-
Total other securities and property rights (by type)			**384 995**	**190 336**

Other securities and property rights

PLN´000

		31.12.00 current year	31.12.99 previous year
1.	Trading	102 169	26 656
2.	Investment	282 826	163 680
Total other securities and property rights		**384 995**	**190 336**

Note 9
Intangible assets

PLN´000

		31.12.00 current year	31.12.99 previous year
1.	Accrued start-up costs or further share issue expenses	5 152	7 247
2.	Development costs	7 062	-
3.	Goodwill on acquisition	81 366	91 979
4.	Purchased concessions, patents, licences and similar assets	7	7
5.	Purchased computer software	80 124	30 484
6.	Purchased right of perpetual usufruct of land	10 341	11 949
7.	Other intangible assets	-	-
8.	Prepayments for intangible assets	-	-
Total intangible assets		**184 052**	**141 666**

Note 10
Tangible fixed assets

PLN´000

		31.12.00 current year	31.12.99 previous year
1.	Tangible fixed assets, including:	552 981	504 653
	a) own land and buildings	245 481	168 093
	b) other land and buildings	-	76
	c) equipment	105 387	82 579
	d) vehicles	17 636	16 595
	e) other tangible fixed assets	34 383	34 672
	f) leasehold improvements	150 094	202 638
2.	Assets under construction	239 434	204 489
3.	Prepayments for assets under construction	127	1 643
Total tangible fixed assets		**792 542**	**710 785**

Note 11
Other assets

PLN´000

		31.12.00 current year	31.12.99 previous year
1.	Assets repossessed, held for resale	24 007	22 928
2.	Other, including:	822 630	129 835
	a) debtors	77 107	57 896
	b) income tax receivable	9 143	-
	c) repayable contributions to capital of subsidiaries and associates	61 698	61 698
	d) interbank balances	733	281
	e) interbranch balances	-	-
	f) balances in respect of trading in securities and financial instruments	663 374	-
	g) other	10 575	9 960
Total other assets		**846 637**	**152 763**

Note 12
Other prepayments

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Prepayments, including:	4 534	5 035
a) prepaid expenses	4 534	5 035
b) prepaid premiums in respect of early redemption of securities	-	-
2. Other prepayments, including:	2 302	1 006
a) income receivable	2 302	1 006
Total other prepayments	**6 836**	**6 041**

Note 13
Amounts due to the financial sector by type

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Accounts and deposits	2 089 276	1 403 522
2. Loans and other borrowings received	2 521 140	3 337 197
3. Other payables	6 323	4 717
4. Interest	46 667	37 936
Total amounts due to the financial sector	**4 663 406**	**4 783 372**

Amounts due to the financial sector by maturity

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Current amounts due	138 150	105 549
2. Term amounts due within:	4 478 589	4 639 887
a) up to 1 month	1 802 751	1 080 455
b) 1 to 3 months	160 510	138 783
c) 3 months to 1 year	937 038	755 769
d) 1 to 5 years	1 308 110	2 366 957
e) over 5 years	270 180	297 923
f) overdue	-	-
3. Interest	46 667	37 936
Total amounts due to the financial sector	**4 663 406**	**4 783 372**

Note 14

Amounts due to customers and the public sector by type

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Accounts and deposits	7 499 494	7 278 911
2. Other payables	39 671	41 785
3. Interest	67 217	36 004
Total amounts due to customers and the public sector	**7 606 382**	**7 356 700**

Amounts due to customers and the public sector by maturity

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Current amounts due	1 399 702	1 824 748
2. Term amounts due within:	6 139 463	5 495 948
a) up to 1 month	4 725 547	4 381 021
b) 1 to 3 months	712 337	856 924
c) 3 months to 1 year	660 196	214 898
d) 1 to 5 years	41 383	43 105
e) over 5 years	-	-
f) overdue	-	-
3. Interest	67 217	36 004
Total amounts due to customers and the public sector	**7 606 382**	**7 356 700**

Note 15

Special funds and other liabilities

PLN´000

	31.12.00 current year	31.12.99 previous year
1. Special funds (in respect of):	13 110	10 393
a) Social Fund	122	177
b) Housing Fund	12 988	10 216
2. Other liabilities (in respect of):	1 469 438	95 468
a) corporate income tax liabilities	-	3 332
b) interbank balances	9 051	2 430
c) settlements in respect of trading in securities and financial instruments	545 878	14 738
d) creditors	46 944	31 795
e) liabilities in respect of cash collateral	867 565	43 173
f) other liabilities	-	-
Total special funds and other liabilities	**1 482 548**	**105 861**

Note 16
Accruals, deferred income and qualified income

PLN'000

	31.12.00 current year	31.12.99 previous year
1. Accruals, including:	62 326	68 263
a) accrued expenses - own business activity	62 326	68 263
2. Deferred income, including:	5 428	13 780
a) income received in advance	5 428	1 567
b) other balances	-	12 213
3. Qualified income (in respect of):	110 939	67 901
a) suspended interest	110 939	67 901
Total accruals, deferred income and qualified income	**178 693**	**149 944**

