
SUMMARY EVALUATION OF THE FINANCIAL
SITUATION OF POLISH BANKS
2002

Warsaw, May 2003

1. Introduction

The present study is a summary analysis of the economic and financial situation of the Polish banking sector in 2002.¹ This analysis encompasses the 59 commercial banks and 605 cooperative banks that were conducting operations. The study has been compiled by reference to data for year end 2002, as held in the data base of bank reports approved by the NBP Department of Statistics and available on January 22, 2003.²

The study presents changes in the structure of the banking sector, the profile of banking activities and sources of funding. It also outlines the scale of risk undertaken by banks and the methods used by them to mitigate that risk. In addition, the financial performance of banking institutions is reviewed, as is their operating efficiency.

In analysing the situation of the banks in 2002, it should be borne in mind that this was impacted by the introduction of new provisions of the Banking Act and by new prudential regulations issued by the Commission for Banking Supervision, and also by the amendments enacted to the Accounting Act and the new ordinances issued in this connection by the Minister of Finance, by the changed principles now in place for calculating and meeting reserve requirements, and by new reporting requirements for banks.

The new accounting regulations, which adapt Polish standards to correspond to international ones (IAS 39) and largely bring the system of bank reports into line with ECB requirements, change the approach to the classification and remeasurement of items on and off the balance sheet, and also to how the effects of remeasurement are recorded. This has led to the appearance of categories not earlier employed, while those previously used have frequently been given a different name and/or economic content, which limits the historical comparability of certain categories. (As a result, certain year-end figures included in the present study are compared against March 2002, when data were first published under the new format).

¹ The term "banking sector" as used herein does not include the National Bank of Poland (NBP), banks declared bankrupt or under liquidation, or those not conducting banking operations.

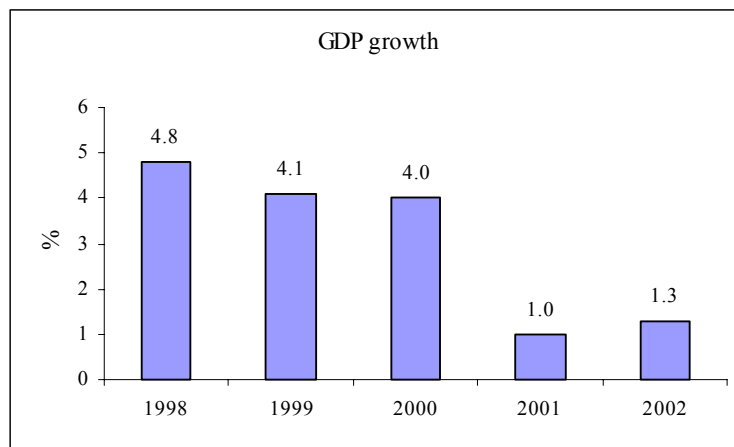
² No account has been taken of any adjustments to those reports submitted by banks and entered in the data base subsequent to that date.

2. Operating environment of the banks³

The condition and performance of the banking sector is directly influenced by the economic environment in which banks operate. Estimates from the Central Office of Statistics indicate that GDP growth in 2002 was only slightly faster than in 2001. Year-on-year GDP growth came to 1.3% (as against 1.0% in 2001), while nominal GDP amounted to approximately 769.4bn zloty. In this respect, what is important is not only the absolute increase in the rate of growth, but also the fact that growth picked up steadily from one quarter to the next (going from 0.4% yr/yr in Q1 to 0.8% in Q2, 1.6% in Q3 and 2.1% in Q4).

The main driver of faster growth were exports. These rose 13.0% on 2001 (to stand at 167.3bn zloty), while imports were up 9.0% (at 224.8bn zloty).⁴ The trade deficit thus came to 57.5bn zloty (compared to 58.1bn zloty the previous year). Another factor boosting growth was domestic demand, which expanded 0.8% (having contracted 1.7% a year previously), mainly as a result of a 3.3% rise in personal consumption.

Although gross fixed investment declined more slowly than in 2001 (coming down 7.2%, as opposed to 8.8%), this failed to prevent capital expenditure slowing further.



The situation in industry improved. After a decrease in output in the first and second quarters (down 1.6% and 0.4%, respectively), this rallied in the third and fourth (up 3.3% and 4.6%). As a result, after all four quarters of 2002, industrial output was up 1.5% on the previous year.⁵ Labour productivity (as measured by output per employee) rose some 8%, while average employment was down 5.6%.

³ Figures in this section are based on data from the Central Office of Statistics (GUS) and the NBP.

⁴ Stated in dollars, exports totalled US\$ 41.0bn while imports came to US\$ 55.1bn.

⁵ This refers to companies employing a staff of over nine.

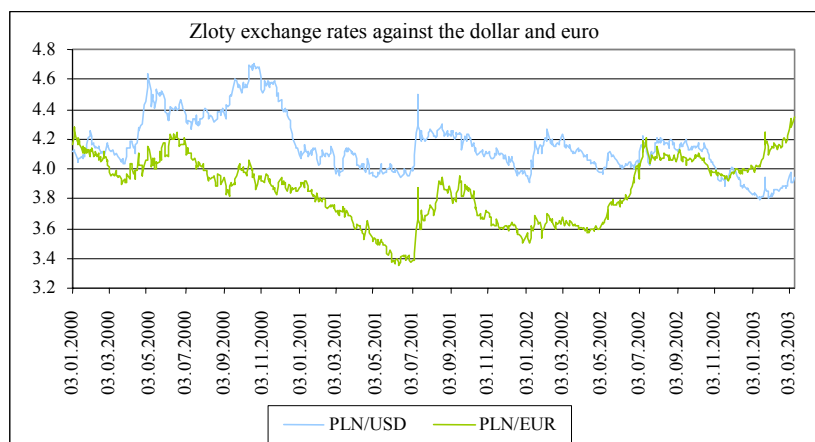
Despite low inflation, average monthly employee earnings in the corporate sector (gross) amounted to 2,277.43 zloty, having thus risen 3.4% year-on-year (compared to growth of 7.1% in 2001). Growth was also recorded in the real purchasing power of the average wage (up 1.5%), and of old-age and disability pensions, for both employees (up 4.6%) and farmers (up 3.1%).

Household disposable incomes, gross, edged up in nominal terms (an increase of around 0.5%), yet shrank in real terms (by 1.4%).

