

National Bank of Poland
General Inspectorate of Banking Supervision

**SUMMARY EVALUATION OF THE FINANCIAL
SITUATION OF POLISH BANKS**

2000

Warsaw, April 2001

1. Scope of analysis and methodological remarks

The present study constitutes a summary analysis of the economic and financial situation of Polish banks in 2000. The analysis is preceded by a description of organisational and legal changes within the banking sector and a brief outline of the operating environment of the banks¹. The structure of the banks' balance sheets and off balance sheet operations is presented, together with the quality of assets and off balance sheet exposures, the level of provisioning performed, and the banks' capital base and risk-based capital ratios. In addition, an overview is provided of the financial condition of the banks (income earned, expense incurred and earnings generated), and also of their operating efficiency.

The present analysis encompasses a total of **73** commercial banks and **680** cooperative ones that were conducting operations in 2000. It is based on data from the prudential reports filed by the banks, as available on January 29, 2001². Information on the profit and loss account of PKO Bank Polski SA (which, due to a change in the bank's legal status, refers solely to performance from May to December, 2000) has been adjusted for purposes of comparability, outside the WEBIS reporting system, by the addition of the relevant profit and loss items of that bank's predecessor, PKO Bank Panstwowy, from January-April 2000³.

2. The banking sector in 2000

In 2000, the **total number of commercial banks conducting operations** decreased to **73** (compared to 77 at the end of 1999) as a result of the following developments:

- the head office of American Express put its Warsaw branch into liquidation⁴,
- Bank Staropolski SA was declared bankrupt⁵,
- Bank Wspolpracy Regionalnej SA acquired equity control of BWR Real Bank SA (on the basis of a resolution of the Commission for Banking Supervision), with the two institutions subsequently merging⁶,
- Bank Austria Creditanstalt Poland SA merged with Powszechny Bank Kredytowy SA⁷,
- Wielkopolski Bank Kredytowy SA acquired the banking business of Gliwicki Bank Handlowy SA⁸, incorporating it into its organisational structure,

¹ The term "banking sector" as used herein does not include the National Bank of Poland (NBP), nor banks declared bankrupt or under liquidation.

² No account has been taken of any adjustments to those reports submitted by banks and entered in the NBP data base subsequent to that date.

³ Audited figures (concerning 1999 and also the operations of PKO Bank Panstwowy from January to April) differ from the preliminary figures submitted by the banks and presented in earlier publications.

⁴ As of January 1, 2000; the branch was deleted from the companies' register on June 30.

⁵ The Commission for Banking Supervision suspended the bank's operations on January 13; it was declared bankrupt by the relevant court on February 11.

⁶ On March 30, the Commission for Banking Supervision adopted a resolution suspending the operations of BWR Real Bank SA for a period of one day, and another resolution approving the acquisition of that bank by Bank Wspolpracy Regionalnej SA. The two banks merged on April 15.

⁷ The accounts of the former were closed on November 2, 2000.

⁸ On October 1, 2000.

- Toyota Bank Polska SA commenced operating activity⁹.

The Commission for Banking Supervision authorised the establishment of two more mortgage banks, namely, Slaski Bank Hipoteczny SA¹⁰, which remained under organisation, and Pekao Bank Hipoteczny SA¹¹, which by year end 2000 had not yet been entered in the companies' register.

The **number of banks controlled by the Treasury (directly or indirectly)** remained the same (**7**), yet their share of the total assets of the banking sector declined (down from 23.9% to 22.9%)¹², as did their share of outstanding loans less provisions (down from 21.4% to 21.2%), of deposits (down from 29.3% to 28.9%), and of total core and supplementary capital (down from 16.4% to 14.3%). These movements are set out in Table 1. The Treasury maintained direct control of just 3 banks, including Bank Gospodarstwa Krajowego, the sole institution with the status of a state bank (the other bank in this category, PKO Bank Panstwowy, was incorporated as a public limited company and changed its name to PKO Bank Polski SA¹³).

Although the **number of banks with majority private-sector equity** conducting operations decreased from 70 to **66**, the **number of banks with majority foreign equity** increased from 39 to **46**¹⁴. At the end of December, foreign investors directly controlled **16** public limited companies under 100% foreign ownership (including 3 acquired from their original Polish founders) and **21** with a majority foreign interest (3 of which had been established with the involvement of foreign parties, 9 acquired under privatisations involving foreign investors, and another 9 acquired through capital infusions), along with **2** branches of foreign banks, and also indirectly controlled a further **7** banks (cf. Appendix 1).

At year end, the **46 banks in operation with a majority foreign equity interest** had a total capital base¹⁵ and total assets (figures which attest to their share of the market for banking services) representing 77.5% and 69.6%, respectively, of total capital and total assets within the Polish banking sector; this constituted a major increase on the previous year (the corresponding figures at year end 1999 stood at 50.2% and 47.2%) These banks had also taken 63.5% of non-financial sector deposits

⁹ This bank was authorised on January 12, 2000, entered in the companies' register on March 27, and commenced operating activity on August 21.

¹⁰ This bank was authorised on November 8, 2000, and entered in the companies' register on December 20.

¹¹ This bank was authorised on April 5, 2000.

¹² Throughout the present study, the term "total assets" refers to a net amount, i.e., total assets less accumulated depreciation, specific provisions and valuation allowances.

¹³ Entered in the companies' register on April 12, 2000.

¹⁴ The total number rose to 47, yet 1 bank indirectly controlled by foreign investors remained under organisation. Foreign investors assumed control of 10 banks, with 2 of these subsequently merging. Another 2 new banks were established, only 1 of which commenced operating activity. Wielkopolski Bank Kredytowy SA acquired the banking business of Gliwicki Bank Handlowy SA, Bank Austria Creditanstalt Poland SA was merged with Powszechny Bank Kredytowy SA, and 1 bank was put into liquidation. At the same time, the number of private-sector banks with majority Polish equity declined from 31 at year end 1999 (48 at year end 1993) to 20. This group of banks now accounts for a smaller proportion of the banking sector than the cooperative banks.

¹⁵ Total core and supplementary capital, prior to any regulatory deductions.

and originated 70.2% of loans outstanding, less provisions¹⁶ (as against 45.7% and 50.9%, respectively, a year before) (cf. Table 1).

The principal alterations seen in the **ownership structure of the banks** were the result of foreign investors acquiring direct or indirect control over further banks, which in the main had previously been controlled by Polish shareholders.

- Citibank Overseas Investment Corporation purchased an 87.8% holding in Bank Handlowy w Warszawie SA from the previous shareholders (both Polish and foreign), and also purchased 1,211,000 convertible bonds from the PZU SA insurance company. In consequence, it acquired control not only of the bank in question, but also of its subsidiaries, Cuprum-Bank SA and Bank Rozwoju Cukrownictwa SA. The new owners resolved to merge their existing subsidiary undertaking, Citibank (Poland) SA, with Bank Handlowy w Warszawie SA¹⁷;
- Deutsche Bank AG indirectly acquired a controlling interest in a distressed institution, Bank Wspolpracy Regionalnej SA (BWR SA), and its subsidiary, BWR Real Bank SA (these two banks were then merged). Deutsche Bank Polska SA (the Polish subsidiary of Deutsche Bank AG) took up 91.7% of the shares of BWR SA, significantly recapitalising the latter. The new owners intend to convert BWR SA into the Polish arm of their retail banking division, Deutsche Bank 24;
- Deutsche Bank AG abandoned its attempts to assume control of BIG Bank Gdanski SA, disposing of the interest it held. Control over the latter bank and its subsidiary, BIG Bank SA, was acquired by Banco Comercial Portugues and Eureko BV, together with other institutions acting in concert. The equity interest held by foreign shareholders thereby increased to 62.5% (compared to 47.8% at year end 1999). Shareholders' general meetings of BIG Bank Gdanski SA and BIG Bank SA adopted resolutions to merge the two banks¹⁸;
- Bank Austria AG acquired control over Powszechny Bank Kredytowy SA (PBK SA), and thus indirectly over its subsidiary, Gornoslaski Bank Gospodarczy SA. Following the purchase of a further 10.29% shareholding from the Treasury, the equity interest of Bank Austria AG in PBK SA increased to 53.7% (as against 43.5% at year end 1999), and rose to 57.1% following the incorporation of Bank Austria Creditanstalt Poland SA¹⁹;
- Commerzbank AG increased its equity involvement in BRE Bank SA to 50% (compared to 48.7% at year end 1999);
- Nordbanken AB more than trebled its equity in Bank Komunalny SA. By taking up a new share issue and purchasing the shares held by the majority of previous shareholders, the former bank acquired a 94.1% interest in the latter.

In addition, changes to the ownership structure of the commercial banks were brought about by the commencement of operations by Toyota Bank Polska SA (another bank with 100% foreign equity), by increases in the authorised capital of 24

¹⁶ Over the years 1993-2000, banks with majority foreign equity increased their share of the total assets of the banking sector by 67.0 points, of the total capital base by 75.3 points, of non-financial sector deposits by 61.4 points, and of outstanding loans less provisions by 67.5 points.

¹⁷ The two banks were indeed merged on March 1, 2001.

¹⁸ The two banks merged on January 5, 2001.

¹⁹ This merger took place on November 2, 2000.

banks (including 19 with majority foreign equity)²⁰, and by the following other developments:

- Bank Gospodarstwa Krajowego increased its equity involvement in Bank Rozwoju Budownictwa SA to 99.9% (by purchasing shares in the latter from the National Bank of Poland and from PKO Bank Polski SA);
- Den Danske Bank AB acquired an 83.2% interest in Polsko-Kanadyjski Bank Sw. Stanislawy SA from the previous shareholders (mainly Canadian)²¹;
- Bank Komunalny SA sold the shares it held in Bank Spolem SA to several domestic companies;
- Bank Pocztowy SA withdrew from its investment in Wielkopolski Bank Rolniczy SA. In November, the Commission for Banking Supervision placed the latter bank under administration;
- Telekomunikacja Polska SA disposed of its shares in Bank Pocztowy SA, these being acquired by PPUP Poczta Polska [the Polish Post Office], which at year end held an equity interest of 66.6% in the bank, conferring the right to 74.2% of votes at a shareholder's general meeting;
- Caisse Centrale de Credit Cooperatif increased its holding in Bank Inicjatyw Spoeczno-Ekonomicznych SA to 31.6%, from 11.2% at the end of 1999 (taking up a new share issue and purchasing some holdings from previous owners)²²;
- for its part, Bank Inicjatyw Spoeczno-Ekonomicznych SA increased its equity involvement in Bank Cukrownictwa Cukrobank SA to 33.9%. Part of a new issue of shares in the latter bank was also taken up by Wschodni Bank Cukrownictwa SA;
- Banco Espirito Santo e Comercial de Lisboa increased its equity interest in Kredyt Bank SA to 19.8% (part of this represented shares purchased from the EBRD, which withdrew from its investment in the latter bank);
- Skandinaviska Enskilda Banken AB took possession of a 32.1% shareholding in Bank Ochrony Srodowiska SA (a portion of these shares were bought from Kredyt Bank SA and affiliated companies, which had failed in their attempt to gain control over Bank Ochrony Srodowiska SA);
- Bank Handlowy w Warszawie SA injected additional capital into Bank Rozwoju Cukrownictwa SA, increasing its stake in that bank from 62.3% to 95.8%;
- the Treasury made available 12.2% of shares in Bank Zachodni SA to that bank's staff.

At year end, **total foreign investment** in the Polish banking sector amounted to **4,575.1m zloty**, of which **2,592.3m zloty** represented the capital of 16 banks with 100% foreign equity and of 2 branches of foreign banks, **1,920.7m zloty** constituted the face value of majority shareholdings in 28 other banks, and just **62.1m zloty** consisted in minority interests held in 4 banks with majority Polish equity (cf. Table 5 and Appendix 3).

²⁰ The taking effect of the Commercial Company Code of September 15, 2000, resulted in the term "authorised capital" replacing the previous term "share capital" in relation to public limited companies.

²¹ As a result, the latter bank changed its name to Danske Bank Polska SA.

²² Banque Populaire, France, intends to take up a subsequent share issue and to purchase equity interests from current shareholders in Bank Inicjatyw Spoeczno-Ekonomicznych (from the Industrial Development Agency and another French bank, Credit Cooperatif), which would thereby entitle it to 51% of voting rights at a shareholders' general meeting.

The largest investments in the Polish banking sector had been made by American, German and Dutch institutions, with these investments standing at 1,223.8m, 1,088.1m and 560.5m zloty, respectively. Sums above 300m zloty had also been invested by institutions from France and Ireland, with further investments of over 100m zloty from Belgium, Austria and Portugal (cf. Table 6).

Compared to the end of 1995, the largest increase was seen in the volume of investment from the USA (up almost 1,300%), as a result of which this country went from the third largest to the single largest source of external investment. Germany remained the second largest source of foreign capital (investment from this country climbed almost 800%), while Dutch investors slipped to third place (their equity involvement rose 200%). France and Ireland moved into fourth and fifth place (with their investment going up 600% and 2,200%, respectively), while Austria fell to sixth place (despite the capital invested from this country rising 300%). Let us recall that Canadian investors pulled out of the Polish market, to be replaced by Danish investors.

In the year 2000 itself, foreign direct investment in Poland's banking sector went up only slightly (rising 486.0m zloty), while the share held by foreign investors in the total authorised capital of the commercial banks (including the registered equity of state banks) edged up a mere 0.6 points (to 56.6%). This is attributable to the fact that the assumption of control by foreign investors over a number of banks during the period under review did not involve any major inflow of foreign capital to Poland, since in five cases the banks in question were acquired indirectly (via other domestic banks), while in two cases control was established by purchasing equity from other shareholders, mostly foreign themselves.

At the end of 2000, the authorised capital of Poland's **16 listed banks** stood at 2,498.5m zloty and represented almost 31.0% of the total authorised capital of the commercial banks (including the registered equity of state banks). The ownership structure of the banks listed on the stock exchange was as follows: 2.4% of their authorised capital was held by the Polish Treasury, 4.1% by other state institutions, 13.1% by other domestic investors, and 58.1% by foreign investors, while the remainder (22.3%) constituted dispersed holdings. These banks accounted for 27.4% of the market capitalisation of the Warsaw Stock Exchange.

Foreign investors have shareholdings in all of the listed banks, with majority interests in 13 of them. At year end, the total equity held by foreign institutions in the listed banks amounted to 1,452m zloty, representing almost 32% of the foreign capital invested in the Polish banking sector overall.

The commercial banks brought 171 **branch offices** into operation in 2000 (raising the total number of branches to 2,406), and the cooperative banks opened another 100 (to total 1,148), while the number of other domestic offices run by these banks increased by 627 and 85, respectively (to total 8,614 and 875). Whereas the growth of the office network of the cooperative banks was accompanied by an increase in overall employment (up 2.3%) which took it to a five-year high, the commercial banks saw staffing fall for the first time (down 2.7%), to a level less than in 1997 (cf. Tables 2 and 3).

Total staffing at the commercial banks dropped by 4,097²³, with a decline of 2,622 at those banks still in operation at year end. The situation differed at particular banks, however, with 25 reporting a decrease in employment and 45 reporting an increase. Due to corporate restructuring, often associated with planned or actual mergers, the largest staff downsizing, in absolute terms, was seen at Bank Polska Kasa Opieki SA, PKO Bank Polski SA, Bank Gospodarki Zywnosciowej SA, Powszechny Bank Kredytowy SA and Bank Zachodni SA. By contrast, the greatest increase in employment (of around 200 or more), traceable to the growth of modern office networks, took place at Kredyt Bank SA, Bank Handlowy w Warszawie SA, Bank Pocztowy SA, BRE Bank SA, Lukas Bank Swietokrzyski SA, Raiffeisen Bank Polska SA, Fortis Bank Polska SA and BIG Bank SA. However, thanks to the application of new IT technologies, staffing at these banks rose much more slowly than implied by the number of new offices brought on stream.

Banks strove to strengthen their market position not only by expanding their office networks, particularly small customer service offices, but also by developing e-banking services, which included using such modern distribution channels as the Internet and mobile phones (WAP banking).

In 2000, the number of **bank cards** issued climbed over 36%, rising from 8.3 million at year end 1999 to almost 11.3 million²⁴, while the number of ATMs in service more than doubled. At the end of 2000, cash was being dispensed from around 5,300 machines, as against just 2,000 a year earlier. There was a parallel increase in the number of merchants accepting cards (rising to 93,100). In 2000, three settlement centres processed almost 54.5 million card transactions, to a total value of over 9.7bn zloty (4.bn zloty in the first half of the year).

The **number of cooperative banks** declined in 2000 from 781 to **680**. During this period, 99 cooperative banks merged with other banks (18 in Q1, just 4 in Q2, 12 in Q3 and 65 in Q4), while 2 banks were taken over by commercial banks pursuant to rulings of the Commission for Banking Supervision (1 each in both Q1 and Q2).

At year end, 679 local cooperative banks were affiliated to 11 higher-tier institutions. Of that number, 537 were affiliated to 9 regional banks and belonged to the National Cooperative Banking Group²⁵, while 143 banks remained outside the National Group²⁶.

The share of the cooperative banks in the total market for banking services inched up a fraction in 2000. The cooperative banks held 5.2% of non-financial sector deposits and had originated 5.4% of total loans (less provisions) to that sector. Their

²³ 295 in Q1, 1,890 in Q2, 288 in Q3 and 189 in Q4.

²⁴ Figures from the Payment System Department of the NBP indicate that 95.2% of these were payment cards with an ATM withdrawal function. The overwhelming majority (99.9%) use only a magnetic stripe.

²⁵ Of these 537 banks, 54 were affiliated to Warminsko-Mazurski Bank Regionalny SA; 86 were affiliated to Lubelski Bank Regionalny SA; 51 were affiliated to Pomorsko-Kujawski Bank Regionalny SA; 101 were affiliated to Malopolski Bank Regionalny SA; 68 were affiliated to Mazowiecki Bank Regionalny SA; 79 were affiliated to Gospodarczy Bank Wielkopolski SA; 31 were affiliated to Baltycki Bank Regionalny SA; 28 were affiliated to Dolnoslaski Bank Regionalny SA; and 39 were affiliated to Rzeszowski Bank Regionalny SA.

²⁶ These 143 institutions comprised 54 banks affiliated to Bank Unii Gospodarczej SA and 88 affiliated to Gospodarczy Bank Poludniowo-Zachodni SA, and also Spoldzielczy Bank Rozwoju "Samopomoc Chlopska", which was unaffiliated.

total assets remained unchanged at 4.2% of the total assets of the whole banking sector. At the same time, the cooperative banks employed almost 15.0% of the total staff employed within the banking industry. Capital and assets per employee at the cooperative banks were lower than at the commercial banks.

3. Operating environment of the banks

Preliminary figures from the Central Statistical Office (GUS) put Poland's **Gross Domestic Product** in 2000 at some 690.4bn zloty²⁷, giving annual growth of 4.1%, as in 1999. However, while 1999 had seen GDP growth pick up from one quarter to the next (respective growth rates of 1.6%, 3.0%, 5.0% and 6.2%), in 2000 growth slackened each quarter (6.0%, 5.2%, 3.3% and 2.4%)²⁸.