Note 17
Other provisions by type

PLN'000

	31.12.00 current year	31.12.99 previous year
1. For off-balance-sheet liabilities	27 660	7 624
2. General banking risk provision	57 520	115 222
Total other provisions	**85 180**	**122 846**

Note 18
Share capital

On 20 October 2000, on the basis of Resolution No. 417/2000 of the Management Board of the Warsaw Stock Exchange (of 11 October 2000), BRE Bank introduced to public trading 170 500 ordinary bearer shares issued for the purpose of executing managerial option rights, simultaneously excluding the existing shareholders' pre-emptive right (Resolution No. 5 XIII of GSM of BRE Bank of 24 May 2000).

In addition, in 2000 BRE Bank introduced to public trading 10 000 ordinary bearer shares after the National Securities Deposit converted the above registered shares into bearer shares, of which:

- 3 500 shares were introduced on 2 February 2000 on the basis of Resolution No. 21/2000 of the Management Board of the Warsaw Stock Exchange of 25 January 2000,
- 5 000 shares were introduced on 5 May 2000 on the basis of Resolution No. 176/2000 of the Management Board of the Warsaw Stock Exchange of 21 April 2000,
- 1 000 shares were introduced on 4 July 2000 on the basis of Resolution No. 268/2000 of the Management Board of the Warsaw Stock Exchange of 21 June 2000,
- 500 shares were introduced on 2 August 2000 on the basis of Resolution No. 319/2000 of the Management Board of the Warsaw Stock Exchange of 21 July 2000.

The following shareholders held, directly or indirectly via subsidiaries, at least 5% interests in the share capital of BRE Bank SA or at least 5% of the total number of voting rights at the General Shareholders Meeting: Commerzbank AG, 60261 Frankfurt am Main – as at 31 December 2000 – held 11 485 250 shares, which represents 50.00% of the Bank's share capital.

Note 19
Supplementary capital

PLN´000

		31.12.00 current year	31.12.99 previous year
1.	Share premium	744 320	733 495
2.	Statutory reserve	4 352	4 352
3.	Other (reclassification of revaluation reserve)	66	66
Total supplementary capital		**748 738**	**737 913**

Note 20
Other reserves by designation

PLN´000

		31.12.00 current year	31.12.99 previous year
1.	General risk fund	353 000	233 000
2.	Other reserves	656 441	295 294
Total other reserves		**1 009 441**	**528 294**

Note 21
Interest income

PLN´000

		For the year ended 31 December 2000	For the year ended 31 December 1999
1.	From the financial sector	227 385	106 645
2.	From customers and the public sector	944 932	744 010
3.	From securities, including:	451 400	274 939
	a) fixed income securities	451 400	274 939
4.	Other	2 222	6 966
Total interest income		**1 625 939**	**1 132 560**

Note 22
Interest expense

PLN'000

	For the year ended 31 December 2000	For the year ended 31 December 1999
1. On transactions with the financial sector	444 927	330 458
2. On transactions with customers and the public sector	790 387	505 068
3. Other	5 346	5 064
Total interest expense	**1 240 660**	**840 590**

Note 23
Commission income

PLN'000

	For the year ended 31 December 2000	For the year ended 31 December 1999
1. Commissions on banking activities	210 552	465 826
2. Commissions on brokerage activities	-	12 241
Total commission income	**210 552**	**478 067**

Note 24
Income from shares and other securities and property rights

PLN'000

	For the year ended 31 December 2000	For the year ended 31 December 1999
1. From subsidiaries	10 471	3 498
2. From associates	202	3 270
3. From other entities	9 354	1 710
Total income from shares and other securities and property rights	**20 027**	**8 478**

Note 25
Result on financial transactions

	For the year ended 31 December 2000	For the year ended 31 December 1999
		PLN´000
1. Result on financial transactions in securities	104 379	738 982
a) income from transactions in securities	235 132	840 468
b) cost of transactions in securities	130 753	101 486
2. Result on other financial transactions	13 514	12 628
Total result on financial transactions	**117 893**	**751 610**

Note 26
Overhead costs of the Bank

	For the year ended 31 December 2000	For the year ended 31 December 1999
		PLN´000
1. Wages and salaries	201 543	203 928
2. Employee benefits	1 338	-
3. Material costs	210 113	180 166
4. Taxes and fees	2 374	1 501
5. Contribution and transfers to the Bank Guarantee Fund	28 119	11 281
6. Other:	1 272	985
a) transfers to the Social Fund	1 272	985
Total overhead costs of the Bank	**444 759**	**397 861**