The situation on the labour market remained unfavourable. From January to December, the number of people out of work increased 101.8 thousand (climbing to 3,217 thousand), while the unemployment rate went up 0.6 points (to 18.1%); in 2001, the corresponding figures had been 412.5 thousand and 2.3 points.

Consumer price growth was lower between January and December 2002 than it had been a year earlier (0.8%, as against 3.6%). Twelve-month inflation was running at 1.9% in December (compared to 5.5% in year end 2001), which was 2.6 points less than had been projected in the Budget. Twelve-month indices of core inflation also continued to decrease. Preliminary figures show industrial producer prices rising 2.2% over the year, whereas in 2001 they had fallen 0.4%.

The annual average exchange rate for the dollar at the NBP stood at 4.0795 zloty in 2002, while the euro averaged 3.8557 zloty. In December, the monthly average rate for the dollar was 3.9414 zloty (down 2.6% yr/yr), with the monthly average for the euro coming to 3.9876 (up 11.3%).

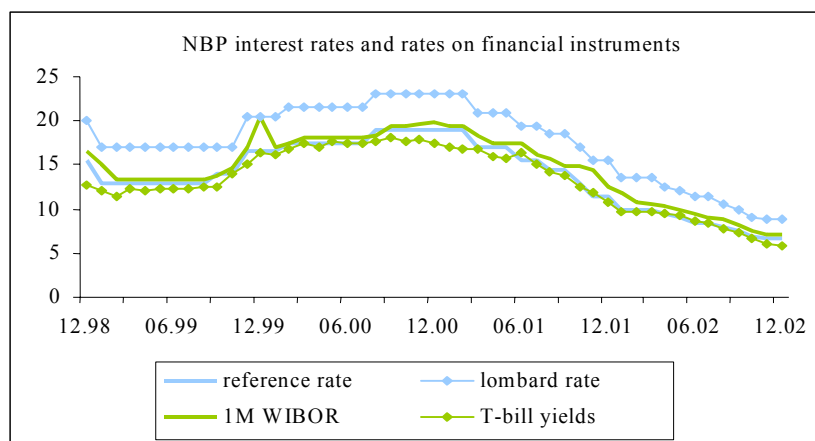


After weakening against the euro in the first half of the year (hitting a low of 4.2116 on July 16), the zloty then began to strengthen, trending upwards until the end of November. However, in December the zloty again started to lose ground to the euro, sliding to 4.0202 at the end of the year.

From January to September 2002, the zloty fluctuated within a band of 3.90-4.26 against the dollar, subsequently firming to trade at 3.8388 at year end.

At the end of December, the WIG – the index of the first-tier market of the Warsaw Stock Exchange – was up 3.2% year-on-year, yet falls of 2.7%, 6.9% and 22.6%, respectively, were recorded in the WIG-20, MIDWIG and WIRR (the index of the second-tier market). In terms of sectoral indices, the WIG-Banki index, which tracks bank shares, had risen 17.8%.

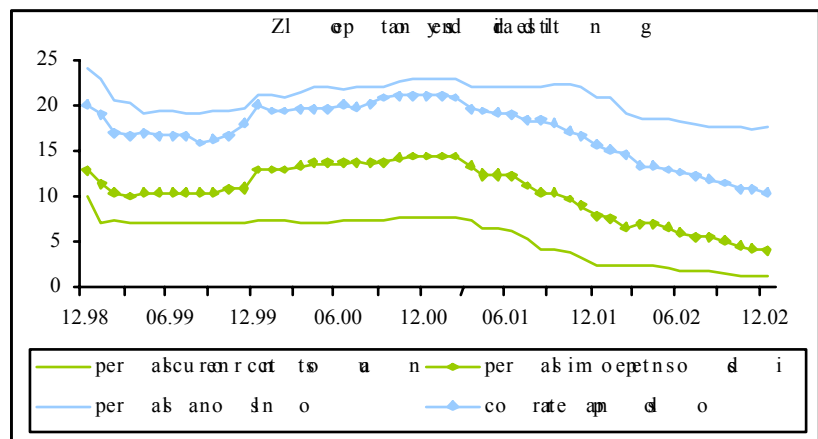
In view of favourable developments that restricted inflationary pressure and the absence of threats to performance of the short- and medium-term inflation targets⁶, the Monetary Policy Council cut interest rates eight times last year, by a total of from two and three quarter to six and three quarter points. At the end of December 2002, the reference rate (minimum bid rate on reverse repos) stood at 6.75% (compared to 11.5% in December 2001), with the rediscount rate at 7.5% (compared to 14.0%), the lombard rate at 8.75% (15.5%) and the deposit rate at 4.75% (7.5%). Furthermore, in June the Council lowered its inflation target for 2002 to 2%-4% (from a previous 4%-6%), and gave a more precise target for its medium-term Monetary Policy Strategy (setting this at 3%, with a bandwidth of ± 1 point either side).



The result was a significant decline in money market rates. The monthly average for 1M WIBOR (the Warsaw Interbank Offered Rate) sank from 12.5% in December 2001 to 7.1% in

December 2002, the weighted average yield on outstanding Treasury bills fell from 10.9% to 5.8%, and the yield on NBP money-market bills dropped from 11.5% to 6.8%.

This fall in money market rates led to lower rates on bank loans and deposits. Weighted average zloty deposit rates dipped 1.2-4.2 points (from 2.4% to 1.2% on personal current accounts, from 1.6% to 0.4% on corporate current accounts, from 7.9% to 4.2% on personal time deposits, and from 8.3% to 4.3% on corporate time deposits); meanwhile, zloty lending rates came down 3.4-5.5 points (with those for corporates down from 15.7% to 10.6%, and those for persons down from 20.8% to 17.5%)⁷.



This means that the banks made smaller reductions in the interest rates offered on household deposits and loans than the change in the NBP reference rate, lowered by 4.75 points, while at the same time making slightly larger cuts in corporate lending rates.

As a result of the major monetary easing carried out, both money market rates and the rates offered by banks to their customers fell to their lowest level since the beginning of Poland's economic transition.

⁶ These developments included a substantial reduction in CPI inflation, a decline in inflation expectations, the weak threat of fuelling future inflation posed by monetary factors, moderate wage growth coupled with high unemployment, and downward revisions in global economic growth forecasts.

⁷ Because of reporting changes, figures on interest rates since March 2002 are not fully comparable with prior periods (figures are currently presented for two basic categories, i.e., corporates and households, with the household sector now including businesses employing a staff of up to nine, which were previously classified as corporates). The previous category of "(natural) persons" no longer applies. Consequently, the assumption has been made that rates on personal deposits are equivalent to those on household deposits, while rates on personal loans correspond to those on consumer loans (cf. *NBP Information Bulletin* no. 3/2002).