The Fitch IBCA and Standard and Poor's rating agencies left Poland's credit ratings unchanged (at BBB+).

Poland's economic growth was around average for Central and Eastern Europe, similar to that recorded in Bulgaria and Ukraine. Lower growth was reported for the Czech Republic, Belarus, Lithuania, Slovakia and Romania, while higher growth was reported in Russia, Hungary, Estonia, Latvia and Slovenia.

An important driver of GDP growth in 2000 were **exports**, which were encouraged by the upturn both in Western Europe and in Central and Eastern Europe, including Russia.

Export receipts (in dollar terms) were up 7.3% on 1999, while import payments rose just 1.7%. The annual trade deficit totalled US\$ 13,145m, as against US\$ 14,380m a year earlier. In consequence, thanks to exports growing more rapidly than imports, Poland's **current account deficit** in 2000 amounted to US\$ 9,892m, which was less than forecast and lower than in 1999 (US\$ 11,569m)²⁹.

From August onwards, annualised **CPI inflation** trended downwards. At year end, twelve-month consumer price growth (December-on-December) stood at 8.5%, down 2.1 points on July (11.6%) and 1.3 points on December 1999. Annualised average price growth (2000-on-1999) came to 10.1% (as against the 5.7% projected in the Budget)³⁰. The prime reasons for inflation slowing less sharply than had been assumed were the further increase in world fuel prices, rises in domestic energy prices, and also higher food prices, chiefly the result of a decline in the supply of grain and grain products.

As of the fourth quarter of 1999, **domestic demand** growth (in terms of both consumer and investment demand) ran lower than GDP growth. This weakening of domestic demand growth constrained the expansion of **industrial output** (with output growth slipping from 10.7% year-on-year in Q1 to 9.6% in Q2, 6.7% in Q3 and just 3.2% in Q4). Over the year as a whole, industrial output was up 7.1%, with manufacturing output up 7.3%.

²⁷ Cf. *Biuletyn Statystyczny GUS* [Statistical Bulletin of the Central Office of Statistics] no. 2/2001, p. 34, Table 2.

²⁸ *Ibid.*, p. 20, Table 1.

²⁹ *Ibid.*, p. 144, Table 54.

³⁰ *Ibid.*, p. 28, Table 1.

As the capacity for investment waned, a decline was seen in **construction output** (down 2.1%). Although this output was still on the rise in the first quarter (going up 4.2% year-on-year), it then fell in subsequent quarters (down 1.7%, 2.9% and 3.3%, respectively).

The state of **corporate finances** diversified further. While pre-tax profits in the corporate sector were over twice as high as in 1999 (rising from 8.8m zloty to 18.4m), many companies reported much worse performance than the year before. Smaller growth in gross profit levels was recorded by companies in such divisions as the manufacture of tobacco products, of wearing apparel and articles of fur, of rubber and plastic products, of furniture, and of radio, television and communication equipment and apparatus, and also by companies in construction and the distributive trades. Retailers ran a loss in 2000 (of 513.4m zloty), whereas a year earlier they had generated a profit (of 459.4m zloty)³¹.

A serious problem faced by the Polish economy is the high and rising level of **unemployment**. Compared to 1999, average corporate-sector employment declined 3.3% (a loss of 483,000 jobs), with a fall in industry of 6.3% (262,000 jobs). The jobless total at year end came to over 2,703,000, having climbed 15.0% during the year. The unemployment rate went up to 15% (as against 13.1% at year end 1999), reaching the same level as at the end of 1995.

Average employee earnings in the corporate sector (gross) went up a nominal 11.4%, or 1.2% in real terms (compared to 3% in 1999), while the real level of employee old-age and disability pensions dropped 2.3%³². Given the slower growth of real wages and social benefits relative to 1999, and also the increase in the numbers out of work, there was a deterioration in the income streams of part of the household sector.

The most significant event for Poland's financial markets during the year was the **full float of the zloty** on April 12. Both banks and their customers were thereby compelled to improve their management of FX risk and to hedge more effectively against it, which stimulated the development of the forward, futures and swap markets.

In the course of 2000, the Monetary Policy Council raised **base interest rates** on two occasions (by 1 point in February and another 1.5 points in August), which also resulted in an increase in both nominal and real rates on the markets.

March 30, 2000, saw the taking effect of **Resolution no. 8/1999 of the Commission for Banking Supervision** on procedures for provisioning against the risk of banking operations, December 22, 1999³³. Under this resolution:

- the level of specific provisions required against consumer loans classified satisfactory and claims classified special mention was set at 1% (as against 0.5% in 1999)³⁴;

³¹ Ibid., pp. 65-70, Tables 23 & 24.

³² Ibid., pp. 23-25, Table 1.

³³ *Dziennik Urzędowy NBP* [NBP Official Gazette] no. 26/99, item 43.

- permission was given for banks to reduce the specific provisioning required both against consumer loans classified satisfactory and against claims classified special mention by the equivalent of 25% of the general provisions they establish;
- a restriction was placed on eligible deductions from the assessment basis for establishing specific provisions in the form of collateral taken through a non-possessory lien on movable assets or transfer of title to such assets (these deductions being lowered to 75% of the net realisable value of the collateral and no more than 50% of the amount originally collateralised), while all such deductions of collateral were excluded in the case of specific provisions against consumer loans extended to persons.

The impact of the amended regulations on the finances of particular banks depended on the structure of their loan portfolio and of the collateral they had taken, and on the level of general provisioning they had performed.

A positive factor influencing the development of the banking sector in 2000 was the lowering of the **rate of corporate income tax** to 30% of taxable income (a cut of 4 points), allowing banks to retain a larger proportion of their earnings and use these funds to finance further growth.

The banks also benefitted from the cutting of the reserve ratio performed in 1999. This led to earning assets increasing as a proportion of total assets, and to a reduction in the cost of expanding the deposit base. At the same time, bank incomes rose due to interest received on NBP bonds which the banks acquired with the funds released as reserve requirements were lowered.

In 2000, the **deposit insurance cover provided by the Bank Guarantee Fund** rose to the zloty equivalent of 11,000 euro³⁵. The Supervisory Board of the Fund set the annual contribution of the banks at 0.23% of total risk-weighted assets, guarantees and endorsements and 0.115% of total risk-weighted off balance sheet exposures (less guarantees, endorsements and undrawn commitments to lend)³⁶, while also determining that the deposit protection fund established internally by the banks was to constitute the maximum 0.4% of eligible deposits³⁷.

One factor adversely impacting the financial condition of the banks in 2000 was the **failure of Bank Staropolski SA**. Contributions to the guaranteed deposit protection fund for the customers of that bank cost the other banks a total of almost 484.1m zloty. However, the principal constraint on the operating efficiency of the

³⁴ The previous regulation had required specific provisions of 1.5% in the first half of 2000 and 2% in the second.

³⁵ This is set to rise to 15,000 euro in 2001, 17,000 euro in 2002, and 20,000 euro in 2003.

³⁶ Cf. Resolution no. 32/99 of the Supervisory Board of the Bank Guarantee Fund establishing the percentage rate applicable in 2000 to the compulsory annual contribution to the Bank Guarantee Fund made by institutions included in the compulsory deposit protection scheme, and specifying the time frame for making the said contribution, November 15, 1999. Let us recall that, as of January 1999, the proportion of annual contributions to the Fund provided by the NBP (as determined under Article 13, para. 1, of the Act on the Bank Guarantee Fund) rose from 30% to 40%, with the proportion provided by the banks decreasing accordingly.

³⁷ Cf. Resolution no. 31/99 of the Supervisory Board of the Bank Guarantee Fund establishing the percentage rate applicable in 2000 to the guaranteed deposit protection fund established by institutions included in the compulsory deposit protection scheme, November 15, 1999.

banks was the deterioration in loan portfolio quality and the concomitant large net increase in specific provisions.

4. Financial situation of the banks

In 2000, the external environment determined both the growth in banking operations and the financial performance of the banks. The **total assets** of the banking sector amounted to 430bn zloty, an increase of 18.4% (9.1% in real terms). This increase, although 4.4 points higher in nominal terms than in 1999, was less than in 1997 and 1998. The ratio of banking sector assets to GDP went up to 62.3%, from 59.4% at year end 1999 (cf. Table 40).

The impact of the external environment was particularly marked at the commercial banks, which account for 95.8% of total banking sector assets.

With lending growth flagging and a small supply of Treasury securities, banks placed the surplus funds they had on the interbank market, both at home and abroad.

Growth in **outstanding loans** to the non-financial sector, rapid in previous years, slowed in 2000 (to 17.3%, as against 25.9% in 1999), which was the result of declining loan demand due to slacker economic growth and investment (which fell in real terms) and of high real interest rates. Corporates with sound credit capacity also accessed external funding by borrowing from foreign banks and by issuing commercial paper. Furthermore, in view of the mounting risk they faced (and the expense of charges to provisions), the banks pursued more selective lending policies.

The interest shown in consumer loans was also lower than a year before, especially as regards instalment finance (including car finance). There was a noticeable increase in the risk carried by these loans.

The **claims on government of the commercial banks** fell 45.8% in 2000 (to 6.7bn zloty), chiefly due to the conversion to Treasury securities of outstanding Treasury debt to the banks arising on the unsettled liabilities of the health service (originated prior to January 1, 1999), and also the partial repayment of these liabilities by the Ministry of Finance.

Although the above-mentioned conversion operation involved providing the banks with Treasury bonds (totalling around 6bn zloty), growth in **securities portfolios** was low (9.8%), and the share of Treasury paper in the portfolios of the commercial banks dropped 8.6 points to 54.9%. By contrast, the proportion of NBP money market bills in those portfolios went up 8.3 points (to 21.2%), with the result that the total share of central bank securities in bank portfolios rose 6.8 points, to 35.3%. Nonetheless, the overall weight of securities portfolios in total bank assets fell to an exceptionally low level, standing at 22.7%.

Growth in total **non-financial sector deposits** slowed (slipping from 18.1% to 14.9%), owing to a decline in balances on corporate current accounts and sluggish growth in corporate time deposits. However, personal deposits climbed faster (to reach 179bn zloty), showing year-on-year growth of 20.7%, with personal time deposits up 26.1%. Within the overall funding mix of the banks, the contribution of

deposits taken from the non-financial sector (which totalled 241bn zloty) decreased 1.8 points, to stand at 58.5%. The share of capital remained flat, on the other hand, at 8.3%.

The year 2000 once again saw a deterioration in **loan portfolio quality** at the banks. At year end, adverse classifications had risen to 15.3% of the 180.2bn zloty in total claims on the non-financial sector (as against 10.9% in 1998 and 13.7% in 1999). The share of adverse classifications in claims on corporates, which represent 74.3% of all claims held by the commercial banks, increased to 17.5%, up 1.7 points on the previous year and 5.6 points on 1998. Although the proportion of bad debts in personal loan books also grew 2.1 points, this percentage still remained much lower, at 8.7%.

Adverse movements were also evident in the **severity of asset classifications**. The share of doubtful and loss classifications in all irregular assets rose by 8.6 and 0.9 points, respectively, to stand at 34.6% and 36.6%. Special-mention claims (totalling 11.9bn zloty), which constitute a potential source of bad debts in coming years, accounted for 6.6% of the gross claims of the commercial banks on the non-financial sector. These claims were to be found in the portfolios of 55 banks, and at 11 they represented more than 15% of all claims (gross).

The major increase in irregular classifications over the last two years is related to the rapid growth of non-financial sector borrowings in the preceding years. One of the factors exerting a negative impact on loan portfolio quality was the financial condition of corporate borrowers involved in the distributive trades and construction; claims on these customers made up a substantial portion of bank loan books. The decline in asset quality was also linked to the problems being encountered in servicing consumer loans, which had been taken out en masse in previous years.

However, yet another source of asset quality deterioration was overly lenient credit risk analysis, which is connected with the expansionary loan policies of past years. The inappropriate assessments being made of the financial condition of potential borrowers is attested to by the fact that, by year end 2000, the banks had already adversely classified 10.4% of the claims originated in the course of the year (compared to 9.8% in 1999), with 1.7% classified loss (1.4% in 1999).

The **supervisory measures** undertaken by the General Inspectorate of Banking Supervision with a view to arriving at a more accurate reflection of loan portfolio quality (through on-site examinations and ad hoc letters to the banks) resulted in the assets booked as irregular at the banks increasing some 27%, thereby raising their share in total loan books, and also led to the establishment of additional specific provisions.

Despite an improvement in claims on the financial sector, as expressed in a 0.5 point decline in the proportion of adverse classifications (down to 2.0%), which is traceable to the preponderance in this category of claims on other banks, the share of adverse classifications in claims on financial institutions other than banks rose steeply, primarily due to the financial difficulties confronting lease finance companies.

A consequence of the deterioration in asset quality was a 23.0% increase in the **specific provisions** established at the banks (taking these to 11.5bn zloty in all, with 11.2bn zloty of this at the commercial banks, where the corresponding increase over the year came to 22.5%). Since banks took advantage of the opportunity to reduce their specific provisions both against consumer loans classified satisfactory and against claims classified special mention by the equivalent of 25% of the general provisions they had established, the growth recorded in specific provisions was in fact slower than the growth in the assessment basis for establishing those provisions. On the other hand, this contributed to a substantial rise in general provisions (up 33.7% to 1,650m zloty).

The assessment basis for specific provisioning against adversely classified claims and off balance sheet exposures went up 37.1%. In the case of special mention claims, the basis for provisioning against these rose 29.1%, as the volume of these claims grew faster than the value of the collateral taken against them. The basis for provisioning against consumer loans classified satisfactory went up 22.4%. However, the banks fully protected themselves from the risk posed by their irregular loans, as the specific provisions established were higher than required.

At year end 2000, **total off balance sheet items** at the commercial banks (which account for 99.8% of these items within the entire banking sector) had soared 113.4% to 632.4bn zloty, which is mainly attributable to the surge in the banks' derivative trading; the value of outstanding derivative contracts more than trebled compared to 1999 (to stand at 386.2bn zloty, as against 120.7bn).

This increase in the volume of off balance sheet operations, which is largely traceable to the activity of the four banks most heavily involved in this area (responsible for 49.5% of the total volume of transactions), caused OBS items to rise further in proportion to the total assets and capital base of the commercial banks.

The income and expense of operations involving OBS financial instruments were the fastest growing components of bank profit and loss accounts. Significant increases were reported in net foreign exchange gains (up 84.5%) and net gains on financial operations (up 45.3%).

The surplus of foreign currency assets over liabilities at the banks came to 25.7bn zloty, considerably more than a year earlier (8.4bn zloty).

Of those banks filing ten-day reports on their FX positions, most held **overall net positions** that were no greater than 10% of their adjusted capital base (eligible capital), with 3-10 banks having open positions of 10%-20% of eligible capital, and positions over 20% being few in number, although the regulatory limit is 30%. The largest exposure to FX risk at the banks in the event of the zloty strengthening (measured as the greatest sum of all long overall net positions) was reported at the end of the second ten-day period of December, while the largest exposure if the zloty were to weaken (the greatest sum of all short overall net positions) was seen at the end of July.

Liquidity risk diminished at the commercial banks, as demonstrated by the narrowing of the liquidity gap in the maturity band to one month (of key importance in terms of the safety of the banks), and by the faster growth of liquid investments than of the shortest-term liabilities. In addition, the stability of the deposit base further increased.

By year end, the **total capital base** (total core and supplementary capital) of the banks had risen 14.6%, a similar rate of growth to that recorded in 1999, to stand at 35.5bn zloty (of which 33.9bn zloty was at the commercial banks). The principal source of capital growth was the retention of 1999 earnings. Direct appropriations of retained earnings increased the total capital of the commercial banks by 7.8%.

By comparison, the **adjusted capital base** (eligible capital) of the banks rose 19.3% to 30.7bn zloty (of which 29.3bn zloty was at the commercial banks). This swift growth in eligible capital was linked to the declining volume of losses (down 36.6%).

The vast majority of the commercial banks conducting operations (67 of them) reported **risk-based capital** above the minimum 8% requirement. Risk-based capital ratios of less than 8% were reported by 6 commercial banks (3 fewer than in 1999; of the 6 in question, 3 were implementing long-term rehabilitation programmes, while 2 had been placed under administration and required to develop rehabilitation programmes).

The **pre-tax earnings** of the commercial banks totalled almost 5.8bn zloty, an increase of 20.9% on the previous year. However, on a comparable basis (adjusted to exclude exceptional, non-recurring events in 2000), the growth in earnings came to just 12.8% (2.5% in real terms).

The determining factor behind the relatively slow growth of pre-tax earnings was an increase of almost 39% in **net movements in provisions and valuation allowances**. The greatest contribution to these were made by charges to specific provisions against irregular assets, with the net movement in these representing 85.3% of the net provisioning expense incurred during the year. Had loan portfolio quality not deteriorated, necessitating value adjustments via provisioning, the pre-tax earnings generated by the commercial banks would have been 62.8% higher.

Net interest income (NII) grew 22.4% to total 15.6bn zloty, while the contribution of NII to net income from core operations again diminished, coming down 2.2 points to 60.8%. The relatively restrained growth of NII compared to other components of core income, despite interest rates being raised twice in the course of 2000, can be ascribed to competitive pressure squeezing interest margins. A positive influence on growth in pre-tax earnings, on the other hand, was the slower increase in general expense as a result of reduced staffing (down 2.7%).

The **net earnings** reported by the commercial banks, at 4.1bn zloty, was 37.7% higher than in 1999. However, this robust growth largely stemmed from factors outside the control of the banks themselves. The tax burden borne by the banks diminished substantially due to the rate of corporate income tax being cut by 4 points (to 30%). Had tax rates remained at the previous year's level, the net earnings of the commercial banks would have been some 6% lower than in fact recorded, although growth would still have been swifter than the growth in pre-tax earnings. This is associated with the net balance on provisioning charges and the release of provisions, which benefitted the banks in terms of the level of provisions recognised as tax-deductible.

The **operating efficiency** of the banks, as measured by their profitability ratios, worsened due to the higher amount of provisioning charges expensed against income. On a net basis (after tax), the stronger return on equity (ROE) and return on assets (ROA) reported by the banks can be traced to external factors; on a pre-tax basis, ROE and ROA showed a markedly smaller improvement. Only 27 of the banks achieved an ROE above the rate of inflation (as against 40 the year before), which signifies that an increasing number of banks are failing to preserve the real value of their capital.

In their **financial plans for 2000**, the commercial banks had targetted an increase in total assets to 423bn zloty, growth in capital to 35bn zloty, and the generation of 6.5bn zloty in pre-tax earnings. Performance of asset targets concerning claims on the non-financial sector came to just 86%. Net income from core operations was 5.7% higher than projected, and general expense 2.4% lower, despite the additional costs incurred by the banks (since they had not factored in the expense caused by the failure of Bank Staropolski SA). The deterioration in the quality of loans to the non-financial sector, sharper than expected, led to provisioning expense rising faster than planned. The end result was that the banks recorded pre-tax earnings 11.6% lower than targetted. At year end, the capital base of 47 of the banks was also lower than planned.