Note 27
Provisions and write-downs

PLN'000

	For the year ended 31 December 2000	For the year ended 31 December 1999
1. Provisions for:	296 950	397 581
a) non-performing loans	255 656	229 743
b) off-balance-sheet liabilities	27 770	7 054
c) general banking risk	13 059	101 384
d) costs to be incurred	-	16 522
e) future losses	-	98
f) claims in dispute	-	37 200
g) VISA card transactions	465	444
h) other	-	5 136
2. Write-downs:	72 896	83 388
a) in respect of amortisation of financial fixed assets, including:	72 896	83 388
- debt securities	1 139	51 332
- shares in subsidiaries	54 645	8 062
- shares in associates	3 131	4 451
- minority interests	2 977	748
- other securities and property rights	11 004	18 795
Total provisions and write-downs	**369 846**	**480 969**

Note 28
Release of provisions and reversal of write-downs

PLN'000

	For the year ended 31 December 2000	For the year ended 31 December 1999
1. Release of provisions for:	359 495	170 686
a) non-performing loans	220 958	136 601
b) off-balance sheet liabilities	7 100	4 784
c) 'pass' loans	2 200	-
d) general banking risk provision	70 455	16 531
e) future costs and losses	16 830	10 354
f) other	41 952	2 416
2. Reversal of write-downs:	37 863	76 778
a) financial fixed assets, including:	37 863	76 778
- debt securities	5 852	33 540
- shares in subsidiaries	2 028	11 031
- shares in associates	5 936	3 378
- minority interests	640	744
- other securities and property rights	23 407	28 085
Total release of provisions and reversal of write-downs	**397 358**	**247 464**

Note 29

Corporate income tax

PLN´000

		For the year ended 31 December 2000	For the year ended 31 December 1999
1.	Profit before tax	472 485	1 028 083
2.	Permanent differences between profit before tax and taxable income	47 044	13 975
3.	Temporary differences between profit before tax and taxable income	103 663	112 892
4.	Tax base	321 778	1 127 000
5.	Corporate income tax at 34% in 1999 and 30% in 2000	96 533	383 180
6.	Tax waivers, exemptions, deductions and reductions *	-	52
7.	Corporate income tax due	96 533	383 128
8.	Deferred tax asset	-	-
	a) opening balance	33 868	13 776
	b) increase	147 261	45 531
	c) decrease	167 385	25 439
	d) closing balance	13 744	33 868
9.	**Corporate income tax paid**	**116 657**	**363 036**

Note 30

In accordance with Resolution No. 3 of the 13th Ordinary General Meeting of the Shareholders of 24 May 2000, the net profit of BRE Bank SA of PLN 665 047 thousand was appropriated as follows:

Dividends for shareholders	PLN	182 400 thousand;
Other reserves	PLN	361 147 thousand;
General banking risk fund	PLN	120 000 thousand;
Social Fund	PLN	1 500 thousand.

The Management Board of BRE Bank SA is going to suggest at the General Meeting of the Shareholders of BRE Bank SA appropriating the net profit for 2000 in the following way:

Dividends for shareholders	PLN	114 853 thousand;
Other reserves	PLN	138 475 thousand;
General banking risk fund	PLN	100 000 thousand;
Social Fund	PLN	2 500 thousand.
Total:	**PLN**	**355 828 thousand.**

* In 1999, this item includes an increase in tax for 1996 and 1997 by PLN 1 845 thousand which resulted from decisions of the Tax Inspection Office dated 2 and 5 August 1999 and a reduction by the amount of tax paid on dividends received of PLN 1 897 thousand.

In 2000, the Bank changed its method for recording dividends received, which consisted of including in its revenues the gross amount of the dividend receivable and the amount of tax on the payment withheld by the payer. Therefore, it is not reasonable to show tax on dividends as a reduction in the amount of tax due.

ADDITIONAL EXPLANATORY NOTES TO THE ABBREVIATED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

Additional explanatory notes were prepared in accordance with the requirements of the Council of Ministers' Decree dated 22 December 1998 (Journal of Laws No. 163, item 1160).

1. Concentration of the Bank's exposure to individual entities, sectors, groups, including risk assessment related to this exposure

Loans

There is a considerable concentration of credit exposure in the following sectors:

Sector according to NACE	% of portfolio	Average exposure per client PLN million
1. Wholesale and consignment trade	20.5%	1 347
2. Real estate servicing	8.3%	544
3. Production of foodstuffs and beverages	6.6%	430
4. Construction industry	5.5%	363
5. Financial services	5.5%	363
6. Production of other transport equipment	4.5%	298

The above sectors are sectors of activity (two-digit classification) in accordance with Polska Klasyfikacja Działalności (Polish Classification of Activity), which corresponds to NACE.