3. Structure of the banking sector

In 2002, the **number of commercial banks** in Poland came down from 71 to 62, with the number **conducting operating activity** down from 69 to **59**. This was mainly the result of consolidations, which resulted in nine banks losing their personality at law. Although two new banks commenced operating activity (MHB Bank Polska SA⁸ and Bank of Tokyo-Mitsubishi (Polska) SA⁹), three banks terminated operations (Polski Kredyt Bank SA¹⁰, Bank Rozwoju Cukrownictwa SA¹¹ and Bank Rozwoju Budownictwa Mieszkaniowego SA¹²).

A merger¹³ between Powszechny Bank Kredytowy SA and Bank Przemyslowo-Handlowy SA gave rise to the third largest bank in Poland. However, consolidations mainly involved banks affiliating local cooperative banks¹⁴, reducing their number from ten to three. In addition, the merger was performed of Bank Inicjatyw Społeczno-Ekonomicznych SA and Bank Cukrownictwa Cukrobank SA.¹⁵

At three banks that were suffering a rapid deterioration in condition (Bank Spolem SA, Bank Wschodni SA and Wschodni Bank Cukrownictwa SA), the Commission for Banking

⁸ This bank was authorised on January 18, 2001, entered in the business register on June 23, and commenced operating activity on February 1, 2002.

⁹ This bank was authorised on October 10, 2001, entered in the business register on November 15, and commenced operating activity on April 19, 2002.

¹⁰ Kredyt Bank SA incorporated the branches of its subsidiary, Polski Kredyt Bank SA, into its own organisational structures, and intends to dispose of its shares in PKB SA (to this end conducting negotiations with a potential buyer of a banking licence).

¹¹ On June 1, 2002, the last branch of Bank Rozwoju Cukrownictwa SA (BRC SA) was sold to Gospodarczy Bank Wielkopolski SA, which took over services to the previous customers of the former and also took on 36 of its staff. Bank Handlowy w Warszawie SA (the parent undertaking) also intends to sell the equity holding it has in BRC SA.

¹² On December 1, 2002, Bank Gospodarstwa Krajowego incorporated the organised banking business of Bank Rozwoju Budownictwa Mieszkaniowego SA into its own structures, and plans to establish a mortgage bank using the banking license held by the former.

¹³ This merger took place on December 31, 2001, and the two institutions began operating as one bank as of January 1, 2002.

¹⁴ Six banks affiliating local cooperative institutions came together to form Bank Polskiej Spółdzielczości SA, which subsequently took over Dolnośląski Bank Regionalny SA (on June 19, 2002), pursuant to a decision of the Commission for Banking Supervision. Moreover, on May 10, 2002, Gospodarczy Bank Wielkopolski SA merged with Pomorsko-Kujawski Bank Regionalny SA.

¹⁵ This merger took place on September 30, 2002, and the two institutions commenced operations as one bank as of October 1, 2002.

Supervision was compelled to appoint administrators¹⁶ to put the affairs of these banks in order and prepare them for re-structuring.¹⁷

Minor changes took place in the ownership structure of the banks. The **Treasury controlled 7** banks conducting operations (controlling 3 of them directly)¹⁸, and also Bank Rozwoju Budownictwa Mieszkaniowego SA, which is not involved in operating activity (cf. Appendix 1).

The number of **private-sector banks** in operation dropped from 62 to **52**, while the number of these with **majority Polish equity** fell from 16 to **7**. In addition to 3 banks affiliating local cooperative banks, this group continues to include 4 small banks. The number of banks in operation **controlled by foreign investors** decreased by 1 (2 commenced operations, 2 ceased operations, and 1 lost its personality at law).

The **banks controlled by the Treasury** accounted for 25.3% of total banking sector assets, 21.4% of loans (less provisions) to non-financial customers, 30.5% of deposits from non-financial customers, and 14.8% of total core and supplementary capital (a year earlier, the respective figures had been 23.5%, 20.5%, 28.7% and 12.5%). On the other hand, the capital funds and assets of the **45 commercial banks controlled by foreign investors**¹⁹ represented 78.4% and 67.2%, respectively, of those of the banking sector as a whole (compared to 80.2% and 68.7% at the end of 2001). These banks had taken 62.2% of deposits from non-financial customers (as against 63.9% at year end 2001) and extended 70.5% of loans less provisions (as against 71.3%) (cf. Table 1).

As a result of mergers, the **number of cooperative banks** dropped from 642 at year end 2001 to **605** (down 37). While Spoldzielczy Bank Rozwoju „Samopomoc Chlopska” and

¹⁶ These appointments were ordered on February 7, June 21 and June 25, 2002, respectively.

¹⁷ On October 8, 2002, the Commission for Banking Supervision postponed the appointment of administrators at Bank Wschodni SA until December 31, 2002, and also granted approval for Mr Mariusz Lukaszewicz, acting via the company of Look Finansowanie Inwestycji SA, to exercise over 75% of voting rights at a shareholders' general meeting of Bank Spolem SA. The acquisition of shares in Bank Spolem SA (finalised in December) and recapitalisation of that bank were also connected with the involvement of the said investor in the restructuring of Bank Wschodni SA. The two banks were merged on January 7, 2003 (with the merger entered in the business register on January 28). On February 5, the Commission for Banking Supervision revoked its decision to put an administration in place at Bank Spolem SA (currently Euro Bank SA). As regards Wschodni Bank Cukrownictwa SA, the restructuring of this institution was assisted by Poland's twelve largest banks, as the cost of this process proved to be lower than that of the bank's potential bankruptcy.

¹⁸ This group was extended to include Bank Inicjatyw Społeczno-Ekonomicznych SA.

¹⁹ In addition, foreign investors also exercise control over Spoldzielczy Bank Rozwoju „Samopomoc Chlopska” (via BPH PBK SA).

Krakowski Bank Spdzielczy, Cracow, operated independently, the remaining 603 cooperative banks were affiliated to 3 other structures.²⁰

The share of **cooperative banks** in the total assets of the banking sector rose by another 0.4 points (to 5.0%). These banks also increased their proportion of the sector's total capital to 4.8% (up 0.2 points), of total lending to 6.5% (up 0.7 points), and of deposits taken from non-financial customers to 6.2% (up 0.6 points).