While the **cooperative banks** registered slower asset growth than the commercial banks (a difference of 1.3 points), they achieved swifter growth in outstanding loans to non-financial customers. This produced an increase in their share of bank lending to the non-financial sector (up 0.3 points to 5.4%). Cooperative loan books grew 25.4% (to 9.8bn zloty), mainly thanks to a 26.7% rise in corporate outstandings, which were boosted by an increase in preferential loans to agriculture. At year end, the cooperative banks held 13.2bn zloty in non-financial sector deposits, up 18.8% on 1999 (as against growth of just 14.9% at the commercial banks), which was primarily the result of higher corporate balances.

The cooperative banks retained 79.6% of net earnings as appropriations to capital (only 71.3% at the commercial banks); this alone yielded capital growth of over 11%. Overall, the eligible capital of the cooperative banks rose 22.3% (to stand at almost 1.5bn zloty), giving growth 3 points faster than at the commercial banks. The average risk-based capital ratio in the cooperative sector came to 12.8%, with 27 banks below the regulatory minimum at year end.

Irregular claims on the non-financial sector grew 54.4% at the cooperative banks in 2000, to total 154.2m zloty, thus rising 25 points more than at the commercial banks. Nevertheless, although the ratio of adverse classifications to total claims was up 0.8 points on 1999, now standing at 4.3%, this was still over three times lower than at the commercial banks. This was largely the result of the actions of regional and other affiliating banks, which as part of the restructuring of the cooperative sector purchased a portion of the irregular assets of local cooperatives; these assets were thus transferred to the loan books of commercial banks.

The pre-tax earnings generated by the cooperative banks in 2000 were 49.4% higher than the year before (whereas the increase in 1999 had been 13.5%), thanks to

growth of 34.3% in net interest income and 31.2% in net fee income, with general expense and depreciation charges down 24.6%. One factor in the rapid growth of NII was a 2 point rise in the ratio of earning assets to total assets (which came to 88.3%). This ratio was 1.1 points higher than at the commercial banks. Net charges to specific provisions did not weigh so heavily on earnings at the cooperatives as at the commercial banks, since only a small proportion of loan portfolios were classified. In 2000, net movements in provisions constituted the equivalent of 5.3% of net income from core operations (compared to 15.1% at the commercial banks), as against 3.4% the previous year.

The strong growth in pre-tax earnings at the cooperative banks was primarily achieved independently, i.e., the contribution to this made by financial assistance from public funds declined. In 1999, this assistance had represented 11.6% of pre-tax earnings, yet in 2000 this ratio had dwindled to 5.5%.

While measures of operating efficiency at the cooperative banks were markedly better than in 1999, they were nonetheless considerably weaker than in the years 1996 and 1997 (excepting the cost/income ratio).

* * *

The financial condition of the banks in 2000 again revealed a deepening disparity among them. Those facing difficulties were in particular small banks with majority Polish equity, in the course of rehabilitation programmes, which to survive on the market will either have to gain a strategic investor or to merge with other, more strongly capitalised, institutions. For this reason, and also in view of the measures being taken to end competition among banks belonging to the same group of companies, the year 2001 seems set to see further consolidations in the Polish banking industry. Allied Irish Bank European Investments Ltd is working towards the merger of its subsidiaries, Wielkopolski Bank Kredytowy SA and Bank Zachodni SA, while ING is preparing for the merger of its own branch in Warsaw with Bank Slaski SA. In addition, the mergers are likely of Bank Wlasnosci Pracowniczej – Unibank SA and Bank Komunalny SA (both controlled by the Finnish-Swedish group MeritaNordbanken), and of Bank Przemyslowo-Handlowy SA and Powszechny Bank Kredytowy SA (given the takeover of Bank Austria by HypoVereinsbank).

Neither will the process of consolidation bypass the regional and other affiliating banks, nor the local cooperative banks themselves. Of the 150 cooperative banks with capital below the required minimum of 300,000 euro, only around 30 will be able to meet this requirement on their own by retaining earnings for the year 2000. On the basis of what is currently foreseeable, the remaining banks should merge with other cooperative banks prior to the end of 2001.

Mergers have the effect of increasing the concentration ratio within the Polish banking industry. It is estimated that by year end 2001 the 10 largest banks will have almost 82% of the industry's total assets, 86% of non-financial sector deposits, and 78% of outstanding loans to that sector (as against 66.9%, 70.3% and 66.7%, respectively, at year end 2000).

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Table 1 Number of banks and relative share of particular groups in banking sector

		1993	1994	1995	1996	1997	1998	1999	2000
1	2	3	4	5	6	7	8	9	10
Number of banks (excluding those declared bankrupt or under liquidation)									
1	Commercial banks, of which:	87	82	81	81	83	83	77	74
2	Banks with majority public-sector interest ³⁸ , of which:	29	29	27	24	15	13	7	7
	- directly owned by Treasury ³⁹	16	15	13	8	6	6	3	3
	- indirectly owned by Treasury	11	11	11	13	8	7	4	4
	- owned by NBP	2	3	3	3	1	0	0	0
3	Banks with majority private-sector interest, of which:	58	53	54	57	68	70	70	67
	- with majority Polish equity	48	42	36	32	39 ⁴⁰	39	31	20
	- with majority foreign equity ⁴¹	10	11	18	25	29 ⁴²	31	39	47 ⁴³
4	Cooperative banks	1 653	1 612	1 510	1 394	1 295	1 189	781	680
5	Total banks	1 740	1 694	1 591	1 475	1 378	1 272	858	754
Total assets (%)									
1	Commercial banks, of which:	93.4	94.7	95.2	95.4	95.5	95.7	95.8	95.8
2	Banks with majority public-sector interest, of which:	80.4	76.1	68.3	66.5	49.3	45.9	23.9	22.9
	- directly owned by Treasury	76.1	70.8	63.0	51.1	38.2	36.7	22.1	21.1
3	Banks with majority private-sector interest, of which:	13.0	18.6	26.9	28.9	46.2	49.8	71.8	72.9
	- with majority Polish equity	10.4	15.4	22.7	15.1	30.9	33.2	24.6	3.3
	- with majority foreign equity	2.6	3.2	4.2	13.7	15.3	16.6	47.2	69.6
4	Cooperative banks	6.6	5.3	4.8	4.6	4.5	4.3	4.2	4.2
5	Total banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net loans ⁴⁴ (%)									
1	Commercial banks, of which:	92.9	93.3	94.5	93.9	94.5	95.0	94.9	94.6
2	Banks with majority public-sector interest, of which:	79.3	73.0	63.7	61.3	43.2	38.8	21.4	21.2
	- directly owned by Treasury	76.6	69.1	58.5	42.0	27.9	26.3	19.7	19.4
3	Banks with majority private-sector interest, of which:	13.6	20.3	30.8	32.6	51.3	56.2	73.5	73.4
	- with majority Polish equity	10.9	15.9	25.0	16.6	33.1	34.3	22.6	3.2
	- with majority foreign equity	2.7	4.4	5.8	16.0	18.2	21.9	50.9	70.2
4	Cooperative banks	7.1	6.7	5.5	6.1	5.5	5.0	5.1	5.4
5	Total banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

³⁸ Banks where the Treasury, other state institutions or the NBP held an equity interest entitling them to exercise at least 50% + 1 votes at a shareholders' general meeting.

³⁹ Banks where the Treasury directly held an equity interest entitling it to exercise at least 50% + 1 votes at a shareholders' general meeting.

⁴⁰ Including Rzeszowski Bank Regionalny, which was a banking organisation and did not file reports.

⁴¹ Branches of foreign banks, and public limited companies in which foreign parties (natural or juridical persons) held an equity interest, directly or indirectly, entitling them to exercise a total of at least 50% + 1 votes at a shareholders' general meeting.

⁴² Including Bank of America Polska SA, which was a banking organisation and did not file reports.

⁴³ Including Slaski Bank Hipoteczny SA, which was a banking organisation and did not file reports.

⁴⁴ Loans and advances (excluding purchased debt and funds disbursed under guarantees and endorsements, reported separately since 1996), less specific provisions.

Deposits taken from non-financial sector (%)									
1	Commercial banks, of which:	92.4	94.1	94.5	94.5	94.8	94.8	95.0	94.8
2	Banks with majority public-sector interest, of which	81.1	77.3	71.3	70.1	58.0	53.6	29.3	28.9
	- directly owned by Treasury	75.6	71.6	65.6	57.2	49.5	46.4	27.9	27.4
3	Banks with majority private-sector interest, of which:	11.3	16.8	23.2	24.4	36.8	41.2	65.7	65.9
	- with majority Polish equity	9.2	14.1	20.2	12.2	24.1	27.5	20.1	2.4
	- with majority foreign equity	2.1	2.7	3.0	12.2	12.7	13.7	45.6	63.5
4	Cooperative banks	7.6	5.9	5.5	5.5	5.2	5.2	5.0	5.2
5	Total banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total capital base (total core and supplementary capital) (%)									
1	Commercial banks, of which:	92.0	94.3	94.6	95.1	95.2	95.6	95.6	95.5
2	Banks with majority public-sector interest, of which:	76.8	72.6	61.4	55.9	34.0	33.2	16.4	14.3
	- directly owned by Treasury	72.8	66.7	55.4	43.7	25.6	25.7	14.0	12.0
3	Banks with majority private-sector interest, of which:	15.2	21.7	33.2	39.2	61.2	62.4	79.2	81.2
	- with majority Polish equity	13.0	18.0	25.6	18.3	37.2	37.7	29.0	3.7
	- with majority foreign equity	2.2	3.7	7.6	20.9	24.0	24.7	50.2	77.5
4	Cooperative banks	8.0	5.7	5.4	4.9	4.8	4.4	4.4	4.5
5	Total banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 2 Staffing at banks (excluding foreign offices)⁴⁵

Year end	Total banking sector	Commercial banks			Cooperative banks
		total	banks with majority		
			Polish equity	foreign equity	
1	2 = 3 + 6	3 = 4 + 5	4	5	6
1993	.	119 733	119 045	688	.
1994	.	128 705	127 708	997	.
1995	.	136 048	134 048	2 000	.
1996	169 721	144 201	129 102	15 099	25 520
1997	172 227	147 095	130 823	16 272	25 132
1998	174 043	149 067	131 266	17 801	24 976
1999	174 748	149 638	86 199	63 439	25 110
2000	171 235	145 541	60 714	84 827	25 694

⁴⁵ Staffing figures given in equivalent of full-time posts.

Table 3 Domestic office network, commercial banks (excluding head offices and representative offices)

Year end		Commercial banks			Cooperative banks
		Total	banks with majority		
			Polish equity	foreign equity	
1	2	3 = 4 + 5	4	5	6
1993	Branch offices	1 436	1 426	10	.
1994	Branch offices	1 454	1 441	13	.
1995	Branch offices	1 501	1 472	29	.
1996 ⁴⁶	Branch offices	1 580	1 437	143	502
	Other offices ⁴⁷	7 981	7 888	93	634
1997 ⁴⁸	Branch offices	1 629	1 460	169	581
	Other offices	8 023	7 808	215	674
1998 ⁴⁹	Branch offices	1 864	1 572	292	668
	Other offices	7 615	7 385	230	730
1999 ⁵⁰	Branch offices	2 235	1 243	992	1 048
	Other offices	7 987	6 939	1 048	790
2000 ⁵¹	Branch offices	2 406	960	1 446	1 148
	Other offices	8 614	6 610	2 004	875

⁴⁶ There were 12 banks (4 with majority Polish equity and 8 with majority foreign equity) which did not operate any branch offices, of which 11 banks (3 and 8, respectively) did not operate "other offices" either.

⁴⁷ Sub-branch offices, customer service offices, etc.

⁴⁸ There were 13 banks (2 with majority Polish equity and 11 with majority foreign equity) which did not operate any branch offices, of which 11 banks (2 and 9, respectively) did not operate "other offices" either.

⁴⁹ There were 17 banks (2 with majority Polish equity and 15 with majority foreign equity) which did not operate any branch offices, of which 12 banks (1 and 11, respectively) did not operate "other offices" either.

⁵⁰ There were 16 banks (1 with majority Polish equity and 15 with majority foreign equity) which did not operate any branch offices, of which 11 banks with majority foreign equity did not operate "other offices" either.

⁵¹ There were 16 banks (1 with majority Polish equity and 15 with majority foreign equity) which did not operate any branch offices, of which 11 banks with majority foreign equity did not operate "other offices" either.

Table 4 Ownership structure, banking sector

1	2	Equity (million zloty)			Structure (%)		
		31/12/97	31/12/98	31/12/99	31/12/00	31/12/99	31/12/00
1	2	3	4	5	6	7	8
1	Authorised capital ⁵² (registered equity at state banks, members' share fund at cooperative banks) of which belonging to:	6 223.7	7 529.5	7 698.1	8 500.4	100.00	100.00
2	- the Treasury directly	1 303.8	1 351.0	1 036.8	977.1	13.47	11.49
3	- the National Bank of Poland	174.6	8.0	8.0	0.0	0.10	0.0
4	- other state institutions ⁵³	331.6	319.1	249.9	225.0	3.25	2.65
5	- other domestic investors ⁵⁴	589.0	690.2	866.3	1 404.6	11.25	16.52
6	- foreign investors	2 462.4	3 561.4	4 089.1	4 575.1	53.12	53.82
7	- dispersed holdings ⁵⁵	1 068.7	1 243.1	1 055.8	895.6	13.72	10.54
8	- cooperative banks	293.6	356.7	392.2	423.0	5.09	4.98

Table 5 Total assets and equity capital at selected groups of banks (December 31, 2000)

1	2	No. of banks in group	Authorised capital (registered equity at state banks, member's share fund at cooperative banks) ⁵⁶				Total assets	
			total		of which: held by foreign investors			
			million zloty	%	million zloty	%	million zloty	%
1	2	3	4	5	6	7=6/4	8	9
1	Total banking sector, of which:	753	8 500.4	100.0	4 575.1	53.8	430 448.2	100.0
2	- Cooperative banks	680	423.0	5.0	0.0	0.0	18 047.7	4.2
3	- Commercial banks, of which:	73	8 077.4	95.0	4 575.1	56.6	412 400.5	95.8
4	Banks with majority Polish equity	27	1 981.1	23.3	62.1	3.1	112 913.0	26.2
5	Banks with majority foreign equity, of which:	46	6 096.3	71.7	4 513.0	74.0	299 487.5	69.6
6	-branch offices and public limited companies with 100% foreign equity	18	2 592.3	30.5	2 592.3	100.0	42 575.7	9.9
7	Banks where foreign investors assumed control in 1999	8	1 210.1	14.2	859.1	71.0	120 135.3	27.9
8	Banks where foreign investors assumed control in 2000	9	1 535.4	18.1	652.4	42.5	93 564.3	21.7

⁵² Previously referred to as "share capital".

⁵³ State enterprises and banks, companies wholly owned by the Treasury, registered companies with a majority Treasury interest, government agencies, etc.

⁵⁴ Including equity held by local government, totalling 11.1m zloty at year end 1997, 11.6m zloty at year end 1998, 10.4m zloty at year end 1999, and 7.5m zloty at year end 2000.

⁵⁵ In their reports, the banks disclose only those shareholders entitled to exercise no less than 5% of votes at shareholders' general meetings, with the remaining shareholders, entitled to less votes, being grouped together under the heading "other shareholders". Equity held by the latter is customarily referred to as "dispersed holdings". Let us note that listed banks usually do not have information on all their shareholders.

⁵⁶ Equity capital of the group as a whole, regardless of the investors involved.

Table 6 Foreign equity capital by source

1	Source	Year end	Foreign equity		
			Million zloty	Share in authorised capital held by foreign parties (%)	Share in authorised capital of all commercial banks (%)
2	3	4	5	6	
1	USA	1998	1 028.7	28.88	14.34
		1999	945.9	23.13	12.95
		2000	1 223.8	26.75	15.15
2	Germany	1998	1 138.1	31.96	15.87
		1999 ⁵⁷	1 075.8	26.31	14.73
		2000	1 888.1	23.78	13.47
3	Holland	1998	499.0	14.01	6.96
		1999	538.7	13.17	7.37
		2000	560.5	12.25	6.94
4	France	1998	324.4	9.11	4.52
		1999	343.1	8.40	4.70
		2000	348.5	7.62	4.31
5	Ireland	1998	55.4	1.56	0.77
		1999	290.4	7.10	3.97
		2000	325.2	7.11	4.03
6	Austria	1998	256.7	7.21	3.58
		1999	273.5	6.69	3.74
		2000 ⁵⁸	238.0	5.20	2.95
7	Portugal	1999	110.6	2.70	1.51
8	Belgium	1998	32.0	0.90	0.45
		1999	163.8	4.01	2.24
		2000	167.2	3.65	2.07
9	Italy	1999	72.8	1.78	1.00
10	Sweden	2000	86.7	1.90	1.07
11	South Korea	1998	60.4	1.70	0.84
		1999	60.4	1.48	0.83
		2000	60.4	1.32	0.75
12	UK	1998	19.1	0.54	0.27
		1999	26.1	0.64	0.36
		2000	38.2	0.83	0.47
13	Czech Republic	1998	33.9	0.95	0.47
		1999	34.1	0.83	0.47
		2000	35.2	0.77	0.44
14	Denmark	2000	25.2	0.55	0.31
15	EBRD	2000	11.0	0.24	0.14
16	Other	1998	113.7	3.19	1.59
		1999	153.8	3.76	2.11
		2000	96.7	2.12	1.19
17	Total	1998	3 561.4	100.00	49.65
		1999	4 089.1	100.00	55.97
		2000	4 575.1	100.00	56.64

⁵⁷ By way of clarification, let us explain that Bayerische Hypo- und Vereinsbank took up a new issue of shares (series "C") in Bank Przemyslowo-Handlowy SA (to a total value of 11,465,500 zloty). These were paid for by a non-cash consideration (valued at 527m zloty) in the form of title to shares in Hypo-Bank Polska SA and HypoVereinsbank Polska SA. On November 10, 1999, HypoVereinsbank Polska SA was merged with Bank Przemyslowo-Handlowy SA pursuant to Art. 464 §3 of the Commercial Code, i.e., with no increase in the equity capital of the latter. In consequence, the equity capital of German origin in the Polish banking industry declined by a total of some 451.2m zloty. However, this does not imply that total German investment decreased. The difference between the non-cash consideration from Bayerische Hypo- und Vereinsbank and the series "C" shares it took up (amounting to 515,543,500 zloty) was taken to the capital surplus of Bank Przemyslowo-Handlowy SA.

⁵⁸ The equity capital held by Austrian investors declined, since most of the authorised capital of Bank Austria Creditanstalt Poland SA was taken to the capital surplus of Powszechny Bank Kredytowy SA when the two banks merged.