According to the latest study by Instytut Badań nad Gospodarką Rynkową (Institute of Market Economy Studies) (Report No. 16, December 2000), the investment risk in these sectors (measured according to the 1 - 5 scale - i.e. low, average, increased, high and very high) was as follows:

1. Wholesale and consignment trade	average
2. Real estate servicing	low
3. Production of foodstuffs and beverages	average
4. Construction industry	increased
5. Financial services	low
6. Production of other transport equipment	high

Ad. 1. Among the wholesale trade clients there are large individual exposures. These can be divided in two groups of borrowers.

The first group includes large (mainly publicly-traded companies), former foreign trade enterprises, which are parent companies for large manufacturing and trading groups. Traditionally the largest clients are enterprises connected with metal and fuel and chemical markets. In this group of borrowers, a bigger exposure of the Bank to individual clients may be noted.

The second group includes smaller clients, specialised in local wholesale trading. In the second group, a very considerable diversification of exposure may be noted.

Ad. 2. During the last year, indebtedness connected with the financing of projects on the real estate market (so-called real estate servicing) increased. IBnGR considers that this is a low risk area of activity.

Ad. 3. Production of foodstuffs and beverages is the most diversified sector as far as the types of production are concerned. It includes many different food processing subsectors. BRE Bank SA is mostly involved in the financing of meat plants (many of them are associated in sectoral trade groups), production of beverages (including alcoholic beverages) and production of vegetable fats. In an attempt to minimise credit risk, lending activities are limited to large enterprises, which are either members of strong groups or are publicly traded companies. Economic situation of these sectors is constantly monitored. Prudence principles are applied in particular in the case of sectors which lost their markets as a result of the crisis in Russia.

Ad. 4. As far as construction enterprises are concerned, a typical feature of this segment of the loan portfolio is the fact that lending activities concentrate on industrial and specialised construction enterprises. Housing sector is not financed. Publicly traded companies associated with construction groups dominate among construction companies. These groups intensify the diversification of their activities and, striving to optimise the risk, get involved in activities other than construction.

Ad. 5. Financial lease companies form the bulk of financial services sector. Their shareholders include renowned financial institutions.

Ad. 6. Likewise, considerable concentration of exposure is typical for clients representing production of other transport equipment (in particular shipbuilding industry). Since in this sector the risk is possibly higher, BRE Bank SA limits its lending activities to the best enterprise in this sector. It is one of the larger shipbuilding yards in the country, with an established international reputation and good financial results achieved due to a professional management and organisation as well as a high productivity.

The Bank is only marginally involved in financing other clients from this sector.

An additional element reducing a possible risk in this part of the portfolio is the fact that it includes short-term loans, mainly trade debts.

No sector in BRE Bank SA credit portfolio was classified as bearing a very high risk.

Equity investments

The Bank's shareholding by sectors is as follows:

Asset management	30.0%
Telecommunication	12.3%
Corporate banking	11.0%

The above sectors/business lines represent 53.3% of the Bank's equity investments.

Investment in shares in asset management companies (e.g. PTE Skarbiec-Emerytura SA, Skarbiec TFI SA, BRE Private Equity Sp. z o.o., I and V NIF SA) and companies involved in corporate banking (RHEINHYP-BRE Bank Hipoteczny SA, Intermarket Factoring Bank AG and Transfinance a.s. and BRE Leasing Sp. z o.o.) are connected with the Bank's long-term strategy of offering a comprehensive mix of financial services and products both to corporate and individual clients. Considering the results achieved by individual companies and the forecast of their development, this activity belongs to the group of low investment risk.

Investments in the telecommunication sector are of a trading nature and are made in accordance with a long-term Bank's strategy of own investments, which favours investments in sectors with high development potential, where a high rate of return is expected. Since this sector is one of the fastest developing sectors of economy, and forecasts indicate that it will generate high profits in the future, any investment risk can only be macroeconomic.

Corporate banking sector belongs to a low investment risk group.

2. Information on financial instruments - securities and derivatives

Off-balance-sheet items of the Bank include the following categories of financial instruments, disclosed as "Liabilities in respect of purchase/sale transactions":

	PLN '000
Spot and forward foreign currency transactions* (foreign currency and PLN to be released)	17 680 214
Spot and forward foreign currency transactions* (foreign currency and PLN to be received)	17 810 666
Placements to be released	2 150
Deposits to be received	197 501
Sell/buy back transactions - securities purchased	1 126 561
Sell/buy back transactions - securities sold	30 770
Forward purchase of securities	53 066
Forward sale of securities	198 885
FRA transactions - sold	7 673 564
FRA transactions - purchased	9 221 000
Call options - purchased	4 380 186
Call options - sold	5 093 060
Put options - purchased	3 626 938
Put options - sold	3 685 376
Call warrants - purchased	4 743
Call warrants - sold	18 994
Put warrants - purchased	641
Put warrants - sold	1 602
Futures - purchased	-
Futures - sold	557 069
Swap transactions - streams of interest received	7 275 396
Swap transactions - streams of interest paid	7 261 073
Take-over of the commercial papers issue	74 000
Total:	**85 973 455**

Transactions in derivatives are one of the Bank's operating activities. These instruments help to occupy strategic positions on financial markets and are also offered to the Bank's clients.