The majority of commercial banks (38) carried out their operations through **branch offices** (a total of **3,038**), and also sub-branches, customer service offices and other offices (a total of **6,865**), whereas the remaining banks (14 subsidiary institutions of foreign banks) operated solely via their head office. Compared to the end of 2001, the number of domestic offices of commercial banks fell by **759**²¹ (the number of branches rose 159, but that of other offices dropped 908), which is traceable to consolidations and a rationalisation of office distribution associated with the expansion of electronic banking and the banks' efforts to reduce costs.

Foreign branches were operated by Kredyt Bank (1 branch in Vilnius with 5 sub-branches) and Bank Polska Kasa Opieki SA (2 branches), while **foreign representative offices** were operated by Kredyt Bank SA (in Kaliningrad), Bank Gospodarki Zywnosciowej SA (in Moscow) and Raiffeisen Bank Polska SA (in Lithuania). In addition, 3 banks (BRE Bank SA, Kredyt Bank SA and Bank Pekao SA) held significant equity interests in 4 foreign banks.

In contrast to the commercial banks, the mergers of cooperative banks were not accompanied by a contraction of their office network. The number of branches operated by cooperative banks rose 63, while the number of other offices went up 135.

The banks have been strengthening their market position by developing **electronic banking services**. Most large banks and an increasing number of smaller ones (including cooperative banks) already offer customers Internet access to their accounts. Three banks (BRE Bank SA, PKO Bank Polski SA²² and Volkswagen Bank Polska SA) run their own

²⁰ The affiliating institutions were Mazowiecki Bank Regionalny SA, Gospodarczy Bank Wielkopolski SA and Bank Polskiej Spdzielczosci SA, which affiliated 78, 157 and 368 banks, respectively.

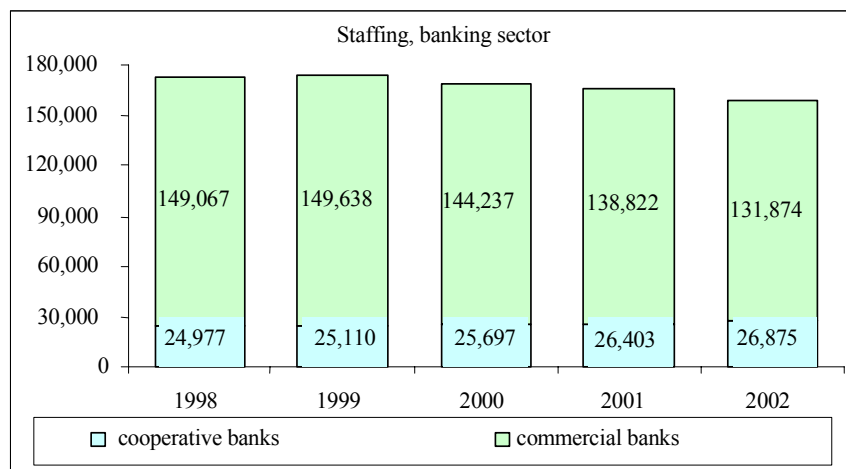
²¹ Including a decrease of 10 due to the reduced number of banks.

²² In September, PKO Bank Polski SA acquired the division of Bankgesellschaft Berlin (Polska) SA that operated a retail electronic banking arm trading as "Inteligo".

“virtual” banks that provide services mainly over the Internet (these trade as, respectively, “mBank”, “Inteligo”, and “Volkswagen Bank Direct”).

At year end 2002, bank customers held over 16,916.4 thousand bank cards, mainly payment cards with an ATM withdrawal function (97.0%). The number of card transactions increased systematically (from 107.9m in Q4 2001 to 108.8m, 114.8m, 118.7m and 123.6m in the particular quarters of 2002). The total value of these transactions exceeded 109.3bn zloty.

The year 2002 was the third in succession to see a decrease in staffing at commercial banks (down from 138,822 to 131,874²³) (cf. Table 2). This reduction in employment is largely attributable to consolidations, the introduction of modern centralised IT systems, the growth of electronic banking, and the banks’ enforced pursuit of cost-cutting in response to heightening competition and unsatisfactory earnings figures. The underlying reason is that the simplest way to lower costs and raise efficiency (given limited opportunities for increasing income) is to reduce personnel expense, since this accounts for almost half of general expense (43.0%). In contrast, the expansion of the office network of cooperative banks led to an increase in staffing (up 472).



In 2002, the **authorised capital of the commercial banks** was increased by 1,153.6m zloty to total 10,671.8m, while the members’ share funds of cooperative banks went up 27.0m zloty to 475.0m. The rise in the authorised capital of the commercial banks was primarily the result of the activity of foreign investors, who increased their shareholdings by 907.4m zloty (15.5%), and of the Treasury, which injected significant capital into the banks it owns,

²³ Numbers given as equivalent of full-time posts.

namely, into Bank Gospodarstwa Krajowego (BGK), and to a lesser extent Bank Gospodarki Żywnościowej SA (BGZ SA).

The **overall changes in ownership of authorised capital at the banks** seen in 2002 were principally the result of the following:

- an increase of 467,454.0 thousand zloty in the registered equity fund of BGK through a contribution by the Treasury of 40 million shares in Telekomunikacja Polska SA and the appropriation of part of net earnings for 2001 (289 thousand zloty);
- a capital infusion by the Treasury to Bank Gospodarki Żywnościowej SA, entailing the transfer of title to 14 million shares in Telekomunikacja Polska SA (with a par value of 3 zloty each) and to 999.9 thousand shares in Orbis SA (with a par value of 2 zloty each). As a result, the bank's authorised capital grew 3,221 thousand zloty²⁴, with the Treasury interest rising to 69.45% (69.71% of voting rights at a general meeting);
- increases in the authorised capital of 16 banks²⁵ (including 14 controlled by foreign investors) effected via new share issues;
- accompanying movements in the ownership structure of two of these banks, with a rise in the equity interest of DZ Bank AG in Bank Amerykański w Polsce "AmerBank" SA, which went up from 70.8% to 95.2% (the voting rights held by the former increased to 75%), and a rise from 75.0% to 80.0% in the stake held by Union Group A/S in Bank Przemysłowy SA (with no change in voting rights);
- the commencement of operations by two newly-established banks (with initial authorised capital of 60.0m zloty and 112.7m zloty);
- the acquisition by Merrill Lynch Global Emerging Markets LP (via Dominet SA, a subsidiary undertaking) of 100% of the equity of Cuprum-Bank SA (with the bank changing its name to Dominet Bank SA)²⁶;
- the acquisition by Nordbanken AB, via Nordea Bank Polska SA, of a 99.6% holding in LG Petro Bank SA;

²⁴ The remaining amount of the contribution in kind (196,477 thousand zloty) was taken to the capital surplus.