Table 7 Banking sector assets, 1993-2000 (million zloty)

Year end	Total assets	Due from			Securities
		financial sector (excluding NBP)	non-financial sector	government sector	
1	2	3	4	5	6
Total banking sector					
1993	83 000.9	14 097.9	27 997.2	2 074.1	19 610.7
1994	109 675.3	20 532.9	33 797.1	910.4	30 978.3
1995	149 342.2	21 774.4	47 545.5	1 601.0	46 239.6
1996	197 215.2	26 020.5	74 706.6	2 316.8	61 943.6
1997	247 668.9	37 363.5	101 792.1	3 511.2	65 793.0
1998	318 726.8	48 095.8	128 984.3	7 136.4	85 791.0
1999	363 427.4	60 530.0	161 359.7	12 428.1	86 514.8
2000	430 448.2	89 824.7	187 151.8	6 893.5	94 953.0
Commercial banks					
1993	77 508.6	12 426.6	25 737.8	2 061.3	19 430.0
1994	103 870.1	18 567.2	31 316.2	890.5	30 808.7
1995	142 165.3	18 975.8	44 789.3	1 571.8	45 878.6
1996	188 097.9	23 175.2	70 233.1	2 307.4	61 212.2
1997	236 414.6	34 209.6	96 283.2	3 493.5	64 631.0
1998	305 034.5	43 124.8	122 643.3	7 087.8	84 625.9
1999	348 033.1	55 842.9	153 279.8	12 327.2	85 280.0
2000	412 400.5	85 002.3	177 037.1	6 677.2	93 646.2
Cooperative banks					
1993	5 492.3	1 671.3	2 259.4	12.8	180.7
1994	5 805.2	1 965.7	2 480.9	19.9	169.6
1995	7 176.9	2 798.6	2 756.2	29.2	361.0
1996	9 117.3	2 845.3	4 473.5	9.4	731.4
1997	11 254.3	3 153.9	5 508.9	17.7	1 162.0
1998	13 692.3	4 971.0	6 341.0	48.6	1 165.1
1999	15 394.3	4 687.1	8 079.9	100.9	1 234.8
2000	18 047.7	4 822.4	10 114.7	216.3	1 306.8

Table 8 Structure of total assets, commercial banks

1	2	Million zloty 31/12/00	Growth rate, 12/99=100		Structure (%)	
			nominal	real	31/12/99	31/12/00
		3	4	5	6	7
1	Cash & due from central bank	15 862.8	98.5	90.8	4.6	3.9
	of which: cash	5 659.1	84.7	78.1	1.9	1.4
	due from central bank	10 203.7	108.3	99.8	2.7	2.5
2	Due from financial sector	85 002.3	152.2	140.3	16.1	20.6
3	Due from non-financial sector	177 037.1	115.5	106.5	44.0	42.9
4	Due from government	6 677.2	54.2	49.9	3.5	1.6
5	Securities	93 646.2	109.8	101.2	24.5	22.7
6	Fixed assets	18 018.2	111.3	102.6	4.7	4.4
7	Other assets	16 156.7	179.4	165.4	2.6	3.9
8	Total assets	412 400.5	118.5	109.2	100.0	100.0

Table 9 Structure of liabilities & capital, commercial banks

1	2	Million zloty 31/12/2000	Growth rate, 12/1999=100		Structure (%)	
			nominal	real	12/1999	12/2000
		3	4	5	6	7
1	Due to central bank	5 532.4	96.5	88.9	1.6	1.3
2	Due to financial sector ⁵⁹	72 088.3	122.7	113.1	16.9	17.5
3	Due to non-financial sector	248 304.6	115.0	106.0	62.0	60.2
4	Due to government	14 831.6	116.3	107.2	3.7	3.6
5	Other liabilities	31 726.0	149.9	138.2	6.1	7.7
6	Capital	34 197.9	117.9	108.7	8.3	8.3
7	Current period earnings	5 760.6	120.9	111.4	1.4	1.4
8	Earnings pending confirmation	-40.9	x	x	0.0	0.0
9	Total liabilities & capital	412 400.5	118.5	109.2	100.0	100.0

Table 10 Total assets, banking sector

1	2	Million zloty 31/12/00	Growth rate, 12/99=100		Share in banking sector (%)	
			nominal	real	12/99	12/00
		3	4	5	6	7
1	Banks with majority Polish equity	112 913.0	113.2	104.3	27.5	26.2
2	Banks where foreign investors assumed control in 2000	93 564.3	122.1	112.6	21.1	21.7
3	Other banks with majority foreign equity	205 923.2	120.0	110.6	47.2	47.9
4	Commercial banks (1+2+3)	412 400.5	118.5	109.2	95.8	95.8
5	Cooperative banks	18 047.7	117.2	108.0	4.2	4.2
6	Total banking sector (4+5)	430 448.2	118.4	109.2	100.0	100.0

⁵⁹ Excluding liabilities to the NBP, disclosed in item 1.

Table 11 Banking concentration ratio⁶⁰ (%)

Year end	Largest 5 banks	Largest 10 banks	Largest 15 banks
1	2	3	4
share of total assets			
1996	48.8	67.3	78.2
1997	46.2	65.7	77.2
1998	42.9	62.3	75.1
1999	47.7	67.7	79.0
2000	46.7	66.9	78.9
share of deposits from non-financial sector			
1996	52.3	70.5	81.8
1997	51.9	69.8	82.0
1998	51.0	66.7	78.7
1999	55.4	71.0	83.5
2000	54.7	70.3	82.6
share of loans to non-financial sector			
1996	43.8	65.3	76.5
1997	41.4	62.2	76.2
1998	35.7	60.7	72.9
1999	46.1	68.1	77.5
2000	46.1	66.7	76.8

⁶⁰ With reference to largest banks in Poland by total assets.

Table 12 Share of loans and securities in total assets and of deposits in total liabilities & capital (%)

Year end	Total banking sector	Commercial banks	Of which: banks with majority		Cooperative banks
			Polish equity	foreign equity	
1	2	3	4	5	6
Share of loans to non-financial sector (net) in total assets (%)					
1993	30.1	30.0	29.9	31.5	32.5
1994	27.7	27.3	26.9	38.4	35.2
1995	29.6	29.3	28.8	41.1	34.1
1996	34.2	33.7	32.7	40.0	45.0
1997	37.7	37.3	35.9	44.9	45.6
1998	37.5	37.2	34.7	49.4	43.3
1999	41.5	41.1	37.6	44.8	49.9
2000	41.0	40.5	38.1	41.3	53.2
Share of securities (less valuation adjustments) in total assets (%)					
1993	23.6	25.1	25.5	9.9	3.3
1994	28.2	29.7	30.2	14.3	2.9
1995	31.0	32.3	32.8	19.8	5.0
1996	31.4	32.5	34.6	20.5	8.0
1997	26.6	27.3	29.6	15.5	10.3
1998	26.9	27.7	29.7	18.2	8.5
1999	23.8	24.5	27.2	21.7	8.0
2000	22.1	22.7	34.6	18.2	7.2
Share of deposits from non-financial sector in total liabilities & capital (%)					
1993	55.7	55.1	55.4	46.5	64.3
1994	60.0	59.6	59.9	51.8	67.1
1995	57.0	56.6	57.3	42.1	65.3
1996	56.6	56.1	57.1	50.4	67.4
1997	58.3	57.9	59.7	48.4	67.4
1998	58.8	58.3	60.3	48.4	71.2
1999	60.8	60.3	61.8	58.7	72.1
2000	59.1	58.5	70.5	53.9	73.2

Table 13 Structure of securities portfolios, commercial banks

1	2	Million zloty		Structure, %		Movement , million zloty
		31/12/99	31/12/00	31/12/99	31/12/00	
1	2	3	4	5	6	7
1	Equity securities of which issued by:	1 497.7	1 715.3	1.8	1.8	217.7
	- domestic parties	1 412.2	1 586.7	1.7	1.7	174.5
	- foreign parties	85.5	128.6	0.1	0.1	43.1
2	Debt securities of which issued by:	83 920.5	91 511.8	98.1	97.4	7 591.3
	- domestic parties	81 885.6	88 945.6	95.7	94.7	7 059.9
	- the Treasury	54 351.7	51 550.6	63.5	54.9	-2 801.1
	of which:					
	- T-bills	15 584.7	10 865.6	18.2	11.6	-4 719.2
	- bonds	38 766.9	40 685.0	45.3	43.3	1 918.1
	- NBP	24 357.4	33 135.8	28.5	35.3	8 778.4
	of which:					
	- money market bills	10 975.8	19 897.2	12.8	21.2	8 921.4
	- bonds	13 381.6	13 238.6	15.6	14.1	-143.0
	- other domestic parties	3 176.6	4 259.2	3.7	4.5	1 082.6
	- foreign parties	2 034.8	2 566.2	2.4	2.7	531.4
3	Other securities	148.4	707.5	0.2	0.8	559.1
4	Total securities	85 566.5	93 934.6	100.0	100.0	8 368.1

Table 14 Gross claims of commercial banks on non-financial sector (December 31, 2000)

1	2	Million zloty	Structure (%)	Growth rate, 12/99=100	
				nominal	real
1	2	3	4	5	6
1	Gross claims, of which:	180 237.6	96.5	116.4	107.3
	- consumer loans classified satisfactory	32 066.8		122.4	112.8
	- special-mention claims	11 855.6		117.1	107.9
	- claims classified irregular	27 564.1		129.4	119.3
	of which: classified loss	10 086.5		132.5	122.1
2	Interest receivable	5 761.8	3.1	113.0	104.1
	of which: classified irregular	4 258.5		106.4	98.1
3	Due on interest subsidies to preferential loans	291.0	0.1	128.9	118.8
4	Other claims	492.9	0.3	101.7	93.7
5	Total gross claims (1 + 2 + 3 + 4)	186 783.3	100.0	116.2	107.1

Table 15 Gross claims of commercial banks on corporates and persons (December 31, 2000)

		Million zloty	Structure, %	Growth rate, 12/99 = 100
1	2	3	4	5
1	Due from corporates	133 924.0	74.3	112.4
2	Due from persons	44 972.2	25.0	132.1
	of which: consumer loans ⁶¹	35 659.0	19.8	125.8
	of which: instalment loans	15 295.4	8.5	118.7
3	Due from other non-financial customers	1 341.4	0.7	77.5
4	Due from non-financial sector (1+2+3)	180 237.6	100.0	116.4

Table 16 Irregular claims on financial sector, commercial banks (December 31, 2000)

Due from	Claims (million zloty)			Proportion of total claims (%)		
	total	classified irregular	of which: loss	classified irregular	of which:	
					doubtful	loss
1	2	3	4	5	6	7
Banks, of which :	75 791.9	293.4	283.0	0.4	0	0.4
- domestic	38 827.4	94.8	84.2	0.2	0	0.2
- foreign	36 964.5	198.7	198.7	0.5	0	0.54
Insurance companies	55.6	5.5	0	9.9	9.9	0
Investment funds	18.3	9.4	1.1	51.4	0	6.0
Other financial institutions	8 675.6	1 400.2	580.9	16.14	5.0	6.7
Total financial sector	84 541.4	1 708.6	864.9	2.0	0.2	0.5

Table 17 Irregular claims on non-financial sector, commercial banks (December 31, 2000)

1	2	Irregular claims			Proportion of irregular claims, %	
		Million zloty	Structure, %	Growth rate, 12/99=100	31/12/99 31/12/00	
					6	7
1	2	3	4	5	6	7
1	Due from corporates	23 468.6	85.1	124.5	15.8	17.5
2	Due from persons	3 890.3	14.1	172.2	6.6	8.7
	of which: consumer loans	3 592.2	13.0	168.1	7.5	10.1
	of which: instalment loans	2 062.4	7.5	184.6	8.7	13.5
3	Due from other non-financial customers	205.2	0.7	111.3	10.6	15.3
4	Due from non-financial sector (1+2+3)	27 564.1	100.0	129.4	13.7	15.3

⁶¹ Includes loans, purchased debt and funds disbursed under guarantees on consumer loans.

Table 18 Specific provisions, valuation allowances and general provisions, commercial banks (December 31, 2000)

		Million zloty		Growth rate, provisions established, 1999 = 100
		required	established	
1	2	3	4	5
1	Specific provisions, of which against:	10 467.0	11 234.1	122.5
	- irregular claims and off balance sheet commitments	10 337.6	10 554.4	126.4
	- consumer loans classified satisfactory	110.3	147.6	75.5
	- special mention claims	19.1	81.3	50.5
	- other assets and off balance sheet commitments	-	450.8	96.5
2	Valuation allowances	-	1 318.5	138.2
3	Total (1+2)	10 467.0	12 552.6	124.0
4	General provisions	-	1 650.2	133.7

Table 19 Ratio of specific provisions to consumer loans classified satisfactory and to special-mention claims and off balance sheet commitments (December 31, 2000)

1	2	Specific provisions (% of portfolio)		
		required		established
		before deductions ^a	after deductions ^a	
1	2	3	4	5
1	Consumer loans classified satisfactory	1.0	0.3	0.5
2	Special-mention claims	1.0	0.2	0.8

^a equivalent to 25% of general provisions

Table 20 Ratio of specific provisions to irregular claims and off balance sheet commitments

1	Classification	Specific provisions (% of applicable value)		
		required	established	
			31/12/1999	31/12/2000
1	2	3	4	5
3	Substandard	20.0	20.9	20.5
4	Doubtful	50.0	54.6	54.6
5	Loss	100.0	100.8	100.6
6	Total		104.4	102.1

Table 21 Ratio of irregular claims to gross claims on non-financial sector (%)

1	As at 2	Ratio of irregular claims to gross claims (%)			
		Total 3	of which:		
			substandard 4	doubtful 5	loss 6
Total banking sector					
1	1993	30.1	7.3	6.1	16.7
2	1994	27.9	5.8	5.4	16.7
3	1995	20.4	5.2	3.4	11.8
4	1996	12.7	3.9	1.6	7.2
5	1997	10.2	3.8	1.2	5.2
6	1998	10.5	3.9	1.9	4.7
7	1999	13.3	5.1	3.4	4.8
8	31/03/2000	13.1	4.7	3.6	4.8
9	30/06/2000	12.7	4.5	3.7	4.5
10	30/09/2000	14.1	4.9	4.3	4.9
11	31/12/2000	14.7	4.3	5.0	5.4
Commercial banks					
1	1993	31.0	7.5	6.4	17.1
2	1994	28.5	5.9	5.7	16.9
3	1995	20.9	5.4	3.5	12.0
4	1996	13.2	4.1	1.7	7.4
5	1997	10.5	3.9	1.2	5.4
6	1998	10.9	4.0	2.0	4.9
7	1999	13.7	5.3	3.6	4.8
8	31/03/2000	13.6	4.9	3.7	4.9
9	30/06/2000	13.3	4.7	3.9	4.7
10	30/09/2000	14.6	5.1	4.5	5.0
11	31/12/2000	15.3	4.4	5.3	5.6
Cooperative banks					
1	1993	24.4	5.5	4.1	14.8
2	1994	21.3	3.8	2.4	15.1
3	1995	11.7	1.9	1.1	8.7
4	1996	5.3	1.2	0.4	3.7
5	1997	3.7	1.1	0.4	2.2
6	1998	3.5	1.2	0.5	1.8
7	1999	3.6	1.4	0.5	1.7
8	31/03/2000	3.7	1.5	0.5	1.7
9	30/06/2000	3.8	1.5	0.6	1.7
10	30/09/2000	4.0	1.6	0.6	1.8
11	31/12/2000	4.4	1.7	0.7	2.0

Table 22 Structure of gross claims on non-financial sector, commercial banks (December 31, 2000)

1	2	a) total b) zloty c) foreign currency	Gross claims	Of which:			Share of irregular claims in total claims (%)	
				classified special mention	classified irregular	of which: irregular consumer loans	31/12/99	31/12/00
				million zloty				
			4	5	6	7	8	9
1	Banks with majority Polish equity	a	46 567.8	2 111.6	6 559.1	1 452.1	14.3	14.1
		b	43 201.7	1 956.7	6 226.3	1 441.3	14.5	14.4
		c	3 366.1	154.9	332.8	10.8	13.5	9.9
2	Banks with majority foreign equity	a	133 669.8	9 744.0	21 005.0	2 140.1	13.3	15.7
		b	95 818.4	6 841.5	15 689.4	2 048.4	13.1	16.4
		c	37 851.4	2 902.5	5 315.6	91.7	13.7	14.0
3	Total commercial banks (1+2)	a	180 237.6	11 855.6	27 564.1	3 592.2	13.7	15.3
		b	139 020.1	8 798.2	21 995.7	3 489.7	13.8	15.8
		c	41 217.5	3 057.4	5 648.4	102.5	13.6	13.7

Table 23 Structure of housing loans, banking sector, by classification (December 31, 2000)

1	2	Extended to non-financial sector	Of which:				Extended to local government
			secured by mortgages and eligible for interest redemption ⁶²	other eligible for interest redemption ⁶³	refinanced by Bud-Bank SA ⁶⁴	other	
		3	4	5	6	7	8
I. Loans to persons							
1.1	Total housing loans, of which:	9 572.6	62.5	32.7	60.9	9 416.5	x
1.2	classified satisfactory	9 041.7	57.6	21.8	53.7	8 908.6	x
1.3	classified special mention	230.0	0.2	0.0	2.0	227.8	x
1.4	classified irregular	300.9	4.7	10.9	5.2	280.1	x
1.5	Ratio of irregular loans to total housing loans (%)	3.1	7.5	33.3	8.5	3.0	x
1.6	Specific provisions established	102.7	5.6	3.6	1.4	92.1	x
II. Loans to corporates							
2.1	Total housing loans, of which:	6 329.2	0.1	3 740.5	0.0	2 588.6	x
2.2	classified satisfactory	5 433.5	0.1	3 170.7	0.0	2 262.7	x
2.3	classified special mention	179.3	0.0	94.7	0.0	84.6	x
2.4	classified irregular	716.4	0.0	475.1	0.0	241.3	x
2.5	Ratio of irregular loans to total housing loans (%)	11.3	0.0	12.7	0.0	9.3	x
2.6	Specific provisions established	147.7	0.0	88.9	0.0	58.8	x
III. Total							
3.1	Total housing loans, of which:	15 901.8	62.6	3 773.2	60.9	12 005.1	132.9
3.2	classified satisfactory	14 475.2	57.7	3 192.5	53.7	11 171.3	132.9
3.3	classified special mention	409.3	0.2	94.7	2.0	312.4	0.0
3.4	classified irregular	1 017.3	4.7	486.0	5.2	521.4	0.0
3.5	Ratio of irregular loans to total housing loans (%)	6.4	7.5	12.9	8.5	4.3	0.0
3.6	Specific provisions established	250.4	5.6	92.5	1.4	150.9	x

⁶² "Mortgage loans" extended to persons until March 31, 1995, repayable in accordance with a "repayment coefficient", and subject to interim central government redemption of a portion of outstanding interest.

⁶³ "Old" housing loans extended pursuant to Government resolutions in the years 1965-92, repayable in accordance with a "normative index" and "repayment coefficient", and subject to interim central government redemption of a portion of outstanding interest.

⁶⁴ Loans financed by the Mortgage Fund managed by Bud-Bank SA, and originated via banks participating in a housing development programme under cooperation agreements concluded with Bud-Bank SA.