* For foreign currency spot and forward transactions and swap transactions the amount of contractual amount was presented both as a receivable and as a liability

3. Off-balance sheet commitments

3.1. Commitments granted, including:

	PLN '000
Letters of credit	84 971
Guarantees granted	1 911 843
Unutilised credit facilities	4 606 827
Total:	**6 603 641**

Letters of credit are classified as follows:

Letters of credit, including:	**84 971**
Import letters of credit issued	84 669
Export letters of credit confirmed	302

Guarantees granted include performance bonds, guarantees of timely payments, customs guarantees, tender guarantees, guarantees of the prepayment refund, loans repayment guarantees.

Provisions for off-balance sheet commitments amounted to PLN 27 660 thousand.

The Bank's commitments to subsidiaries and associated companies as at 31.12.2000 were as follows:

			PLN '000
	Subsidiaries	**Associates**	**Total**
Letters of credit	0	0	0
Guarantees	864 195	24 121	888 316
Unutilised credit facilities	20 668	2 197	22 865
Other	11 760	7 090	18 850

On 22 October 1999 DeTe Mobil Deutsche Telekom MobilNet GmbH with a registered seat in Bonn, Germany ("DeTe Mobil") filed a suit with the International Arbitration Court at the Austrian Chamber of Commerce in Vienna against the Bank and Kulczyk Holding SA, TUiR Warta SA, Drugi Polski Fundusz Rozwoju - BRE Sp. z o.o., Elektrim SA ("Defendants"). DeTe Mobil demands, among others, the following:

1. Recognising the assignment of shares in PTC Sp. z o.o. made by the Bank and other Defendants to Elektrim SA as ineffective in full or in the part in which DeTe Mobil had pre-emptive rights to these shares;

2. Obliging the Defendants to provide compensation of USD 1 000 000 for damages to DeTe Mobil. The value of the subject matter of litigation is USD 135 456 700, of which USD 134 456 700 represent the value of the shares in question, whereas USD 1 000 000 - the compensation for damages to DeTe Mobil. DeTe Mobil filed a petition to a District Court in Warsaw to issue an interim order to secure the above claims. The District Court in Warsaw dismissed DeTe Mobil's suit in full, and the ruling on this matter was upheld by the Appeal Court in Warsaw. The Bank's Management Board, on the basis of its legal advisors' opinions, has reasons to believe that the suit lodged by DeTe Mobil will be dismissed.

The receiver of ART B Export-Import Sp. z o.o. in liquidation, which used to be the Bank's client, on the basis of Art. 430 of the Civil Code lodged a suit against the Bank demanding a refund of PLN 99 077 860 plus default interest accrued since 5 September 1991, relating to an incorrect transfer abroad of USD 43.4 million in 1990 made by the Bank. The Bank considers that the receiver's claims unfounded. As at the balance sheet date, 1st instance court proceedings have not been completed. It is impossible to estimate when the decision will be issued and what will be the outcome. It also has to be expected that considering a large amount of money involved, both parties will make use of appeal proceedings available to them.

In addition, the Bank has been served a third-party notice to participate in the civil proceedings before the District Court in Jerusalem, against Bogusław Bagsik, Leumi Le-Israel Bank with the registered seat in Tel Aviv, Bartrade International Trade and Finance and others, to refund an identical amount as the one demanded in the lawsuit before the Polish Court. The Bank's attorney submitted an application to dismiss the claim until the judicial decision has been made in the litigation before the District Court in Warsaw. The claim was dismissed by the District Court in Tel Aviv on 8 March 2000. The Bank's Management Board has reasons to believe that, as in the case of the litigation before the District Court in Warsaw, the receiver's claim will be dismissed.

On 14 November 2000 BRE Bank SA and related entities signed a preliminary contract of sale of shares in Optimus SA to International Trading and Investments Holdings SA ("ITI") with a registered seat in Luxembourg for a total of PLN 306 548 000. Of this amount, 25% will be paid in cash and 75% - in bonds convertible into shares issued by ITI. The promised contract will be signed on 28 February 2001 at the latest, after terms and conditions specified in the contract have been met.

In accordance with the above contract, the Bank obtained the right to purchase from ITI a part of shares which the latter will take over in the company resulting from the division of Optimus company and operating in the sector of the Old Economy, including computers manufacturing and computer systems integration services. At the same time, ITI has the right to call on BRE Bank to purchase these shares. Details will be presented in the sales contract.

4. Capital expenditure incurred and planned for the next 12 months after the balance sheet date

Capital expenditure incurred in 2000 amounted to PLN 73 203 thousand, including construction projects of PLN 63 942 thousand.