²⁵ These were: MHB Bank Polska SA (an increase of 140.0m zloty), Dresdner Bank Polska SA (105.3m zloty), Bank Amerykański w Polsce "AmerBank" SA (99.9m zloty), GE Capital Bank SA (83.0m zloty), GE Bank Mieszkaniowy SA (80.5m zloty), Bank Handlowy w Warszawie SA (70.6m zloty), ABN AMRO Bank (Polska) SA (42.2m zloty), Nordea Bank Polska SA (37.5m zloty), Dominet Bank SA (30.0m zloty), Lukas Bank SA (20.0m zloty), Gornoslaski Bank Gospodarczy SA (17.7m zloty), Bank Przemysłowy SA (15.0m zloty), AIG Bank Polska SA (7.5m zloty), Volkswagen Bank Polska SA (4.5m zloty), Bank Inicjatyw Społeczno-Ekonomicznych SA (2.1m zloty) and Bank Spolem SA (1.7m zloty).

²⁶ This took place on March 26, 2002.

- the acquisition by Eureka BV and Banco Comercial Portugues SA of shares in Bank Millenium SA from the remaining shareholders of the latter. This allowed these two institutions to increase their interest in the authorised capital of the Bank to 20% and 50%, respectively (a rise of 5 points and 7.2 points);
- the disposal by Banco Espirito Santo e Comercial de Lisboa of shares in Kredyt Bank SA to KBC Bank NV of Belgium, resulting in the latter increasing its interest in the authorised capital of Kredyt Bank SA to 58.2% (from 36.4% at year end 2001);
- a reduction in the par value of the shares of Invest-Bank SA from 100 zloty to 84.87 zloty to absorb the loss incurred in 2001 through a lowering of authorised capital, with a parallel increase in authorised capital of 19,999.8 thousand zloty through a new share issue addressed to Mr Zygmunt Solorz;
- the purchase by foreign investors, from small Polish shareholders, of shares in three banks (DaimlerChrysler Services (debis) Bank Polska SA, GMAC Bank Polska SA and Danske Bank Polska SA), thereby making these investors virtually the sole owners of these banks;
- the termination of operations by three banks (which together had authorised capital of 141,084 thousand zloty);
- mergers in the banking sector²⁷.

The number of banks listed on the Warsaw Stock Exchange decreased to 15²⁸, but their proportion in the total market capitalisation of the Exchange rose to 48.4% (up 4.6 points compared to the end of 2001). The authorised capital of the listed banks amounted to 4,210.8m zloty and represented 39.5% of the capital of all commercial banks.

The ownership structure of banks quoted on the Exchange differed markedly from the average among the banks as a whole, with larger interests being held by foreign investors

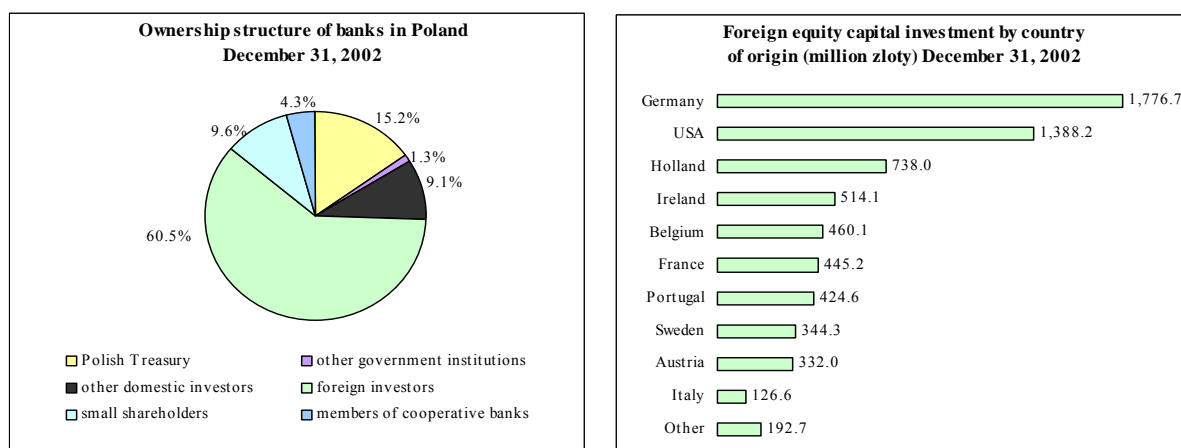
²⁷ The authorised capital of Bank Przemyslowo-Handlowy PBK SA was 73,344 thousand zloty less than that of the constituent banks involved prior to the merger, while that of Bank Polskiej Spoldzielczosci SA was 6,677 thousand zloty less; these declines were due to the merger procedures adopted in these cases. In the former, the adjustment arising on the valuation of the bank being acquired was taken to the reserve capital of the acquiring bank, while in the latter it was taken to the capital surplus. The takeover of Dolnoslaski Bank Regionalny SA by Bank Polskiej Spoldzielczosci SA did not lead to any increase in the authorised capital of the latter, as the authorised capital of the former (14,551 thousand zloty) was applied to absorb losses. The merger of Bank Inicjatyw Społeczno-Ekonomicznych SA (BISE SA) and Bank Cukrownictwa Cukrobank SA increased the authorised capital of BISE SA by 3,838 thousand zloty, while the remaining amount (29,658 thousand zloty) was assigned to absorb the losses of the bank being acquired.

²⁸ Due to the merger of two listed banks (BPH SA and PBK SA). On March 1, 2003, Bank Czestochowa SA was also de-listed, as a result of its merger with BRE Bank SA.

(75.1%, as against 63.2%) and small investors (19.5%, as against 10.0%), whereas smaller interests were held by the Treasury and “other domestic investors” (1.9% and 3.6%, respectively, as against 17.3% and 9.5%). The foreign capital invested in the listed banks, totalling 3,160.3m zloty, constituted almost half of the capital invested by foreign institutions in the Polish banking sector (46.9%).