Table 24 Liabilities of commercial banks to non-financial sector

1	2	Million zloty 31/12/2000			Nominal growth rate 12/1999=100			Real growth rate 12/1999=100			Structure (%)	
		3 Total	4 Zloty	5 FX	6 Total	7 Zloty	8 FX	9 Total	10 Zloty	11 FX	12 12/1999	13 12/2000
1	Demand deposits	56 509.7	44 290.4	12 219.3	97.0	96.3	99.7	89.4	88.7	91.9	27.1	22.8
	- due to corporates	20 605.9	17 029.1	3 576.8	89.5	85.2	118.0	82.5	78.5	108.7	10.7	8.3
	- due to persons	33 521.5	25 119.8	8 401.7	101.9	104.3	95.4	93.9	96.1	87.9	15.3	13.5
	- due to other customers	2 382.3	2 141.5	240.8	100.5	109.7	57.5	92.6	101.1	53.0	1.1	1.0
2	Time and assigned deposits	184 550.7	152 784.3	31 766.4	121.7	124.7	109.4	112.2	114.9	100.8	70.2	74.3
	- due to corporates	32 515.1	27 308.7	5 206.4	103.8	105.3	96.5	95.6	97.0	89.0	14.5	13.1
	- due to persons	145 872.4	119 545.1	26 327.3	126.1	129.7	112.0	116.2	119.5	103.3	53.6	58.7
	- due to other customers	6 163.2	5 930.5	232.7	134.8	134.2	153.7	124.3	123.7	141.7	2.1	2.5
3	Brokerage accounts at bank brokerage houses	143.4	143.4	0.0	52.7	52.7	x	48.5	48.5	x	0.1	0.1
4	Interest payable	6 296.3	5 818.8	477.5	127.0	128.2	114.2	117.1	118.2	105.3	2.3	2.5
5	Other liabilities	804.5	548.3	256.2	109.7	98.5	145.2	101.1	90.8	133.9	0.3	0.3
6	Interest on brokerage accounts	0.0	0.0	0.0	x	x	x	x	x	x	0.0	0.0
7	Total liabilities	248 304.6	203 585.2	44 719.4	115.0	117.0	106.7	106.0	107.9	98.4	100.0	100.0
	- of which: total deposits (1+2)	241 060.4	197 074.7	43 985.7	114.9	116.9	106.5	105.9	107.8	98.1	97.3	97.1
	- due to corporates	53 121.0	44 337.8	8 783.2	97.7	96.6	104.2	90.1	89.0	96.1	25.2	21.4
	- due to persons	179 393.9	144 664.9	34 729.0	120.7	124.4	107.5	111.3	114.7	99.1	68.9	72.2
	- due to other customers	8 545.5	8 072.0	473.5	123.1	126.7	83.0	113.5	116.8	76.5	3.2	3.5

Table 25 Deposits taken from non-financial sector, 1993-2000 (million zloty)

Year end	Total banking sector	Of which:		Commercial banks	Of which:	
		zloty	FX		zloty	FX
1	2	3	4	5	6	7
Total deposits						
1993	46 246.1	28 964.8	17 281.3	42 714.8	25 433.5	17 281.3
1994	65 832.3	42 212.9	23 619.4	61 939.2	38 319.8	23 619.4
1995	85 139.6	62 346.2	22 793.4	80 454.3	57 660.9	22 793.4
1996	111 677.9	86 909.2	24 768.7	105 534.7	80 766.0	24 768.7
1997	144 405.9	112 025.9	32 380.0	136 821.0	104 441.0	32 380.0
1998	187 496.5	153 333.2	34 163.3	177 744.4	143 581.1	34 163.3
1999	220 969.5	179 664.3	41 305.2	209 875.0	168 569.8	41 305.2
2000	254 280.3	210 293.6	43 986.7	241 060.4	197 074.7	43 985.7
due to corporates						
1993	11 886.1	11 072.1	814.0	10 730.6	9 916.6	814.0
1994	19 260.4	18 001.9	1 258.5	17 861.3	16 602.8	1 258.5
1995	21 693.8	20 163.9	1 529.9	20 224.9	18 695.0	1 529.9
1996	29 129.9	26 299.1	2 830.8	27 298.0	24 467.2	2 830.8
1997	35 466.3	30 293.4	5 172.9	33 483.8	28 310.9	5 172.9
1998	45 899.3	37 832.2	8 067.1	43 638.6	35 571.5	8 067.1
1999	56 694.7	48 268.9	8 425.8	54 347.0	45 921.2	8 425.8
2000	55 735.4	46 951.6	8 783.8	53 121.0	44 337.8	8 783.2
due to persons						
1993	32 535.3	16 287.6	16 247.7	30 324.8	14 077.1	16 247.7
1994	44 075.7	22 125.6	21 950.1	41 762.3	19 812.2	21 950.1
1995	60 499.0	39 725.9	20 773.1	57 488.2	36 715.1	20 773.1
1996	79 023.1	57 436.7	21 586.4	74 996.6	53 410.2	21 586.4
1997	104 112.7	77 493.8	26 618.9	98 818.1	72 199.2	26 618.9
1998	135 822.5	110 013.2	25 809.3	128 676.0	102 866.7	25 809.3
1999	156 948.9	124 639.7	32 309.2	148 586.0	116 276.8	32 309.2
2000	189 587.8	154 858.4	34 729.4	179 393.9	144 664.9	34 729.0
due to other customers						
1993	1 824.7	1 605.1	219.6	1 659.4	1 439.8	219.6
1994	2 496.2	2 085.4	410.8	2 315.6	1 904.8	410.8
1995	2 946.8	2 456.4	490.4	2 741.2	2 250.8	490.4
1996	3 524.9	3 173.4	351.5	3 240.1	2 888.6	351.5
1997	4 826.9	4 238.7	588.2	4 519.1	3 930.9	588.2
1998	5 774.7	5 487.8	286.9	5 429.8	5 142.9	286.9
1999	7 325.9	6 755.7	570.2	6 942.0	6 371.8	570.2
2000	8 957.1	8 483.6	473.5	8 545.5	8 072.0	473.5

Table 26 Total capital base of the banks (total core and supplementary capital) (million zloty)

Year end	Commercial banks			Cooperative banks	Total banking sector
	total	of which: banks with majority			
		Polish equity	foreign equity		
1	2	3	4	5	6
1993	5 966.6	5 822.9	143.7	515.9	6 482.5
1994	8 998.4	8 647.1	351.3	539.5	9 537.9
1995	11 857.5	10 897.2	960.3	670.5	12 528.0
1996	15 723.4	12 260.8	3 462.6	801.7	16 525.1
1997	20 206.9	15 115.3	5 091.6	1 011.7	21 218.6
1998	25 796.7	19 156.3	6 640.4	1 198.5	26 995.2
1999	29 577.8	14 038.4	15 539.4	1 368.2	30 946.0
2000	33 852.1	6 360.5	27 491.6	1 599.2	35 451.3

Table 27 Adjusted capital base (eligible capital) of the banks⁶⁵, (million zloty)

Year end	Commercial banks			Cooperative banks	Total banking sector
	total	of which: banks with majority			
		Polish equity	foreign equity		
1	2	3	4	5	6
1993	3 270.5	3 129.4	141.1	123.9	3 394.4
1994	5 193.0	4 851.8	341.2	63.5	5 256.5
1995	7 349.6	6 463.3	886.3	311.3	7 660.9
1996	12 024.2	8 754.1	3 270.1	502.0	12 526.2
1997	17 108.9	12 235.2	4 873.7	751.6	17 860.5
1998	21 500.8	15 063.7	6 437.1	966.8	22 467.6
1999	24 559.7	10 092.3	14 467.4	1 206.8	25 766.5
2000	29 265.5	4 804.8	24 460.7	1 468.2	30 733.7

Table 28 Distribution of commercial banks by risk-based capital ratio

1	Risk-based capital ratio	Number of banks at year end							
		1993	1994	1995	1996	1997	1998	1999	2000
	2	3	4	5	6	7	8	9	10
1	8% and over, of which:	69	64	68	73	73	75	68	67
	over 30%	24	30	26	24	20	18	17	11
	15% - 30%	26	21	27	21	27	23	28	29
	12% - 15%	4	5	7	15	15	14	9	11
	8% - 12%	15	8	8	13	11	20	14	16
2	Under 8%, of which:	18	18	13	8	8	8	9	6
	2% - 8%	5	2	2	1	2	3	4	4
	0% - 2%	0	1	0	0	0	0	0	0
	under 0%	13	15	11	7	6	5	5	2
3	Total (1+2)	87	82	81	81	81	83	77	73
4	Median value	16.5	20.8	18.5	17.5	16.9	15.0	16.6	16.3
5	Arithmetic mean	9.4	11.5	11.5	12.3	12.5	11.7	13.2	12.9

⁶⁵ The adjusted capital base (eligible capital) represents the sum of core and supplementary capital less unabsorbed prior period losses, losses pending confirmation and current period loss, equity holdings (direct and indirect) in other financial institutions, any shortfall in specific provisions, Treasury stock, and from 2001 onwards – intangible assets (subject to phased deductions in line with an established schedule).

Table 29 Distribution of cooperative banks by risk-based capital ratio

1	Risk-based capital ratio	Number of banks at year end							
		1993	1994	1995	1996	1997	1998	1999	2000
1	2	3	4	5	6	7	8	9	10
1	8% and over, of which:	1300	1188	1144	1074	1119	1 087	738	653
	over 30%	125	60	61	22	16	18	21	26
	15% - 30%	788	689	613	380	384	380	267	264
	12% - 15%	205	241	217	267	310	312	205	152
	8% - 12%	182	198	253	405	409	226	245	211
2	Under 8%, of which:	353	424	366	320	176	102	43	27
	2% - 8%	114	94	119	169	120	79	34	24
	0% - 2%	19	21	32	26	17	7	3	0
	under 0%	220	309	215	125	39	16	6	3
3	Total (1+2)	1653	1612	1510	1394	1295	1 189	781	680
4	Arithmetic mean	4.7	2.2	8.4	8.8	11.1	11.8	12.8	12.8

Table 30 Off balance sheet commitments, banking sector

1	2	Total banking sector	Commercial banks	Cooperative banks
1	2	3	4	5
OBS commitments at 31/12/1999 (million zloty)				
1	Commitments extended	59 042.5	58 390.0	652.5
2	Commitments to purchase and sell	204 680.6	204 633.0	47.6
3	Commitments received	33 513.8	33 377.2	136.7
OBS commitments at 31/12/2000 (million zloty)				
1	Commitments extended	74 896.5	74 065.9	830.6
2	Commitments to purchase and sell	525 485.4	525 404.9	80.5
3	Commitments received	33 130.5	32 970.8	159.7

Table 31 Structure of off balance sheet commitments, commercial banks

1	2	Million zloty		Growth rate
		12/1999	12/2000	12/99=100
1	2	3	4	5
1	Contingent commitments extended, of which to:	58 390.0	74 065.9	126.8
	– financial sector	7 471.4	12 765.9	170.9
	– non-financial sector	49 803.8	57 444.5	115.3
	– government	1 114.9	3 855.5	345.8
2	Commitments to purchase and sell, of which:	204 633.0	525 404.9	256.8
	– FX	123 787.2	346 643.1	280.0
	– securities	3 540.2	5 067.3	143.1
	– financial instruments	54 874.7	155 429.7	283.2
	– other	22 430.8	18 264.9	81.4

Table 32 Derivative contracts, commercial banks

1	2	Contract values, million zloty					
		31/12/1999 r.			31/12/2000 r.		
		total	hedging	trading	total	hedging	trading
3	4	5	6	7	8		
1	Total derivative contracts, of which:	120 709.7	24 774.0	95 935.8	386 215.8	71 832.7	314 383.1
2	Forward, swap & future contracts of which:	112 356.8	24 773.6	87 583.2	339 199.7	69 388.5	269 811.1
	– interest rate contracts	49 196.6	3 536.7	45 659.9	157 623.0	13 274.9	144 348.2
	– FX contracts	63 130.1	21 211.4	41 918.7	181 016.1	55 556.6	125 459.4
	– securities contracts	30.1	25.5	4.7	560.6	557.1	3.5
3	Option contracts of which:	8 352.9	0.4	8 352.5	42 760.1	2 433.4	40 326.7
	– exchange-traded	184.0	0.0	184.0	20.6	0	20.6
	– OTC	8 169.0	0.4	8 168.6	42 739.5	2 433.4	40 306.1
4	Other instruments of which:	0.0	0.0	0.0	4 256.0	10.8	4 245.2
	– exchange-traded	0.0	0.0	0.0	0	0	0
	– OTC	0.0	0.0	0.0	4 256.0	10.8	4 245.2

Table 33 Total income, expense and earnings

Period	Total banking sector	Commercial banks	Of which: with majority equity			Of which: listed banks	Cooperative banks
			Polish	of which: public-sector	foreign		
1	2	3	4	5	6	7	8
Total income (million zloty)							
1993	19 099.9	17 557.5	17 135.6	15 394.5	421.9	754.1	1 542.4
1994	23 997.3	22 402.0	21 635.7	17 898.1	766.3	2 742.8	1 595.3
1995	28 661.8	26 971.7	25 689.9	18 971.5	1 281.8	6 172.3	1 690.1
1996	33 550.6	31 651.9	26 880.0	22 029.8	4 771.9	7 460.5	1 898.7
1997	45 225.6	42 853.1	35 036.2	22 949.2	7 817.0	14 378.4	2 372.5
1998	64 415.7	61 783.2	45 414.8	27 231.8	16 368.5	28 472.4	2 632.4
1999	78 912.9	76 304.0	32 355.3	15 527.3	43 948.6	48 643.1	2 609.0
2000	122 970.8	119 401.4	21 301.8	18 574.8	98 099.6	79 204.0	3 569.4
Total expense (million zloty)							
1993	18 172.9	16 505.2	16 219.4	14 486.7	285.8	656.3	1 667.7
1994	22 794.5	21 047.0	20 494.6	16 973.7	552.4	2 149.3	1 747.5
1995	23 970.2	22 420.7	21 406.1	16 097.3	1 014.6	4 704.3	1 549.5
1996	27 147.6	25 513.8	21 681.7	17 866.3	3 832.1	5 749.2	1 633.8
1997	38 568.9	36 547.1	29 788.4	20 084.0	6 758.8	11 526.9	2 021.8
1998	59 760.3	57 413.0	42 503.8	26 281.8	14 909.2	25 467.4	2 347.3
1999	73 822.9	71 537.4	29 658.6	14 575.4	41 878.8	45 005.9	2 285.5
2000	116 726.8	113 640.8	20 013.4	17 333.2	93 627.4	75 479.2	3 085.9
Pre-tax earnings (million zloty)							
1993	927.0	1 052.2	916.1	907.8	136.1	97.8	-125.3
1994	1 202.8	1 355.0	1 141.1	924.4	213.9	593.5	-152.2
1995	4 691.6	4 551.0	4 283.7	2 874.3	267.3	1 468.0	140.6
1996	6 403.0	6 138.2	5 198.3	4 163.5	939.9	1 711.3	264.8
1997	6 656.7	6 306.0	5 247.8	2 865.2	1 058.2	2 851.6	350.6
1998	4 655.4	4 370.3	2 911.0	950.0	1 459.3	3 005.0	285.1
1999	5 090.0	4 766.5	2 696.7	951.8	2 069.9	3 637.2	323.5
2000	6 244.0	5 760.6	1 288.4	1 241.6	4 472.2	3 724.8	483.4

Period	Total banking sector	Commercial banks	Of which: with majority equity			Of which: listed banks	Cooperative banks
			Polish	of which: public-sector	foreign		
1	2	3	4	5	6	7	8
Net earnings (million zloty)							
1993	-401.0	-214.4	-327.2	-257.5	112.8	51.5	-186.6
1994	121.7	316.7	180.4	224.6	136.3	362.8	-195.0
1995	2 848.3	2 761.5	2 609.5	1 787.7	152.0	898.0	86.8
1996	4 420.5	4 229.1	3 643.2	2 995.9	585.9	1 115.4	191.4
1997	4 495.6	4 270.1	3 625.2	2 063.6	644.9	1 854.8	225.4
1998	1 824.9	1 648.4	725.2	-383.3	923.2	1 837.7	176.5
1999	3 180.8	2 972.0	1 801.3	805.8	1 170.7	2 313.0	208.7
2000	4 402.4	4 093.3	953.4	946.5	3 139.9	2 609.2	309.1

Table 34 Profitability (net & pre-tax) and cost/income ratio

Period	Total banking sector	Commercial banks	Of which: with majority equity			Of which: listed	Cooperative banks
			Polish	of which: public-sector	foreign		
1	2	3	4	5	6	7	8
Pre-tax profitability (pre-tax earnings/ total expense), %							
1993	5.1	6.4	5.7	6.3	47.6	14.9	-7.5
1994	5.3	6.4	5.6	5.4	38.7	27.6	-8.7
1995	19.6	20.3	20.0	17.9	26.3	31.2	9.1
1996	23.6	24.1	24.0	23.3	24.5	29.8	16.2
1997	17.3	17.3	17.6	14.3	15.7	24.7	17.3
1998	7.8	7.6	6.9	3.6	9.8	11.8	12.2
1999	6.9	6.7	9.1	6.5	4.9	8.1	14.2
2000	5.4	5.1	6.4	7.2	4.8	4.9	15.7
Net profitability (net earnings / total expense), %							
1993	-2.2	-1.3	-2.0	-1.8	39.5	7.9	-11.2
1994	0.5	1.5	0.9	1.3	24.7	16.9	-11.2
1995	11.9	12.3	12.2	11.1	15.0	19.1	5.6
1996	16.3	16.6	16.8	16.8	15.3	19.4	11.7
1997	11.7	11.7	12.2	10.3	9.5	16.1	11.2
1998	3.1	2.9	1.7	-1.5	6.2	7.2	7.5
1999	4.3	4.2	6.1	5.5	2.8	5.1	9.1
2000	3.8	3.6	4.8	5.5	3.4	3.5	10.0
Cost/income ratio (total expense / total income), %							
1993	95.1	94.0	94.7	94.1	67.7	87.0	108.1
1994	95.0	94.0	94.7	94.8	72.1	78.4	109.5
1995	83.6	83.1	83.3	84.8	79.2	76.2	91.7
1996	80.9	80.6	80.7	81.1	80.3	77.1	86.1
1997	85.3	85.3	85.0	87.5	86.5	80.2	85.2
1998	92.8	92.9	93.6	96.5	91.1	89.5	89.2
1999	93.6	93.8	91.7	93.9	95.3	92.5	87.6
2000	94.9	95.2	94.0	93.3	95.4	95.3	86.5

Table 35 Key bank performance indicators⁶⁶

		1999	I-III 2000	I-VI 2000	I-IX 2000	2000
1	2	3	4	5	6	7
1	Number of banks analysed	75	75	74	74	73
2	Earning assets to total assets (%)	86.98	86.47	85.22	85.73	87.22
3	Performing assets to total assets (%)	85.05	84.51	83.14	83.41	84.55
4	Interest received to average total assets ⁶⁷ (%)	11.16	12.42	12.54	12.69	12.86
5	Interest paid to average total assets (%)	7.11	8.10	8.31	8.54	8.83
6	Net interest income to average total assets (%)	4.04	4.32	4.23	4.15	4.03
7	Net income from core banking operations ⁶⁸ to average total assets (%)	6.00	6.44	6.28	6.26	6.26
8	General expense to average total assets (%)	3.60	3.42	3.67	3.55	3.63
9	Pre-tax earnings to average total assets (%)	1.51	2.30	1.61	1.65	1.56
10	ROA (net earnings to average total assets) (%)	0.94	1.60	1.13	1.13	1.10
11	ROE (net earnings to average core capital) (%)	12.90	22.40	15.75	15.59	15.19

Table 36 General expense, commercial banks

		1999	2000
1	2	3	4
1	Occupancy expense per branch (thousand zloty)	599.6	670.0
2	Other physical expense per branch (thousand zloty)	1418.3	1642.6
3	Personnel expense per employee (thousand zloty)	42.4	50.7
4	Personnel expense / pre-tax earnings (%)	133.2	128.0
5	Average monthly employee salary (thousand zloty)	2991.8	3584.9
6	Pre-tax earnings per employee (thousand zloty)	31.9	39.6

⁶⁶ On the basis of the Uniform Bank Performance Report.