Capital expenditure amounting to PLN 95 963 thousand are planned for 2001, including PLN 79 070 thousand for construction projects.

Capital expenditure in technology in 2000 amounted to PLN 99 023 thousand. IT expenditure planned for 2001 amounts to PLN 240 000 thousand.

The value of assets under construction by branch was as follows:

	PLN '000
Head Office	238 146
Bielsko-Biała	140
Bydgoszcz	86
Gdańsk	21
Katowice	40
Łódź	610
Olsztyn	4
Szczecin	313
Wrocław	74
Total:	**239 434**

5. Material transactions with related parties

1. In 2000 BRE Bank SA did not conclude any significant agreement with Commerzbank AG and its related entities. The only agreement is the extension of the repayment period of two loans from CB International SA Luxembourg amounting to a total of DEM 175 million to 01.09.2000.

   The above loans have been repaid earlier, on the basis of an agreement with the borrower.

2. BRE Bank SA granted an unconditional and irrevocable guarantee for a repayment of liabilities of BRE International Finance B.V., a company with a registered office in Holland, in which BRE Bank SA holds 100% of shares, in respect of an issue of bonds with a par value of EURO 200 million and maturing in 2005. At the same time, BRE International Finance B.V. deposited in BRE Bank SA, a cash deposit of EURO 199 508 000 to secure the above guarantee. This amount was paid from proceeds from the issue of bonds. In accordance with the cash deposit agreement, BRE Bank SA retains the title to the deposit until the bond redemption date in 2005.

3. BRE Bank SA signed an Agreement on the Mortgage Bonds Issue Plan with RHEINHYP-BRE Bank Hipoteczny SA. On the basis of the agreement, BRE Bank SA will organise a Mortgage Bonds Issue Plan amounting to PLN 100 000 000. The Bank purchased on the primary market 40 mortgage bonds issued by RHEINHYP-BRE Bank Hipoteczny SA, with a nominal value of PLN 4 000 000.

4. BRE Bank SA signed an agreement on the issue of commercial papers with a nominal value of PLN 33 500 000 with TELE-TECH Investment Sp. z o.o., an associated company.

5. The Bank took over bonds issued by Pierwszy Polski Fundusz Rozwoju-BRE Sp. z o.o. for a total amount of PLN 72 116 554.

   The Fund purchased from the Bank shares in the following companies:

   - Netia Holdings SA for a total amount of PLN 9 789 780,
   - Polski Koncern Naftowy SA for a total amount of PLN 19 732 429.92,
   - ComputerLand SA for a total amount of PLN 41 427 035.65.

6. The Bank concluded the following transactions with Drugi Polski Fundusz Rozwoju - BRE Sp. z o.o.:

   a) Sale of 895 787 shares in Elektrim SA, constituting 1.19% of its share capital. The profit on this sale was PLN 4 811 thousand.

   b) Working capital loan of PLN 188 000 000 (already repaid - interest amounted to PLN 2 738 390.12)

   c) An agreement guaranteeing the sale by DPFR-BRE Sp. z o.o. of shares in Bank Handlowy w Warszawie SA for the price equal to 101% of their purchase price, plus costs incurred by DPFR-BRE Sp. z o.o. in respect of purchase and sale of shares at guaranteed price (i.e. PLN 247 million approximately).

   d) Agency and Deposit Agreement and Dealer Agreement in respect of the DPFR-BRE Sp. z o.o. Bond Issue Plan for PLN 60 000 000. As part of the program, DPFR-BRE Sp. z o.o. issued bonds with a total nominal value of PLN 54 000 000, which the Bank acquired on the primary market. Bonds have already been redeemed (interest amounted to PLN 781 410).

   e) Agency and Deposit Agreement and Dealer Agreement in respect of the Bond Issue Plan for DPFR-BRE Sp. z o.o. amounting to PLN 110 000 000. As part of the program, DPFR-BRE Sp. z o.o. issued bonds with a total nominal value of PLN 105 200 000, which the Bank acquired on the primary market.

   f) The Bank took over the following bonds issued by the company:

      - 15 bonds for a total of PLN 21 136 411 (redeemed by DPFR- BRE Sp. z o.o. for a total of PLN 21 767.06),
      - 1 bond with a nominal value of PLN 12 144 000.

g) The Fund repaid the Bank a part of a loan obtained on 30.11.1999 amounting to PLN 14 817 600 to purchase liabilities of Daewoo UK Ltd. from the Bank. The amount of principal repaid together with interest was PLN 10 947 855.29.

h) The Fund received from the Bank a loan of PLN 6 433 243.02 for the purchase of shares in companies quoted on the Warsaw Stock Exchange.

i) The Bank took an overnight deposit of PLN 1 000 000 thousand from a subsidiary.