In 2002, **foreign direct investment** in the **equity capital** of the Polish banking sector rose from 5,835.1m zloty to 6,742.5m zloty. The proportion of the total authorised capital of the banking sector held by foreign investors went up 2 points to 60.5% (63.2% in relation to the commercial banks).

At the end of December, foreign investors from 14 countries were present in the Polish banking sector (cf. Table 6). The largest investments had been made by German and US institutions (1,776.7m zloty and 1,388.2m zloty, respectively), followed by those from Holland (738.0m zloty) and Ireland (514.1m zloty).

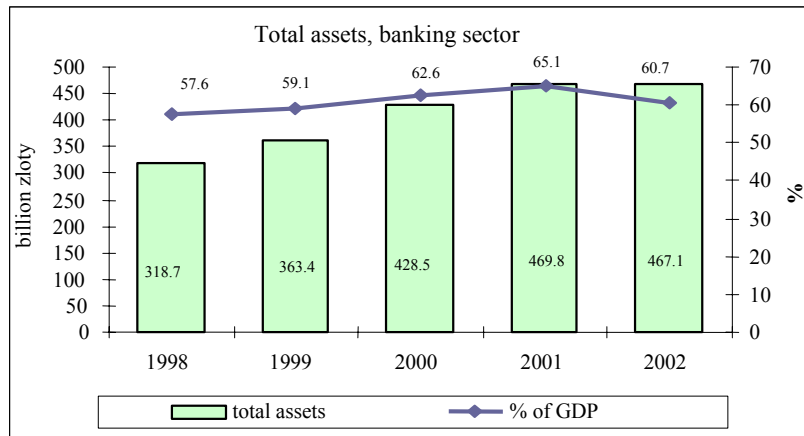


The strongest increase in 2002 was reported in the equity investment of undertakings from Germany (up 468.5m zloty), the USA (up 220.5m zloty), Holland (up 199.1m zloty) and Belgium (up 161.4m zloty).

4. Financial situation of the banks

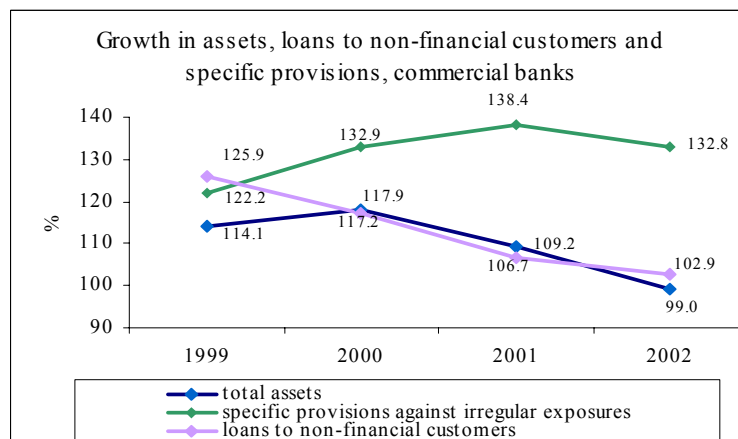
In 2002, the total assets of the banking sector shrank for the first time since 1993. Total assets amounted to 467.1bn zloty and were down 0.6% on 2001 (1.4% in real terms). This was linked to the situation of the commercial banks, which determine the development and

stability of the entire sector. By contrast, the assets of the cooperative banks grew 8.9% and their market share rose to 5%.



As a proportion of GDP, banking sector assets declined to 60.7% (down from 65.1%), which was not only lower than in the EU countries, but also less than in other countries of Central and Eastern Europe. By comparison, the corresponding ratio in 2001 stood at 273% in France, 206% in Germany, 136% in Italy, 129.7% in the Czech Republic, 94.4% in Slovakia and 70% in Hungary.

The expansion of commercial bank operations has been slowing gradually since 2000 as a result of the economic downturn and the associated deterioration in the income streams of bank customers, which has restricted the possibility of lending growth and necessitated increased provisioning against irregular exposures.

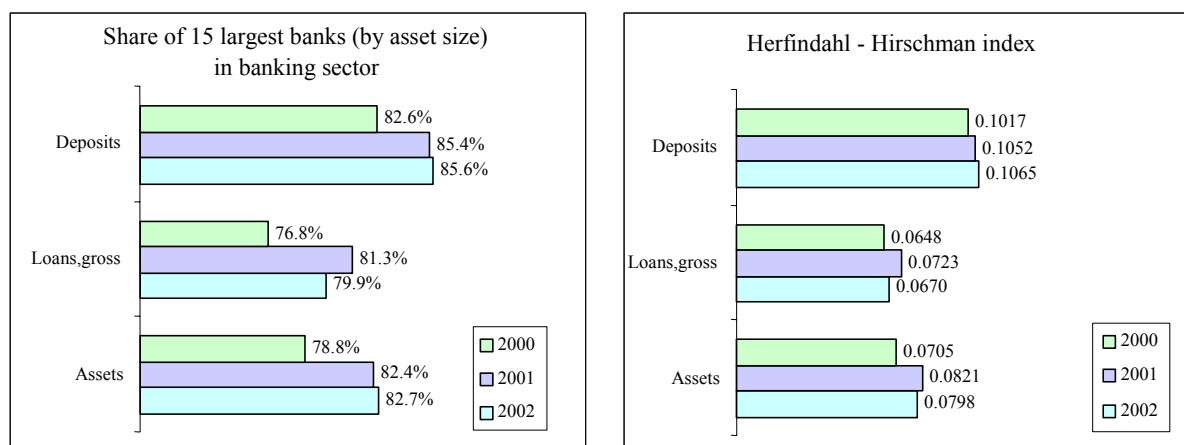


In 2002, the **assets of the commercial banks declined**, going down 1.0% (1.8% in real terms) to 443.7bn zloty, despite favourable exchange rate movements that had boosted assets by 7.8bn zloty. This decrease is attributable to the following factors:

- the introduction of new asset valuation principles, in line with the amendments made to accounting regulations. Although the changes concerned had a positive effect on asset values at the majority of banks, they caused a significant reduction in the value of financing for central government investment projects booked at one bank, which diminished the total assets of all the commercial banks (a decrease of 0.5bn zloty);
- exceptionally slow growth in outstanding loans to non-financial customers (3.8% in comparable terms – i.e., after stripping out the writedown of central government project finance – as against 6.7% in 2001 and 17.2% in 2000);
- particularly sharp absolute growth in specific provisions against irregular claims (4.5bn zloty, compared to 3.8bn zloty in 2001 and 2.4bn zloty in 2000);
- consolidations, which led to interbank placements falling 1.8bn zloty.