⁶⁷ Less accrued and outstanding unpaid interest on irregular assets.

⁶⁸ The total of: net interest income, net fee & commission income, net FX gains/losses, and net income from securities operations.

Table 37 Profit and loss account, banking sector, 2000 (million zloty)

1	2	Commercial banks	of which:				Listed banks	Cooperative banks	Total banking sector
			with majority Polish equity	of which:		with majority foreign equity			
				public-sector	private				
3	4	5	6	7	8	9	10		
I	Interest income	50 198.8	15 417.0	13 473.1	1 943.9	34 781.8	25 527.7	2 847.8	53 046.5
	of which:								
	- from financial institutions	8 028.2	1 705.1	1 261.2	443.8	6 323.1	2 777.9	586.4	8 614.6
	- from customers and government	28 975.7	7 934.4	6 833.8	1 100.6	21 041.3	16 118.6	2 067.6	31 043.2
	- on securities	11 178.1	4 644.3	4 321.8	322.5	6 533.8	5 783.6	192.0	11 370.1
	- other interest income	2 016.8	1 133.1	1 056.2	76.9	883.6	847.6	1.8	2 018.6
II	Interest expense	34 631.5	10 103.0	8 772.7	1 330.3	24 528.5	17 611.4	1 449.5	36 081.0
	of which:								
	- to financial institutions	9 008.3	1 250.2	630.3	619.9	7 758.2	5 282.7	37.3	9 045.6
	- to customers and government	25 359.1	8 795.4	8 086.2	709.2	16 563.6	12 254.1	1 411.0	26 770.1
	- other interest expense	264.2	57.5	56.2	1.3	206.7	74.6	1.1	265.3
III	Net interest income (I-II)	15 567.2	5 313.9	4 700.4	613.6	10 253.3	7 916.3	1 398.3	16 965.6
IV	Fee & commission income	6 054.1	1 564.7	1 325.9	238.7	4 489.5	3 611.2	498.0	6 552.2
V	Fee & commission expense	873.1	248.4	231.0	17.5	624.6	366.9	27.1	900.2
VI	Net fee & commission income (IV-V)	5 181.1	1 316.2	1 095.0	221.3	3 864.8	3 244.3	470.9	5 652.0
VII	Income from equities and other securities	441.0	15.4	13.7	1.7	425.6	391.8	0.6	441.7
VIII	Net gains/ losses on financial operations	1 256.3	331.5	327.2	4.3	924.8	1 063.1	3.2	1 259.5
	FX gains	48 397.3	1 445.1	1 324.1	121.1	46 952.2	40 517.8	0.1	48 397.4
	FX losses	45 226.6	1 178.9	1 074.8	104.1	44 047.7	38 706.5	0.1	45 226.6
IX	Net FX gains/losses	3 170.7	266.3	249.3	17.0	2 904.5	1 811.4	0.1	3 170.8
X	Net income from core banking operations	25 616.4	7 243.4	6 385.5	857.9	18 373.0	14 426.8	1 873.2	27 489.6
XI	Other operating income	998.7	335.2	275.6	59.6	663.5	460.8	32.0	1 030.7
XII	Other operating expense	622.1	140.7	111.6	29.1	481.4	295.4	24.7	646.8
XIII	General expense	14 153.3	4 300.5	3 695.2	605.3	9 852.8	7 471.5	1 212.1	15 365.4
	- of which: personnel expense (including tax and contributions)	7 375.3	2 320.1	1 990.2	329.9	5 055.1	4 065.0	872.7	8 248.0
XIV	Depreciation charges, fixed assets and intangibles	1 836.5	563.7	496.2	67.5	1 272.7	1 029.3	85.0	1 921.4
XV	Charges to provisions and valuation allowances	11 374.4	3 152.0	2 670.0	481.9	8 222.4	6 616.3	284.7	11 659.1
XVI	Release of provisions and valuation allowances	7 131.0	1 866.7	1 553.7	313.0	5 264.4	4 248.2	185.1	7 316.1
XVII	Net movements in provisions and valuation allowances (XV-XVI)	4 243.4	1 285.3	1 116.3	168.9	2 958.1	2 368.1	99.6	4 343.0
	of which:								
	- net movements in specific provisions against claims and OBS commitments, etc., and in general provisions	3 824.2	1 139.1	973.8	165.4	2 685.1	2 120.4	99.5	3 923.7
	- net movements in valuation allowances against financial fixed assets	419.1	146.2	142.6	3.6	273.0	247.7	0.2	419.3
XVIII	Net income/ loss from ordinary activities (X+XI-XII-XIII-XIV+/-XVII)	5 759.9	1 288.4	1 241.7	46.7	4 471.4	3 723.3	483.7	6 243.6
XIX	Extraordinary gains/losses	0.7	0.0	-0.1	0.1	0.7	1.5	-0.3	0.4
XX	Pre-tax earnings/ loss (XVIII+/-XIX)	5 760.6	1 288.4	1 241.6	46.8	4 472.2	3 724.8	483.4	6 244.0
XXI	Tax	1 667.3	335.0	295.1	39.9	1 332.3	1 115.6	174.3	1 841.6
XXII	Net earnings/ loss	4 093.3	953.4	946.5	7.0	3 139.9	2 609.2	309.1	4 402.4
	Total income	119 401.4	21 301.8	18 574.8	2 727.0	98 099.6	79 204.0	3 569.4	122 970.8
	Total expense	113 640.8	20 013.4	17 333.2	2 680.2	93 627.4	75 479.2	3 085.9	116 726.8

Table 38 Profit and loss account, banking sector, 1999 (million zloty)

1	2	Commercial banks	of which:				Listed banks	Cooperative banks	Total banking sector
			with majority Polish equity	of which:		with majority foreign equity			
				public-sector	private				
3	4	5	6	7	8	9	10		
I	Interest income	34 425.2	17 528.6	10 256.0	7 272.5	16 896.7	17 246.4	2 083.1	36 508.3
	of which:								
	- from financial institutions	3 862.1	1 692.6	596.9	1 095.7	2 169.5	1 413.6	402.8	4 265.0
	- from customers and government	19 911.7	9 388.9	4 857.7	4 531.2	10 522.8	11 008.9	1 526.4	21 438.1
	- on securities	9 168.1	5 420.7	3 962.2	1 458.5	3 747.4	4 265.1	150.7	9 318.8
	- other interest income	1 483.3	1 026.4	839.2	187.2	457.0	558.9	3.1	1 486.4
II	Interest expense	21 702.8	11 087.4	6 334.6	4 752.8	10 615.4	10 836.1	1 041.7	22 744.5
	of which:								
	- to financial institutions	4 934.4	1 970.0	363.3	1 606.7	2 964.4	2 725.8	25.0	4 959.4
	- to customers and government	16 558.2	9 041.5	5 941.1	3 100.4	7 516.7	7 993.3	1 015.8	17 574.0
	- other interest expense	210.2	75.9	30.2	45.7	134.3	117.0	1.0	211.1
III	Net interest income (I-II)	12 722.4	6 441.1	3 921.5	2 519.7	6 281.3	6 410.3	1 041.4	13 763.8
IV	Fee & commission income	4 643.8	2 171.1	1 063.1	1 108.0	2 472.8	2 759.7	374.9	5 018.7
V	Fee & commission expense	630.4	331.8	170.7	161.0	298.7	279.1	16.0	646.5
VI	Net fee & commission income (IV-V)	4 013.4	1 839.3	892.4	946.9	2 174.1	2 480.6	358.8	4 372.2
VII	Income from equities and other securities	882.0	797.9	82.3	715.6	84.1	785.3	0.2	882.1
VIII	Net gains/ losses on financial operations	864.6	469.3	42.8	426.5	395.4	699.9	3.3	868.0
	FX gains	27 993.5	7 297.0	2 757.3	4 539.8	20 696.5	22 401.5	0.0	27 993.5
	FX losses	26 275.1	6 636.7	2 631.1	4 005.7	19 638.4	21 220.7	0.0	26 275.1
IX	Net FX gains/losses	1 718.4	660.3	126.2	534.1	1 058.1	1 180.8	0.0	1 718.4
X	Net income from core banking operations	20 200.8	10 207.9	5 065.1	5 142.8	9 992.9	11 557.0	1 403.6	21 604.5
XI	Other operating income	1 062.0	718.7	206.5	512.2	343.3	729.1	27.3	1 089.3
XII	Other operating expense	407.1	206.2	54.9	151.3	200.9	264.4	18.1	425.3
XIII	General expense	11 439.4	5 622.3	3 224.4	2 397.9	5 817.1	5 929.4	976.0	12 415.3
	- of which: personnel expense (including tax and contributions)	6 349.2	3 191.2	1 857.2	1 334.0	3 158.0	3 427.3	730.6	7 079.7
XIV	Depreciation charges, fixed assets and intangibles	1 598.2	880.2	557.5	322.6	718.0	807.9	65.2	1 663.4
XV	Charges to provisions and valuation allowances	7 416.2	3 722.5	1 403.5	2 318.9	3 693.7	4 248.3	166.4	7 582.6
XVI	Release of provisions and valuation allowances	4 364.4	2 201.1	920.8	1 280.3	2 163.3	2 600.4	118.1	4 482.5
XVII	Net movements in provisions and valuation allowances (XV-XVI)	3 051.8	1 521.3	482.7	1 038.6	1 530.4	1 647.9	48.3	3 100.0
	of which:								
	- net movements in specific provisions against claims and OBS commitments, etc., and in general provisions	2 759.7	1 364.3	457.2	907.1	1 395.4	1 464.8	48.2	2 807.9
	- net movements in valuation allowances against financial fixed assets	292.1	157.1	25.5	131.6	135.0	183.1	0.1	292.2
XVIII	Net income/ loss from ordinary activities (X+XI-XII-XIII-XIV+/-XVII)	4 766.4	2 696.6	952.0	1 744.6	2 069.7	3 636.4	323.4	5 089.7
XIX	Extraordinary gains/losses	0.2	0.1	-0.2	0.3	0.1	0.8	0.1	0.3
XX	Pre-tax earnings/ loss (XVIII+/-XIX)	4 766.5	2 696.7	951.8	1 744.8	2 069.9	3 637.2	323.5	5 090.0
XXI	Tax	1 794.5	895.3	146.0	749.3	899.2	1 324.2	114.8	1 909.3
XXII	Net earnings/ loss	2 972.0	1 801.3	805.8	995.5	1 170.7	2 313.0	208.7	3 180.8
	Total income	76 304.0	32 355.3	15 527.3	16 828.1	43 948.6	48 643.1	2 609.0	78 912.9
	Total expense	71 537.4	29 658.6	14 575.4	15 083.2	41 878.8	45 005.9	2 285.5	73 822.9

Table 39 Cooperative sector as proportion of total banking sector

1	2	Total assets		Total capital base (core and supplementary capital ⁶⁹)		Loans to non-financial sector (net)		Personal deposits		Total losses ⁷⁰		Total earnings ⁷¹	
		million zloty	%	million zloty	%	million zloty	%	million zloty	%	million zloty	%	million zloty	%
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Total regional and associating banks ⁷²	24 897.0	5.78	1 320.8	3.73	9 187.1	5.21	9 824.5	5.18	0.2	0.01	117.5	1.80
2	Total cooperative banks	18 047.7	4.19	1 599.2	4.51	9 595.2	5.44	10 193.9	5.38	22.0	1.12	490.0	7.50
	of which: affiliated to												
3	Gospodarczy Bank Wielkopolski SA	2 526.0	0.59	198.7	0.56	1 445.5	0.82	1 322.8	0.70	13.5	0.69	75.2	1.15
4	Gospodarczy Bank Poludniowo-Zachodni SA	3 368.1	0.78	304.9	0.86	1 748.6	0.99	1 877.8	0.99	0.7	0.04	97.9	1.50
5	Bank Unii Gospodarczej SA	1 970.2	0.46	164.2	0.46	1 071.3	0.61	1 177.9	0.62	2.2	0.11	41.8	0.64
6	Warmińsko-Mazurski Bank Regionalny SA	1 329.3	0.31	124.5	0.35	806.6	0.46	812.5	0.43	0.0	0.00	41.3	0.63
7	Lubelski Bank Regionalny SA	1 377.9	0.32	118.4	0.33	705.9	0.40	830.5	0.44	0.0	0.00	32.3	0.49
8	Baltycki Bank Regionalny SA	607.5	0.14	62.7	0.18	348.5	0.20	303.0	0.16	1.2	0.06	14.2	0.22
9	Pomorsko-Kujawski Bank Regionalny SA	1 298.8	0.30	114.1	0.32	792.8	0.45	727.1	0.38	0.6	0.03	35.7	0.55
10	Dolnośląski Bank Regionalny SA	794.6	0.18	70.8	0.20	387.8	0.22	406.2	0.21	0.6	0.03	15.0	0.23
11	Małopolski Bank Regionalny SA	2 119.2	0.49	203.0	0.57	948.4	0.54	1 261.0	0.67	0.9	0.05	66.6	1.02
12	Rzeszowski Bank Regionalny SA	398.9	0.09	40.5	0.11	149.5	0.08	194.0	0.10	0.2	0.01	10.2	0.16
13	Mazowiecki Bank Regionalny SA	2 037.1	0.47	175.5	0.50	1 035.8	0.59	1 152.1	0.61	2.0	0.10	56.0	0.86
14	Total cooperative sector (1+2)	42 944.7	9.97	2 920.0	8.24	18 782.3	10.65	20 018.4	10.56	22.2	1.13	607.5	9.30
15	National Cooperative Banking Group	35 697.9	8.29	2 335.3	6.59	15 137.7	8.58	16 680.4	8.80	19.3	0.99	457.8	7.01
16	Total banking sector	430 448.2	100.00	35 451.3	100.00	176 421.6	100.00	189 587.8	100.00	1 957.8	100.00	6 533.6	100.00

⁶⁹ Prior to regulatory deductions.

⁷⁰ Current period loss, prior period losses and loss pending confirmation.

⁷¹ Current period earnings, pre-tax.

⁷² Banks listed in items 3 to 13 below, together with Bank Gospodarki Żywnościowej SA.

Table 40 Polish gross domestic product and total banking assets

Year	Gross domestic product			Total banking assets (at year end)		
	million zloty	growth rate ⁷³	million euro/ECU	million zloty	% of GDP	growth rate ⁷⁴
1	2	3	4	5	6	7
1995	306 318.3	107.0	97 725.7	149 342.2	48.8	112.0
1996	385 448.1	106.0	114 125.7	197 215.2	51.1	111.4
1997	469 372.1	106.8	126 669.0	247 668.9	52.8	111.0
1998	549 466.7	104.8	140 059.3	318 726.8	58.0	118.5
1999	611 576.2	104.1	144 683.3	363 427.4	59.4	103.8
2000 ⁷⁵	690 400.0	104.1	179 324.7	430 448.2	62.3	109.1

Table 41 Basic financial data on the banks, restated in euro (December 31, 2000)

		Commercial banks	of which:		Cooperative banks	Banking sector
			with majority			
			Polish equity	foreign equity		
million euro (EUR/PLN = 3.85)						
1	2	3	4	5	6	7
1	Total assets	107 117.0	29 328.1	77 788.9	4 687.7	111 804.7
2	Loans, net	43 331.5	11 178.3	32 153.2	2 492.3	45 823.8
3	Securities (less valuation adjustments)	24 323.7	10 145.9	14 177.8	339.4	24 663.1
4	Deposits taken from non-financial sector	62 613.1	20 662.4	41 950.7	3 433.7	66 046.8
5	- of which: deposits from individuals	46 595.8	18 112.7	28 483.1	2 647.8	49 243.6
6	Total capital base (total core and supplementary capital)	8 792.8	1 652.1	7 140.7	415.4	9 208.2
7	- of which: core capital	8 348.6	1 517.2	6 831.4	380.2	8 728.8
8	- of which: authorised capital	2 086.4	503.0	1 583.4	89.5	2 175.9
9	Adjusted capital base (eligible capital)	7 601.4	1 248.0	6 353.4	381.4	7 982.8
10	Pre-tax earnings	5 760.6	1 288.4	4 472.2	483.4	6 244.0
11	Net earnings	4 093.3	953.4	3 139.9	309.1	4 402.4

⁷³ In real terms, previous year=100.

⁷⁴ In real terms, December previous year = 100.

⁷⁵ Preliminary figures, GUS.

Schedule of banks in Poland⁷⁶
(at December 31, 2000)

Bank code Name of bank

I. Banks under Polish control

1.1. Banks with majority public-sector interest⁷⁷

- state banks

1	113	Bank Gospodarstwa Krajowego
		- public limited companies directly controlled by the Treasury ⁷⁸
2	102	PKO Bank Polski SA (formerly a state bank, Powszechna Kasa Oszczednosci Bank Panstwowy, until April 2000)
3	203	Bank Gospodarki Zywnosciowej SA
		- public limited companies indirectly controlled by the Treasury ⁷⁹
4	132	Bank Pocztowy SA
5	140	Bank Rozwoju Budownictwa Mieszkaniowego SA
6	146	Wschodni Bank Cukrownictwa SA
7	154	Bank Ochrony Srodowiska SA

1.2. Banks with majority private-sector interest

8	130	Bank Wspolpracy Europejskiej SA
9	137	Bank Inicjatyw Spoleczno-Ekonomicznych SA ⁸⁰
10	147	Bank Spolem SA
11	148	Bank Cukrownictwa Cukrobank SA
12	162	Bank Wschodni SA
13	163	Bank Czestochowa SA ⁸¹
14	168	Invest-Bank SA
15	194	Lukas Bank Swietokrzyski SA
16	197	Wielkopolski Bank Rolniczy SA ⁸²
		- regional banks and other banks affiliating local cooperative banks
17	161	Gospodarczy Bank Wielkopolski SA
18	170	Bank Unii Gospodarczej SA
19	193	Gospodarczy Bank Poludniowo-Zachodni SA
20	201	Warminsko-Mazurski Bank Regionalny SA

⁷⁶ Excluding the NBP, cooperative banks, and banks declared bankrupt or under liquidation.