The Bank includes the following companies in the consolidated financial statements:

Name of the company	% of voting rights	Consolidation method
PPFR-BRE Sp. z o.o.	100%	acquisition accounting
DPFR-BRE Sp. z o.o.	100%	acquisition accounting
Dom Inwestycyjny BRE Banku SA (BRE Bank Securities)	100%	acquisition accounting
Business Management & Finance SA	100%	equity method
BEST SA	90.04%	equity method
PTE Skarbiec-Emerytura SA	75%	equity method
SKARBIEC TFI SA	51%	equity method
BRE Private Equity I Sp. z o.o. (former BRE/Cresco Management Sp. z o.o.)	50%	equity method
RHEINHYP-BRE Bank Hipoteczny SA	49%	equity method
BRE Leasing Sp. z o.o.	49%	equity method

6. Information on the average number of employees in the Bank by professional groups

The average number of employees in 2000 was 2 264.

The Bank has no data in respect of different professional groups.

7. Information on remuneration paid to the Management Board and Supervisory Board members, including profit-related fee

In 2000 remuneration amounted to:

Bank's Management Board	PLN	9 941 thousand
Supervisory Board	PLN	1 325 thousand

In addition, during the current year members of the Management Board of BRE Bank SA received PLN 128 thousand in respect of their participation in the management and supervisory boards of the Bank's subsidiaries and associates.

By the resolution passed by the General Shareholders' Meeting on 28 March 1997, managerial share options were awarded to the Bank's management. On 30 June 2000, a notice about the issue of the shares was submitted to the Polish Securities and Exchange Commission. The increase in capital resulting from this issue took place in the 3rd quarter 2000.

The members of the Bank's Management Board joined the managerial option plan for the members of the Bank's management and signed an agreement with BRE Bank giving them the right to purchase the total of 159 000 options for BRE Bank's shares from its new issue planned for 2003.

8. Information on cash advances, loans and guarantees granted to members of management and supervisory boards, indicating interest and repayment terms

Loans granted to members of the Bank's Management Board as at 31.12.2000

Housing loans	PLN 675 thousand
Cash advances	PLN 6 thousand and DEM 245 thousand
Guarantees	PLN 2.5 thousand

As at 31.12.2000 members of the Supervisory Board had no loans from the Bank.

Interest on cash advances granted by BRE Bank SA to its employees is calculated according to the bill of exchange variable rediscounting rate, while interest rate on loans taken over from PBR SA is fixed and amounts to 6% p.a. Interest on foreign currency loans is calculated according to market terms. Interest on housing loans amounts to 1% p.a. Loans are repaid in monthly instalments.

Members of the Supervisory Board did not receive cash advances, loans or guarantees from BRE Bank SA's subsidiaries and associates.

Moreover, the Bank has an exposure of PLN 146 939 to entities in which one of the members of BRE Bank's Supervisory Board participates in supervisory bodies.

9. Information on significant post-balance sheet date events

- On 4 January 2001, the District Court in Warsaw issued a decision against the State Treasury in favour of BRE Bank SA and awarded the amount of PLN 30 819 940.90 together with penalty interest accrued since 26 February 1997 in respect of a refund of capital expenditure incurred by the former Polski Bank Rozwoju SA in respect of the building located at Al. Szucha in Warsaw.

- On 15 January 2001 BRE Bank SA signed an Agency Agreement with Tele-Tech Investment Sp. z o.o., entity related to BRE Bank SA. Based on the agreement Tele-Tech Investment Sp. z o.o. engaged BRE Bank SA to organise and service the Bond Issue Plan relating to 1 752 bonds, including acting as an Agent for the Issue, Depository, Dealer and Payment Agent. Nominal value of each bond is PLN 208 500, and the nominal value of the entire issue is PLN 365 292 000.

- On 19 January 2001 BRE Bank SA and Sopockie Towarzystwo Ubezpieczeniowe Ergo Hestia SA (former STU Hestia Insurance SA) with a registered office in Sopot signed a sale agreement concerning the sale to BRE Bank SA of 1 225 000 registered shares in PTE Skarbiec-Emerytura SA, constituting 25% of the company's share capital and voting rights at the GSM. Purchase price of these shares was PLN 138 356 300.

  The transaction is a result of executing a preliminary contract dated 30 November 2000 and is financed from the Bank's own funds. The shareholding of BRE Bank SA shareholding in PTE Skarbiec-Emerytura SA is long-term.

- On 25 January 2001 BRE Bank SA signed sale agreements with two strategic investors, which are domestic legal entities operating in the maritime economy sector, to sell 225 000 registered ordinary shares in Przedsiębiorstwo Spedycji Międzynarodowej C. Hartwig Gdynia SA. The above shares constitute 75% of the company's share capital and voting rights at the GSM.