At the same time, part of the savings previously held as bank deposits were shifted into alternative savings vehicles (9.8bn zloty).

A particularly steep decrease was reported in the assets of the ten largest banks, leading to a decline in the concentration of the banking industry, as measured both by the concentration ratio (CR) for the assets of the five and ten largest banks²⁹, and by the Herfindahl-Hirschman index (HHI)³⁰ (see chart below, and Tables 10 & 11).



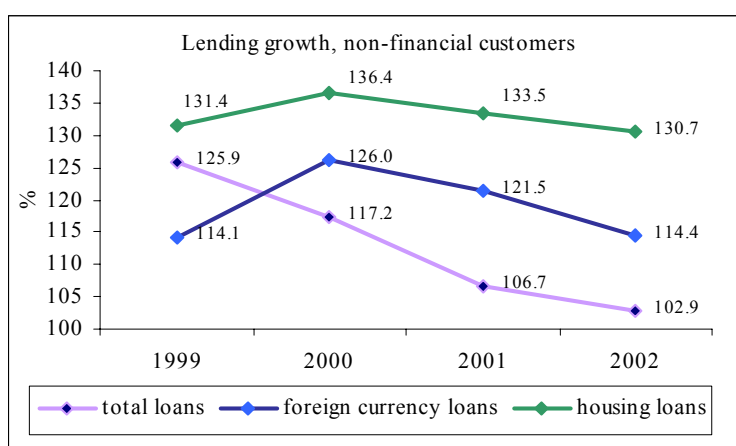
²⁹ The proportion of these assets within the total assets of the banking sector, referred to as the discrete concentration ratio.

³⁰ The HHI is defined as the sum of the squares of the market shares of particular companies in a given industry (in this case, the sum of the squares of the share of banks in total banking sector assets); thus, $HHI = \sum w_i^2$, where w_i is the share of bank i in total assets ($i = 1, 2, 3, \dots, n$). The French Commission Bancaire considers industry concentration to be low where the HHI is no greater than 0.10, to be moderate where it is between 0.11 and 0.18, and to be high where it is over 0.18.

At the end of December 2002, the two largest commercial banks had total assets in excess of 65bn zloty, while another two had total assets of over 30bn zloty, and another four had a total footing of over 20bn zloty. The ten largest banks (with assets exceeding 18bn zloty) together accounted for almost 76.8% of banking sector assets overall (80.8% of commercial bank assets). Thus, little more than 23% of assets were booked at the remaining 49 commercial banks and 605 cooperative banks.

Factors contributing to the **slowdown in lending growth to non-financial customers** included weak corporate loan demand, restricted access to loans for customers with less stable incomes as the banks tightened their loan underwriting criteria, and the persistence of relatively high rates on zloty loans.

Banks managed to expand their claims on non-financial customers thanks to the demand for **foreign currency loans** (growth of 14.4%, to 55.6bn zloty), offered at relatively low rates of interest. The strongest increase was seen in housing loans (up 63.4% to 12.6bn zloty) and in loans indexed to foreign currencies (up 57.4% to 15.3bn zloty). Since the majority of these loans were denominated in euros, lending growth was bolstered by zloty depreciation against the single currency (a softening of 14.1% compared to December 2001). In comparable terms (as obtaining in December 2001), foreign currency loans grew 6.0%, while total loans went up 0.9%.



The total **volume of zloty loans** (excluding the writedown of central government project finance) stayed flat compared to year end 2001, at 137.4bn zloty. In consequence, the proportion of foreign currency loans rose 2.9 points on the end of the previous year (to

28.8%), with housing loans denominated in foreign currencies up 2.4 points (to 6.5%). A rise was also recorded in the proportion of loans for investment projects, up 1.7 points (to 25.0%).

Despite the adverse environment, over half the banks were able to increase their loan portfolios significantly. Particularly high growth was recorded by medium-sized and small banks, especially those acquired by new owners during the previous two years, those pursuing an expansionary policy on the retail lending market, those financing housing construction, and the majority of banks financing car purchases. Only two of the banks listed on the stock exchange recorded a relatively high rate of lending growth (in excess of 10%).

Many banks also managed to increase their outstanding loans to general government. This sector's borrowings rose 29.2%, to stand at 3.2% of bank assets (compared to 2.5% a year earlier). Within this, however, growth in claims on local government was slower than a year earlier (31.9%, as against 55.9%).

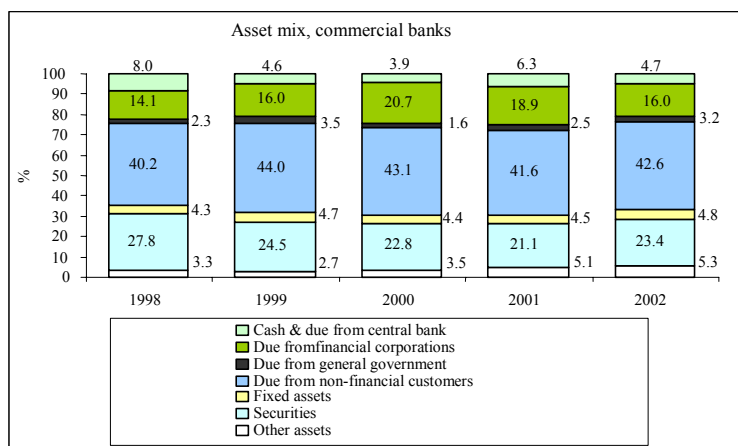
Shifts were recorded in the **asset mix** of the banks, including a fall of 11.4bn zloty, or 6.4%, in foreign currency balances held as placements or on nostro accounts, both at banks abroad (mainly in the EU) and in Poland (the latter dropped 2.1bn zloty, or 34.1%). A decline was also reported in the funds held on current accounts at the NBP and as vault cash; there had been large balances of the latter at the end of 2001 in connection with the exchange of EMU national currencies into euros.

The majority of banks, notably those where lending was decreasing, increased their **securities portfolios**, particularly their holdings of debt securities (up 9.5bn zloty, or 10.3%). As a result, securities rose to 23.4% of total bank assets (as against 21.1% in 2001 and 22.8% in 2000).

This change in the way banks invested their surplus funds was a result of the relatively high average yield available on securities (10.4%) compared to other assets, coupled with the greater liquidity and safety of these investments. In addition, growth in securities portfolios was strengthened by the termination of a significant time deposit at the central bank held by one Treasury-owned bank (since the relevant agreement on assistance to that bank expired).