⁷⁷ State banks, and public limited companies where the Treasury holds a total equity interest, directly or indirectly, entitling it to exercise 50% + 1 votes at a shareholders' general meeting.

⁷⁸ Public limited companies where the Treasury (represented by the Minister of the Treasury) directly holds a total equity interest entitling it to exercise 50% + 1 votes at a shareholders' general meeting.

⁷⁹ Public limited companies where the Treasury (represented by the Minister of the Treasury), other state institutions, state enterprises or state-owned public limited companies hold a total equity interest entitling them to exercise 50% + 1 votes at a shareholders' general meeting.

⁸⁰ Bank Energetyki SA was merged with Bank Inicjatyw Spoleczno-Ekonomicznych on November 22, 1999.

⁸¹ The Commission for Banking Supervision placed this bank under administration, after which equity control over it was acquired by BRE Bank SA.

⁸² The Commission for Banking Supervision placed this bank under administration.

	Bank code	Name of bank
21	202	Lubelski Bank Regionalny SA
22	204	Pomorsko-Kujawski Bank Regionalny SA
23	205	Malopolski Bank Regionalny SA
24	206	Mazowiecki Bank Regionalny SA
25	208	Baltycki Bank Regionalny SA
26	210	Dolnoslaski Bank Regionalny SA
27	211	Rzeszowski Bank Regionalny SA

II. Banks under foreign control⁸³

2.1. Branch offices of foreign banks

1	180	ING Bank N.V., Warsaw Branch
2	184	Societe Generale, Warsaw Branch

2.2. Public limited companies with 100% foreign equity

3	167	ABN AMRO Bank (Polska) SA
4	171	GE Capital Bank SA
5	175	Raiffeisen Bank Polska SA (formerly Raiffeisen-Centrobank SA – until February 2000)
6	179	Credit Lyonnais Bank Polska SA
7	182	Citibank (Poland) SA
8	185	GE Bank Mieszkaniowy SA
9	186	BNP – Dresdner Bank (Polska) SA
10	187	Westdeutsche Landesbank Polska SA
11	188	Deutsche Bank Polska SA
12	200	Rabobank Polska SA
13	207	FCE Bank Polska SA (formerly Ford Bank Polska SA – until September 2000)
14	209	Bankgesellschaft Berlin (Polska) SA
15	212	Bank of America (Polska) SA
16	213	Volkswagen Bank Polska SA
17	214	Fiat Bank Polska SA
18	216	Toyota Bank Polska SA ⁸⁴

2.3. Public limited companies with majority foreign equity

19	103	Bank Handlowy w Warszawie SA
20	105	Bank Slaski SA
21	106	Bank Przemyslowo-Handlowy SA ⁸⁵
22	109	Wielkopolski Bank Kredytowy SA
23	111	Powszechny Bank Kredytowy SA
24	112	Bank Zachodni SA
25	114	BRE Bank SA

⁸³ Branches of foreign banks, and public limited companies where foreign parties (natural or juridical persons) hold an equity interest, directly or indirectly, entitling them to exercise a total of at least 50% + 1 votes at a shareholders' general meeting.

⁸⁴ Commenced operating activity on August 21, 2000.

⁸⁵ Bayerische Hypo- und Vereinsbank AG contributed 100% of the equity of Hypo-Bank Polska SA and HypoVereinsbank Polska SA to Bank Przemyslowo-Handlowy SA, and subsequently – on November 10, 1999 – carried out the merger of HypoVereinsbank Polska SA and Bank Przemyslowo-Handlowy SA.

Bank code	Name of bank
26	116 BIG Bank Gdanski SA
27	124 Bank Polska Kasa Opieki SA
28	141 Bank Wlasnosci Pracowniczej – Unibank SA
29	144 Bank Komunalny SA
30	150 Kredyt Bank SA
31	152 Bank Przemyslowy SA
32	155 LG Petro Bank SA
33	158 DaimlerChrysler Services (debis) Bank Polska SA
34	160 Fortis Bank Polska SA (formerly Pierwszy Polsko-Amerykanski Bank SA – until July 2000)
35	174 Bank Amerykanski w Polsce SA “AmerBank”
36	183 Danske Bank Polska SA (formerly Polsko-Kanadyjski Bank Sw. Stanislawy SA – until November 2000)
37	195 Opel Bank SA
38	196 AIG Bank Polska SA
39	215 Rheinyp-BRE Bank Hipoteczny SA
2.4. Public limited companies under indirect foreign control	
40	115 BIG Bank SA ⁸⁶
41	128 Prosper-Bank SA ⁸⁷ (as of February 2001 – Polski Kredyt Bank SA)
42	142 Bank Rozwoju Cukrownictwa SA ⁸⁸
43	156 Gornoslaski Bank Gospodarczy SA ⁸⁹
44	169 Cuprum-Bank SA ⁹⁰
45	189 HypoVereinsbank Bank Hipoteczny SA ⁹¹
46	191 Bank Wspolpracy Regionalnej SA ⁹²

III. Banks under organisation

218 Slaski Bank Hipoteczny SA (banking organisation)⁹³

⁸⁶ Bank controlled by foreign investors via BIG Bank Gdanski SA. The two banks merged on January 5, 2001.

⁸⁷ Bank controlled by foreign investors via Kredyt Bank SA.

⁸⁸ Bank controlled by Citibank Overseas Investment Corporation via Bank Handlowy w Warszawie SA.

⁸⁹ Bank controlled by Austrian investors via Powszechny Bank Kredytowy SA.

⁹⁰ Bank controlled by Citibank Overseas Investment Corporation via Bank Handlowy w Warszawie SA.

⁹¹ As of October 1999, bank controlled by German investors via Bank Przemyslowo-Handlowy SA, which currently holds 100% of the bank's equity.

⁹² Bank controlled by German investors via Deutsche Bank Polska SA.

⁹³ Authorised on November 8, 2000, and entered in the companies' register on December 20.

Appendix 2

Schedule of listed banks⁹⁴ (at December 31, 2000)

	Bank code	Name of bank
1	103	Bank Handlowy w Warszawie SA
2	105	Bank Slaski SA
3	106	Bank Przemyslowo-Handlowy SA
4	109	Wielkopolski Bank Kredytowy SA
5	111	Powszechny Bank Kredytowy SA
6	114	BRE Bank SA
7	116	BIG Bank Gdanski SA
8	124	Bank Polska Kasa Opieki SA
9	144	Bank Komunalny SA
10	150	Kredyt Bank SA
11	154	Bank Ochrony Srodowiska SA
12	155	LG Petro Bank SA
13	160	Fortis Bank Polska SA
14	163	Bank Czestochowa SA
15	174	Bank Amerykanski w Polsce SA "AmerBank"
16	191	Bank Wspolpracy Regionalnej SA

Appendix 3

Schedule of banks with minority foreign equity (at December 31, 2000)

	Bank code	Name of bank
1	137	Bank Inicjatyw Spoleczno-Ekonomicznych SA
2	154	Bank Ochrony Srodowiska SA
3	163	Bank Czestochowa SA
4	197	Wielkopolski Bank Rolniczy SA

⁹⁴ Banks admitted for public trading by Poland's Securities and Exchange Commission.

Selected legislation relating to the banking sector⁹⁵
(as at January 31, 1999)

I. ACTS OF PARLIAMENT & EQUIVALENT

1. The Bankruptcy Act of October 24, 1934, issued as an Ordinance of the President of the Republic of Poland (as published and amended in *Dziennik Ustaw* [the Journal of Laws] nos. 118/1991, item 512 [text as previously amended]; 1/1994, item 1; 85/1995, item 426; 6/1996, item 43; 43/1996, item 189; 106/1996, item 496; 28/1997, item 153; 54/1997, item 349; 117/1999, item 751; 121/1997, item 770; 140/1997, item 940; 117/1998, item 756; 26/2000, item, 306; 84/2000, item 948; 94/2000, item 1037; and 114/2000, item 1193).
2. The Act on Bills of Exchange of April 28, 1936 (as published in *Dziennik Ustaw* no. 37/1936, item 282).
3. The Act on Cheques of April 28, 1936 (as published and amended in *Dziennik Ustaw* nos. 37/1936, item 283; and 88/1997, item 554).
4. The Civil Code of April 23, 1964 (as published and amended in *Dziennik Ustaw* nos. 16/1964, item 93; 27/1971, item 252; 19/1976, item 122; 11/1982, item 81; 19/1982, item 147; 30/1982, item 210; 45/1984, item 242; 22/1985, item 99; 3/1989, item 11; 33/1989, item 175; 34/1990, item 198; 55/1990, item 321; 79/1990, item 464; 107/1991, item 464; 115/1991, item 496; 17/1993, item 78; 27/1994, item 96; 85/1994, item 388; 105/1994, item 509; 83/1995, item 417; 141/1995, item 692; 114/1996, item 542; 139/1996, item 646; 43/1997, item 272; 115/1997, item 741; 117/1997, item 751; 149/1997, item 703; 157/1997, item 1040; 106/1998, item 668; 117/1998, item 758; 52/1999, item 532; 22/2000, item 271; 74/2000, items 855 & 857; 88/2000, item 983; and 114/2000, item 1191).
5. The Cooperatives Act of September 16, 1982 (as published and amended in *Dziennik Ustaw* nos. 54/1995, item 288; 133/1995, item 654; 5/1996, item 32; 24/1996, item 110; 43/1996, item 189; 32/1997, item 183; 111/1997, item 723; 121/1997, items 769 & 770; 40/1999, item 399, revised pursuant to 60/1999, item 636; 77/1999, item 874; and 99/1999, item 1151).
6. The Act on Combatting Monopoly Practices and Consumer Protection of February 24, 1990 (as published and amended in *Dziennik Ustaw* nos. 52/1999, item 547 [text as previously amended]; 31/2000, item 381; and 60/2000, item 704).

⁹⁵ Prepared by the Legal Interpretations Section, GINB.

7. The Act on Insurance Activity of July 28, 1990 (as published and amended in *Dziennik Ustaw* nos. 11/1996, item 62; 43/1997, item 272; 88/1997, item 554; 107/1997, item 685; 121/1997, items 769 & 770; 139/1997, item 934; 155/1998, item 1015; 49/1999, item 483; 101/1999, item 1178; 110/1999, item 1255; 43/2000, item 483; 48/2000, item 552; and 70/2000, item 819).
8. The Corporate Income Tax Act of February 15, 1992 (as published and amended in *Dziennik Ustaw* nos. 54/2000, item 654 [text as previously amended]; 60/2000, items 700 & 703; 86/2000, item 958; 117/2000, item 1228; and 122/2000, item 1315).
9. The Act on the Financial Restructuring of Enterprises and Banks and on Amendments to Certain Legislation of February 3, 1993 (as published and amended in *Dziennik Ustaw* nos. 18/1993, item 82, revised pursuant to 52/1996, item 235; 106/1996, item 496; 118/1996, item 561; 98/1997, item 603; and 141/1997, item 943).
10. The Act on Combatting Unfair Competition of April 16, 1993 (as published and amended in *Dziennik Ustaw* nos. 47/1993, item 211; 106/1996, item 496; 88/1997, item 554; 106/1998, item 668; and 29/2000, item 356).
11. The Accounting Act of September 29, 1994 (as published and amended in *Dziennik Ustaw* nos. 121/1994, item 591; 32/1997, item 183; 43/1997, item 272; 88/1997, item 554; 118/1997, item 754; 139/1997, item 933; 140/1997, item 939; 141/1997, item 945; 60/1998, item 382; 106/1998, item 668; 107/1998, item 669; 155/1998, item 1014; 9/1999, item 75; 83/1999, item 931; 60/2000, item 703; 94/2000, item 1037; and 113/2000, item 1186).

NB. The Act on Amendments to the Accounting Act of November 9, 2000 (as published in Dziennik Ustaw no. 113/2000, item 1186), takes effect as of January 1, 2002, with the exception of Article 1, subpara. 42, which took effect as of January 1, 2001, amending Article 64 of the Accounting Act.

12. The Act on Certified Auditors and Their Self-Regulatory Body of October 13, 1994 (as published and amended in *Dziennik Ustaw* nos. 121/1994, item 592; 102/1996, item 475; 89/2000, item 992; and 94/2000, item 1037).
13. The Act on the Bank Guarantee Fund of December 14, 1994 (as published and amended in *Dziennik Ustaw* nos. 9/2000, item 131 [text as previously amended], 86/2000, item 958; 119/2000, item 1252; and 122/2000, item 1316).
14. The Act on Interest Rate Subsidies to Certain Bank Loans of January 5, 1995 (as published and amended in *Dziennik Ustaw* nos. 13/1995, item 60; 83/1995, item 418; 152/1996, item 719; 80/1997, item 504; 107/1997, item 690; 121/1997, item 770; 158/1997, item 1044; 27/1999, item 243; 63/1999, item 702; 70/1999, item 778; and 122/2000, item 1315).
15. The Act on Bonds of June 29, 1995 (as published and amended in *Dziennik Ustaw* nos. 83/1995, item 420, with corrigendum in no. 118/1995, item 574;

88/1997, item 554; 118/1997, item 754; 106/1998, item 668; 60/2000, item 702; and 94/2000, item 1037).

16. The Act on Certain Forms of Support to Residential Construction of October 26, 1995 (published as amended in *Dziennik Ustaw* no. 98/2000, item 1070).
17. The Act on State Assistance in the Repayment of Certain Home Loans and the Reimbursement of Banks for Guarantee Premiums Disbursed and on Amendments to Certain Legislation of November 30, 1995 (as published and amended in *Dziennik Ustaw* nos. 5/1996, item 32; 106/1996, item 496; 80/1997, item 103; 103/1997, item 652; 3/2000, item 27; and 122/2000, item 1310).
18. The Act on Cooperative Savings and Loan Associations of December 14, 1995 (as published and amended in *Dziennik Ustaw* nos. 1/1996, item 2; and 101/1999, item 1178).
19. The Act on the Amalgamation and Consolidation of Certain Banks Established as Public Limited Companies of June 14, 1996 (as published and amended in *Dziennik Ustaw* nos. 90/1996, item 406; 156/1996, item 775; 121/1997, item 770; and 140/1997, item 939).
20. The Act on Non-Possessory Liens and Lien Registers of December 6, 1996 (as published and amended in *Dziennik Ustaw* nos. 149/1996, item 703; 121/1997, item 769; 106/1998, item 668; 48/2000, item 554; and 60/2000, item 702).
21. The Act on Guarantees and Endorsements Extended by the Treasury and Certain Other Institutions of May 8, 1997 (as published and amended in *Dziennik Ustaw* nos. 79/1997, item 484; 80/1997, item 511; 48/2000, item 550; 60/2000, item 693; and 86/2000, item 958).
22. The Act on Building Societies and State Support to Savings for Housing Purposes of June 5, 1997 (as published in *Dziennik Ustaw* no. 85/1997, item 538).
23. The Criminal Code of June 6, 1997 (as published and amended in *Dziennik Ustaw* nos. 88/1997, item 553, with corrigendum in no. 128/1997, item 840; 64/1999, item 729; 83/1999, item 931; and 48/2000, item 548).
24. The Act Regulating Introduction of the Act on the National Court Register of August 20, 1997 (as published and amended in *Dziennik Ustaw* nos. 121/1997, item 770; and 114/2000, item 1194).
25. The Act on the National Court Register of August 20, 1997 (as published and amended in *Dziennik Ustaw* nos. 121/1997, item 769; 155/1998, item 1015; 60/2000, item 702; 84/2000, item 948; and 114/2000, item 1193).
26. The Act on Public Trading in Securities of August 21, 1997 (as published and amended in *Dziennik Ustaw* nos. 118/1997, item 754; 88/1997, item 554;

- 141/1997, item 945; 107/1998, item 669; 22/2000, item 270; 60/2000, items 702 & 703; 94/2000, item 1037; 114/2000, item 191; and 122/2000, item 1315).
27. The Act on the National Bank of Poland of August 29, 1997 (as published and amended in *Dziennik Ustaw* nos. 140/1997, item 938; 160/1998, item 1063, revised pursuant to Ruling of the Constitutional Tribunal dated June 28, 2000, published in no. 53/2000, item 648; 62/2000, item 718; and 119/2000, item 1252)
 28. The Banking Act of August 29, 1997 (as published and amended in *Dziennik Ustaw* nos. 140/1997, item 939; 160/1998, item 1063; 162/1998, item 1118; 11/1999, item 95; 40/1999, item 399; 93/2000, item 1027; 94/2000, item 1037; 114/2000, item 1191; 116/2000, item 1216; 119/2000, item 1252; and 122/2000, item 1316).
 29. The Act on Mortgage Bonds and Mortgage Banks of August 29, 1997 (as published and amended in *Dziennik Ustaw* nos. 140/1997, item 940; 107/1998, item 669; 6/2000, item 70; and 60/2000, item 702).
 30. The Taxation Act of August 29, 1997 (as published and amended in *Dziennik Ustaw* nos. 137/1997, item 926; 160/1997, item 1083; 106/1998, item 668; 94/2000, item 1037; and 122/2000, item 1315).
 31. The Act on Student Loans and Advances of July 17, 1998 (as published and amended in *Dziennik Ustaw* nos. 108/1998, item 685; and 48/2000, item 550).
 32. The Foreign Exchange Act of December 18, 1998 (as published and amended in *Dziennik Ustaw* nos. 160/1998, item 1063; and 83/1999, item 931).
 33. The Act on Economic Activity of November 19, 1999 (as published and amended in *Dziennik Ustaw* nos. 101/1999, item 1178; 86/2000, item 958; and 114/2000, item 1193).
 34. The Act on the Promulgation of Normative Legislation and Certain Other Legal Regulations of July 20, 2000 (as published in *Dziennik Ustaw* no. 62/2000, item 718).
 35. The Commercial Company Code of September 15, 2000 (as published in *Dziennik Ustaw* no. 94/2000, item 1037).

NB. The Commercial Company Code rescinds the provisions of the Commercial Code of June 27, 1934 (issued as an Ordinance of the President of the Polish Republic), with the exception of those provisions concerning company names and power of attorney, which are to remain in force, subject to certain amendments provided for in the new Code, until new regulations on this question are issued.

36. The Act on Preventing the Use in Financial Trading of Assets Derived from Illegal or Undisclosed Sources of November 16, 2000 (as published in *Dziennik Ustaw* no. 116/2000, item 1216).

NB. This Act takes effect as of June 22, 2001 (six months from the date of its promulgation, i.e., December 22, 2000), with the exception of certain provisions which took effect as of January 5, 2001 (14 days from the date of promulgation), these being the provisions of Articles 3-6 (which regulate the establishment and responsibilities of the agencies charged with overseeing the prevention of particular assets being used for trading purposes, including the office of the General Inspector of Financial Information), Article 13 (which specifies the scope of the statutory authorisation vested in the Minister empowered to deal with financial institutions), and Article 15 (which addresses issues of collaboration between state institutions and the General Inspectorate of Financial Information).