- On 25 January 2001 (in accordance with an agreement signed on 28 December 2000 between BRE Bank SA and RHEINHYP Rheinische Hypothekenbank AG with a registered office in Frankfurt a/Main) BRE Bank SA took over 13 500 shares in RHEINHYP-BRE Bank Hipoteczny SA with a registered office in Warsaw. The above shares constitute 1% of the company's share capital and voting rights at the GSM.

  As a result of the said transaction, BRE Bank SA holds 50% of the company's share capital and 50% of voting rights at the GSM.

- On 29 January 2001 BRE Bank SA purchased 40 shares in the-the Sp. z o.o. Warsaw from a private individual. These shares account for 100% of the company's share capital and voting rights at the GSM.

  The purchase price of these shares amounted to PLN 20 000. The transaction was financed with the Bank's own funds. The shareholding of BRE Bank SA in the company is long-term.

  On 30 January 2001, BRE Bank SA decided to contribute assets to the-the Sp. z o.o. The assets contributed by the Bank are directly related to the activities of Biuro Obsługi Funduszy BRE Bank SA. These assets include telecommunications and computer equipment and software necessary for operating as a transfer agent for investment and pension funds.

  Moreover, the Bank decided to change the company's name to "BRE Agent Transferowy" Sp. z o.o. and the scope of its business activities.

- On 18 January 2001, the Banking Supervision Commission permitted BRE Bank SA to take up shares authorising the Bank to execute over 75% of the voting rights at the General Shareholders' Meeting ("GSM") of Bank Częstochowa SA. On 6 February 2001, the Polish Securities and Exchange Commission ("SEC") gave the Bank a permission to purchase shares which ensured exceeding 50% of the total voting rights at the GSM of Bank Częstochowa SA. According to the SEC's decision, the deadline for the purchase of the said shares is 6 August 2001. The Bank does not intend to withdraw the shares in Bank Częstochowa from public trading within the next 5 years.

10. Changes to accounting policies and valuation methods during the year

From 1 January 2000, the Bank began including in its books of account and reflecting in the balance sheet and income statement the result on the valuation of off-balance sheet derivatives and forward transactions. The supreme principle applied in the valuation of off-balance sheet instruments is the market value principle. Detailed accounting policies and valuation methods of these instruments are described in item (3) of the "Introduction" to these statements.

11. List of changes made to ensure comparability of data in financial reports for the current and prior financial years

The financial report for 2000 was prepared in accordance with the requirements of the Polish Securities and Exchange Commission on the presentation of financial data.

From 1 January 2000 the Bank includes in its books of account and reflects in the balance sheet and income statement the result on the valuation of off-balance sheet derivatives and forward transactions according to their market value.

Until 1 January 2000 the valuation of derivatives and forward transactions was performed in accordance with the same principles, as described in the notes to the financial statements SAB-R 1999 item 2. However, until 1 January 2000 the result on the valuation was not included in the income statement and the balance sheet. Valuation was performed on a day-to-day basis for management purposes and presented on 31 December 1999 in the SAB-R 1999 annual financial report.

From 1 January the result on the current valuation is reflected in the Bank's financial statements.

BOARD OF MANAGEMENT AND SUPERVISORY BOARD


BRE BANK SA
WOJCIECH KOSTRZEWA
PRESIDENT OF THE BOARD OF MANAGEMENT


BRE BANK SA
HENRYK OKRZEJA
DEPUTY PRESIDENT OF THE BOARD OF MANAGEMENT


BRE BANK SA
ANTON M. BURGHARDT
DEPUTY PRESIDENT OF THE BOARD OF MANAGEMENT


BRE BANK SA
JAN ZIELIŃSKI
DEPUTY PRESIDENT OF THE BOARD OF MANAGEMENT


BRE BANK SA
KRZYSZTOF KOKOT
DEPUTY PRESIDENT OF THE BOARD OF MANAGEMENT


BRE BANK SA
SŁAWOMIR LACHOWSKI
MEMBER OF THE BOARD OF MANAGEMENT

BOARD OF MANAGEMENT

Wojciech Kostrzewa
President of the Board of Management, CEO

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

Krzysztof Kokot
Deputy President of the Board of Management, Head of Sales

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

Jan Zieliński
Deputy President of the Board of Management, CFO

Sławomir Lachowski
Member of the Board of Management, Head of Retail Banking

SUPERVISORY BOARD

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

Klaus-Peter Müller - Deputy Chairman of the Supervisory Board, Deputy Chairman of the Executive Committee

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

Andreas de Maizière - Member of the Supervisory Board, Member of the Executive Committee

Henryka Bochniarz - Member of the Supervisory Board

Gromosław Czempiński - Member of the Supervisory Board

Jan Guz - Member of the Supervisory Board

Jan Kulczyk - Member of the Supervisory Board

Enrico Meucci - Member of the Supervisory Board

Jan Szomburg - Member of the Supervisory Board

Nicholas Teller - Member of the Supervisory Board

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ISBN 83-87062-96-0

Published by BRE Bank SA
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