37. The Act on Bonded Warehouses and on Amendments to the Civil Code, Code of Civil Procedure and Other Legislation of November 16, 2000 (as published in *Dziennik Ustaw* no. 114/2000, item 1191).
38. The Act on the Extension of Treasury Guarantees for the Repayment of Certain Housing Loans of November 29, 2000 (as published in *Dziennik Ustaw* no. 122/2000, item 1310).
39. The Act on the Operations of Cooperative Banks, Their Affiliation, and Affiliating Banks of December 7, 2000 (as published in *Dziennik Ustaw* no. 119/2000, item 1252).

NB. The Act on the Operations of Cooperative Banks, Their Affiliation, and Affiliating Banks took effect as of January 28, 2001. As of the day it took effect, the Act on the Restructuring of Cooperative Banks and Bank Gospodarki Żywnościowej and on Amendments to Certain Legislation of June 24, 1994, became null and void (with the exception of Article 33 and Article 39, paras. 1-5). The new Act specifies the principles applicable to the organisation, operations and affiliation of cooperative banks, and also the operations and affiliation of the banks that affiliate local cooperative banks. With the exception of Article 12 (which refers to the composition, appointment and recall of the board of management of a cooperative bank), the provisions of the Act do not apply to those cooperative banks with eligible capital equivalent to the initial capital required under Article 32, para. 1, of the Banking Act, unless they are affiliated in accordance with the procedures set out in the Act, or under an affiliation agreement between cooperative banks and regional banks drawn up pursuant to the provisions of the Act on the Restructuring of Cooperative Banks and Bank Gospodarki Żywnościowej and on Amendments to Certain Legislation.

40. The Act on the Protection of Competition and Consumers of December 15, 2000 (as published in *Dziennik Ustaw* no. 122/2000, item 1319).

II. SELECTED IMPLEMENTING LEGISLATION

1. Regulation no. 4/95 of the President of the NBP establishing a model bank chart of accounts, June 15, 1998 (as published and amended in *Dziennik Urzędowy NBP* nos. 6/1995, item 11; 17/1996, item 42; 22/1997, item 43; 13/1999, item 20; and 11/2000, item 18).
2. Ordinance of the Council of Ministers on detailed conditions and procedures for issuing guarantee premiums, the repayment thereof, and procedures for settlements with banks involving the reimbursement of premiums disbursed, May 7, 1996 (as published and amended in *Dziennik Ustaw* nos. 57/1996, item 259; and 144/1997, item 963).
3. Ordinance of the Council of Ministers on the general terms of home loans extended under time savings plans, June 11, 1996 (as published in *Dziennik Ustaw* no. 68/1996, item 330).
4. Ordinance of the Council of Ministers on detailed conditions and procedures for the extension of guarantees and endorsements by the Treasury and fees payable on such guarantees and endorsements, August 5, 1997 (as published and amended in *Dziennik Ustaw* nos. 99/1997, item 606; and 92/1999, item 606).
5. Resolution no. 25/97 of the Supervisory Board of the Bank Guarantee Fund specifying the principles and methods involved in extending assistance to institutions included in the deposit protection scheme affected by the consequences of natural disasters, August 28, 1997 (as published and amended in *Biuletyn Bankowego Funduszu Gwarancyjnego* [the Bulletin of the Bank Guarantee Fund] nos. 1/1999 [text as previously amended]; and 3/1999).
6. Ordinance of the Council of Ministers on conditions and procedures for the sale of Treasury debt arising on guarantees and endorsements extended, the exchange of such debt for equity, the repayment of such debt in instalments, and the cancellation of such debt, in whole or in part, September 2, 1997 (as published in *Dziennik Ustaw* no. 106/1997, item 683).
7. Resolution no. 35/97 of the Supervisory Board of the Bank Guarantee Fund specifying the principles, methods, conditions and procedures involved in extending financial assistance to institutions included in the compulsory scheme for the protection of funds held on bank accounts, November 20, 1997 (as published and amended in *Biuletyn Bankowego Funduszu Gwarancyjnego* nos. 1/1999 [text as previously amended]; and 3/1999).
8. Resolution no. 2/98 of the NBP Management Board on the types of bill eligible for rediscount at the National Bank of Poland, and the principles and procedures applicable to such rediscount, February 27, 1998 (as published and amended in *Dziennik Urzędowy NBP* nos. 3/1998, item 5; 9/1999, item 13; and 9/2000, item 15).

9. Regulation of the President of the NBP on the form and procedures for conducting monetary settlements through the offices of banks, May 29, 1998 (as published in *Monitor Polski* [the Official Gazette] no. 21/1998, item 320).
10. Resolution no. 1/98 of the Commission for Banking Supervision on detailed bank accounting principles and the compilation of notes to financial statements, June 3, 1998 (as published in *Dziennik Urzędowy NBP* no. 14/1998, item 27).
11. Resolution no. 2/98 of the Commission for Banking Supervision on detailed procedures for the compilation by banks of consolidated financial statements, June 3, 1998 (as published in *Dziennik Urzędowy NBP* no. 14/1998, item 28).
12. Regulation no. 1/98 of the Commission for Banking Supervision on the detailed principles applicable to the separate financial treatment of housing associations at banks, and on settlements between a bank ceasing to operate a housing association and the bank acquiring this business, June 3, 1998 (as published in *Dziennik Urzędowy NBP* no. 14/1998, item 29).
13. Regulation no. 2/98 of the Commission for Banking Supervision on reporting requirements concerning balances on savings-and-loan accounts, housing loans extended under time savings plans and repayment performance thereof, and bank income and expense associated with the operation of housing associations, June 3, 1998 (as published in *Dziennik Urzędowy NBP* no. 14/1998, item 30).
14. Resolution no. 10/98 of the NBP Management Board on the principles and procedures for calculating and maintaining regulatory required reserves, June 5, 1998 (as published and amended in *Dziennik Urzędowy NBP* nos. 12/1998, item 23; 20/1999, item 33; and 1/2001, item 2).
15. Regulation no. 8/98 of the President of the NBP on methods and procedures for counting, sorting, packing and designating packages of notes and coin, and the performance of operations involving the supply of notes and coin to the banks, June 15, 1998 (as published and amended in *Dziennik Urzędowy NBP* nos. 12/1998, item 24; 11/1999, item 18; and 5/2000, item 9).
16. Resolution no. 4/98 of the Commission for Banking Supervision on bank procedures in cases of money laundering, and on the trigger amount and conditions for maintaining a record of cash deposits in excess of a specified amount, and of the particulars of the parties performing such deposits and the parties to whose account the deposits are made, June 30, 1998 (as published in *Dziennik Urzędowy NBP* no. 18/1998, item 40).
17. Regulation no. 4/98 of the Commission for Banking Supervision on detailed conditions for the extension of bank guarantees and endorsements, June 30, 1998 (as published in *Dziennik Urzędowy NBP* no. 18/1998, item 39).
18. Resolution no. 7/98 of the Commission for Banking Supervision on the method of utilising the reserve which a mortgage bank may establish to secure

mortgage bonds, August 5, 1998 (as published in *Dziennik Urzędowy NBP* no. 19/1998, item 42).

19. Resolution no. 8/98 of the Commission for Banking Supervision on detailed procedures for determining the capital base of banks belonging to banking groups or of banking groups themselves for the purposes of applying the norms and limits stipulated in the Banking Act, on other items of bank balance sheets to be included in supplementary capital, and the conditions and procedure for such inclusion, and on items of bank balance sheets that are to constitute deductions in calculating a bank's capital base, August 5, 1998 (as published in *Dziennik Urzędowy NBP* no. 19/1998, item 43).
20. Resolution no. 9/98 of the Commission for Banking Supervision on detailed procedures for cooperative banks assembling their initial capital, August 5, 1998 (as published in *Dziennik Urzędowy NBP* no. 19/1998, item 44).
21. Resolution no. 10/98 of the Commission for Banking Supervision on detailed procedures for the provision of initial capital to banks established as public limited companies and state banks, August 5, 1998 (as published in *Dziennik Urzędowy NBP* no. 19/1998, item 45).
22. Ordinance of the Minister of Justice on the principles and procedures applicable to the annulment of documents attesting to conclusion of a savings deposit agreement, September 7, 1998 (as published in *Dziennik Ustaw* no. 121/1998, item 795).
23. Resolution no. 11/98 of the Commission for Banking Supervision on the establishment of normative provisions for permissible foreign exchange risk in banking activities, October 14, 1998 (as published in *Dziennik Urzędowy NBP* no. 24/1998, item 54).

*NB. Resolution no. 11/98 of the Commission for Banking Supervision becomes void on March 31, 2001. As of that date, a new resolution takes effect: Resolution no. 2/2000 of the Commission for Banking Supervision on the establishment of a normative provision for permissible foreign exchange risk in banking activities, November 8, 2000 (as published in *Dziennik Urzędowy NBP* no. 15/2000, item 27).*
24. Resolution no. 12/98 of the Commission for Banking Supervision on the procedure and conditions for including a specified portion of cooperative members' additional liability in the supplementary capital of cooperative banks, December 2, 1998 (as published in *Dziennik Urzędowy NBP* no. 26/1998, item 60).
25. Regulation no. 5/98 of the Commission for Banking Supervision on the method of calculating a bank's risk-based capital ratio and the percentage risk weights to be assigned to particular categories of asset and off balance sheet exposure, December 2, 1998 (as published in *Dziennik Urzędowy NBP* no. 26/1998, item 61).

26. Ordinance of the Council of Ministers specifying the scope, procedures, format and time frames for submitting information on the operations and financial situation of brokerage houses, banks conducting brokerage activity and banks operating securities accounts, December 22, 1998 (as published and amended in *Dziennik Ustaw* nos. 163/1998, item 1158; and 110/1999, item 1270).
27. Ordinance of the Council of Ministers specifying the minimum dedicated capital assigned to the conduct by a bank of brokerage activity and operation of a securities account, December 22, 1998 (as published and amended in *Dziennik Ustaw* nos. 163/1998, item 1157; and 110/1999, item 1273).

NB. Certain sections of this Ordinance became void on January 15, 2001, i.e., those sections inconsistent with the Act on Public Trading in Securities, as amended by the Act of December 8, 2000, on Adjustments to Conform to European Union Legislation by Means of Amendments to the Acts on Administrative Debt Collection Procedures, on Local Taxes and Charges, on Interest Rate Subsidies to Certain Bank Loans, on Public Trading in Securities, on Taxation, on Public Finances, and on the Incorporation as Registered Companies and Privatisation of State Enterprises.

28. Resolution no. 1/1999 of the Commission for Banking Supervision on procedures for the performance of banking supervision, January 6, 1999 (as published and amended in *Dziennik Urzędowy NBP* nos. 2/99, item 3; 14/1999, item 22; 25/1999, item 42; and 12/2000, item 19).
29. Resolution no. 2/1999 of the Commission for Banking Supervision specifying a model collateral register for mortgage bonds, February 3, 1999 (as published in *Dziennik Urzędowy NBP* no. 6/99, item 10).
30. Ordinance of the Minister of Finance on procedures for the performance of exchange controls by the National Bank of Poland, March 22, 1999 (as published in *Dziennik Ustaw* no. 27/1999, item 249).
31. Resolution no. 13/1999 of the NBP Management Board on the procedures and detailed principles for banks submitting to the National Bank of Poland the data necessary for the compilation of the balance of payments and the balances of central government foreign assets and liabilities, March 29, 1999 (as published in *Dziennik Urzędowy NBP* no. 8/1999, item 12).
32. Resolution no. 15/1999 of the NBP Management Board on the procedures and detailed principles for banks submitting to the National Bank of Poland the data necessary for the determination of monetary policy, for periodic assessments of Poland's monetary situation, and for an evaluation of the financial condition of the banks and the risks within the banking sector, April 23, 1999 (as published and amended in *Dziennik Urzędowy NBP* nos. 10/1999, item 15; and 4/2000, item 7).
33. Resolution no. 36/28/PKK/1999 of the NBP Management Board on the issue by the National Bank of Poland of bonds to be assigned to the banks in

connection with the lowering of the regulatory reserve ratio, June 25, 1999 (as published in *Dziennik Urzędowy NBP* no. 15/99, item 23).

34. Resolution no. 12/1999 of the Monetary Policy Council on the regulatory reserve ratio for banks, July 21, 1999 (as published in *Dziennik Urzędowy NBP* no. 15/99, item 24).
35. Ordinance of the Council of Ministers on detailed conditions to be fulfilled in giving notice of intent to merge businesses and specifying the directing bodies of the organisations concerned required to give such notice, December 7, 1999 (as published in *Dziennik Ustaw* no. 99/1999, item 1161, with corrigendum in no. 27/2000, item 345).
36. Ordinance of the Council of Ministers on detailed principles, procedures and conditions for securities lending involving brokerage houses, banks conducting brokerage activity and banks operating securities accounts, December 21, 1999 (as published in *Dziennik Ustaw* no. 110/1999, item 1269).
37. Resolution no. 8/1999 of the Commission for Banking Supervision on procedures for provisioning against the risk of banking operations, December 22, 1999 (as published in *Dziennik Urzędowy NBP* no. 26/99, item 43).
38. Ordinance of the Council of Ministers on the incorporation of Powszechna Kasa Oszczedności Bank Państwowy as a public limited company wholly owned by the Treasury, trading under the name “Powszechna Kasa Oszczedności Bank Polski Spółka Akcyjna”, January 18, 2000 (as published in *Dziennik Ustaw* no. 5/2000, item 55, with corrigendum in no. 8/2000, item 115).
39. Resolution no. 12/2000 of the NBP Management Board adopting “Regulations for bank refinancing by the National Bank of Poland under lombard facilities”, March 17, 2000 (as published in *Dziennik Urzędowy NBP* no. 5/2000, item 8).
40. Resolution no. 14/2000 of the NBP Management Board on the conditions applicable to the opening and operation of accounts for banks at the National Bank of Poland, March 31, 2000 (as published and amended in *Dziennik Urzędowy NBP* nos. 7/2000, item 11; and 16/2000, item 29).
41. Regulation no. 6/2000 of the President of the NBP on methods of performing interbank settlements, April 6, 2000 (as published in *Dziennik Urzędowy NBP* no. 7/2000, item 12).
42. Ordinance of the Minister of Finance on detailed accounting principles for brokerage houses and organisational units of banks engaged in conducting brokerage activity, June 15, 2000 (as published in *Dziennik Ustaw* no. 52/2000, item 624).

43. Ordinance of the Council of Ministers on conditions and procedures for extending loans and advances by the National Housing Fund, and on certain requirements concerning premises and buildings financed by such loans and advances, July 4, 2000 (as published in *Dziennik Ustaw* no. 62/2000, item 719).
44. Ordinance of the Council of Ministers on detailed conditions and procedures for settlements with banks on the interim central government redemption of interest on housing loans, and on central government redemption of capitalised interest on housing loans, including the rate of interest on such loans, July 18, 2000 (as published in *Dziennik Ustaw* no. 64/2000, item 748).

*NB. As of January 1, 2001, this Ordinance in part became void as a result of an amendment to Article 9, para. 2, of the Act on State Assistance in the Repayment of Certain Home Loans and the Reimbursement of Banks for Guarantee Premiums Disbursed and on Amendments to Certain Legislation of November 30, 1995 (as published and amended in *Dziennik Ustaw* no. 5/1996, item 32), which amendment was enacted under Article 8, subpara. 4a) of the Act on the Extension of Treasury Guarantees for the Repayment of Certain Housing Loans of November 29, 2000 (as published in *Dziennik Ustaw* no. 122/2000, item 1310).*

45. Ordinance of the Council of Ministers on detailed conditions, implementation procedures and settlement methods for debt relief in relation to the interim central government redemption of interest on housing loans, and on settlement methods for central government redemption of capitalised interest on housing loans, July 18, 2000 (as published in *Dziennik Ustaw* no. 64/2000, item 749).
46. Resolution no. 9/2000 of the Monetary Policy Council on the rediscount and refinance rates, August 30, 2000 (as published in *Dziennik Urzędowy NBP* no. 13/2000, item 21).
47. Resolution no. 10/2000 of the Monetary Policy Council on principles applicable to the conduct of open market operations, August 30, 2000 (as published in *Dziennik Urzędowy NBP* no. 13/2000, item 22).
48. Resolution no. 2/2000 of the Commission for Banking Supervision on the establishment of a normative provision for permissible foreign exchange risk in banking activities, November 8, 2000 (as published in *Dziennik Urzędowy NBP* no. 15/2000, item 27).

NB. This Resolution takes effect as of March 31, 2001.

49. Resolution no. 24/2000 of the Supervisory Board of the Bank Guarantee Fund establishing the percentage rate applicable in 2001 to the compulsory annual contribution to the Bank Guarantee Fund made by institutions included in the compulsory deposit protection scheme, and specifying the time frame for making the said contribution, November 30, 2000 (as published in *Biuletyn Bankowego Funduszu Gwarancyjnego* no. 2/2000).

50. Resolution no. 25/2000 of the Supervisory Board of the Bank Guarantee Fund establishing the percentage rate applicable in 2001 to the guaranteed deposit protection fund established by institutions included in the compulsory deposit protection scheme, November 30, 2000 (as published in *Biuletyn Bankowego Funduszu Gwarancyjnego* no. 2/2000).

III. PRUDENTIAL RECOMMENDATIONS

1. Prudential recommendations for banks concerning liquidity monitoring systems (covering letter of 5/I/1996, ref. NB/ZPN/643/96).
2. Supervisory prudential recommendations of March 3, 1997 (covering letter of 3/III/1997, ref. NB/ZPN/218/97):
 - a) Recommendation A on the management of derivatives risk;
 - b). Recommendation B on the control of capital investment risk;
 - c) Recommendation C on the management of risk related to large exposures.
3. Prudential recommendation D on the management of IT and telecommunications risk, October 20, 1997 (covering letter of 20/X/1997, ref. NB/ZPN/790/97).
4. Prudential recommendation E on the preparation of IT systems for operation in the Year 2000, December 19, 1997 (covering letter of 19/XII/1997, ref. NB/ZPN/1032/97).
5. Prudential recommendation F on the basic criteria applied by the Commission for Banking Supervision in assessing the real estate appraisal policies issued by mortgage banks, November 12, 1998 (covering letter of 13/XI/1998, ref. NB/BASB/IV/139/98).
6. Prudential recommendation G on the management of interest rate risk at banks, June 23, 1999 (covering letter of 29/VI/1999, ref. NB/BI/I/68/99).
7. Prudential recommendation H on bank internal controls and audit, December 1, 1999 (covering letter of 8/XII/1999, ref. NB/BPN/II/1341/99).
8. Prudential recommendation I on the management of foreign exchange risk at banks and principles for the performance by banks of transactions involving exposure to foreign exchange risk, December 1, 1999 (covering letter of 8/XII/1999, ref. NB/BPN/II/1347/99).
9. Prudential Recommendation J on the creation by banks of data bases concerning the property market, July 20, 2000 (covering letter of 28/VII/2000, ref. NB/BASB/IV/331/00).