The composition of securities portfolios also changed, one aspect of this being that the share in these of securities issued by the central bank came down 5.6 points, to 19.5%, as the NBP scaled back its open market operations. In contrast, the proportion of Treasury securities

rose (up 5.1 points to 69.4%), due to an increase in supply (particularly of fixed-rate bonds) and to the outright sale of Treasury bonds from the National Bank's portfolio.



This realignment in assets decreased the share denominated in foreign currencies (down 1.9 points to 23.9%) and increased the proportion of interest-earning assets (up almost 13 points to 87.5%), including those providing higher rates of return. This in turn helped to arrest the decline in net interest margins witnessed in previous periods. Movements in the pattern of funding had a similar impact on these margins.

One unprecedented development was the **fall in deposits taken from non-financial customers**, which came down 3.6% (in the preceding two years, these had risen 14.8% and 12.5%, respectively). The factors at work here included a decrease in household savings (which sank to 10.9bn zloty from 19.1bn zloty in 2001) and the lower yields obtainable on bank deposits compared to the financial instruments on offer from investment funds or the Treasury in the wake of the cuts in interest rates and the imposition of a tax on personal interest income. As a result, surplus funds were shifted from deposit accounts to investment funds, or used to buy Treasury bonds, or were entrusted to asset managers (at banks or outside them). The impact of shrinking deposit balances was to some extent mitigated by the issues of tax-free bonds carried out by three large banks (to a total value of 1.7bn zloty).

The contraction in deposits was accompanied by significant shifts in their maturity structure, traceable to a decrease of almost 27bn zloty in time deposits (12.9%), which particularly affected those with original maturities of either up to 1 month or between 6 months and 1 year (down 10.8bn zloty and 9.0bn zloty, respectively). Some of the funds involved were re-deposited for maturities of more than 2 years (these accounts grew 1.5bn

zloty), or simply kept on current accounts. Current balances went up 17.1bn zloty (27.8%), to total 78.5bn zloty, and represented 30.1% of all deposits at year end 2002 (as against 22.7% a year earlier).

Regardless of the strong competition from financial instruments marketed by non-bank institutions, almost half the banks increased their deposit base, primarily by launching new products, particularly personal transaction accounts bundled with other services, and also by aggressive advertising. Deposit growth at these banks mainly involved current balances, which at several banks accounted for more than 60% of all deposits.

The decline in **liabilities to financial corporations** (down 3.8bn zloty, or 5.8%) was principally the result of a decrease in the deposits and current balances taken from other banks – chiefly ones in Poland – which fell almost 4.7bn zloty in total, or 13.2%, with this decrease relating to both funds in foreign currencies and in zloty. In addition, borrowings dropped 2.7bn zloty (21.3%) due to three large listed banks trimming their foreign currency debt to banks abroad, and also because of smaller takings from the Polish interbank market.

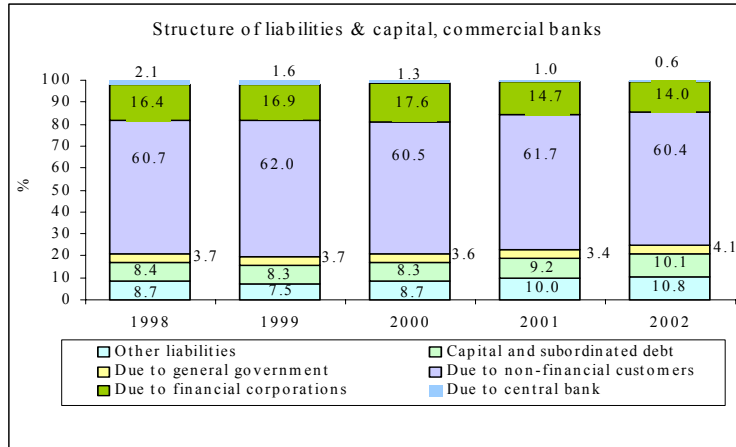
The impact of the fall in deposits and other liabilities to financial corporations was offset by growth in **capital** and **subordinated debt**, which rose 3.8bn zloty, or 9.3%, to stand at 44.9bn zloty (carrying values). The contribution of these items to financing the operations of the commercial banks went up 0.9 points (to 10.1%), and was higher than in other countries (with an average of 8% in the EU).

Capital growth was mainly linked to retainages of 2001 net earnings (2.6bn zloty). However, the proportion of net earnings appropriated to capital in 2002 was the lowest since 1994 (64.5%). Almost 1.4bn zloty was paid out in dividends to shareholders (with 1.0bn zloty being paid to foreign investors). The relative distribution of net earnings within the banking sector was determined by the largest banks with a majority foreign equity interest, which had generated the greatest amount of distributable earnings. Given their strong capital adequacy, these banks were not interested in strengthening their capital further.

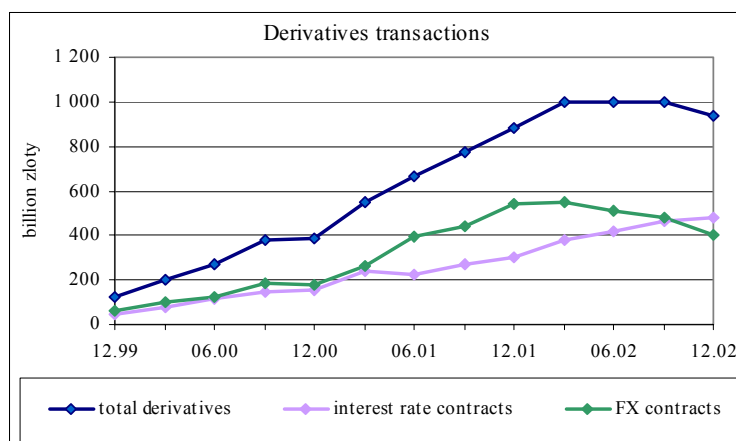
Capital growth was also reinforced by the proceeds of new share issues carried out by 16 banks (0.8bn zloty), which were primarily taken up by foreign investors, and by the Treasury injecting capital into 2 banks (almost 0.7bn zloty in all). A further increase in the banking

sector's capital funds came from the initial authorised capital of 2 new banks with a 100% foreign equity interest (0.3bn zloty).

The rise in subordinated debt resulted from subordinated loans of 1.6bn zloty received by five banks (81% of these loans being extended by foreign investors).

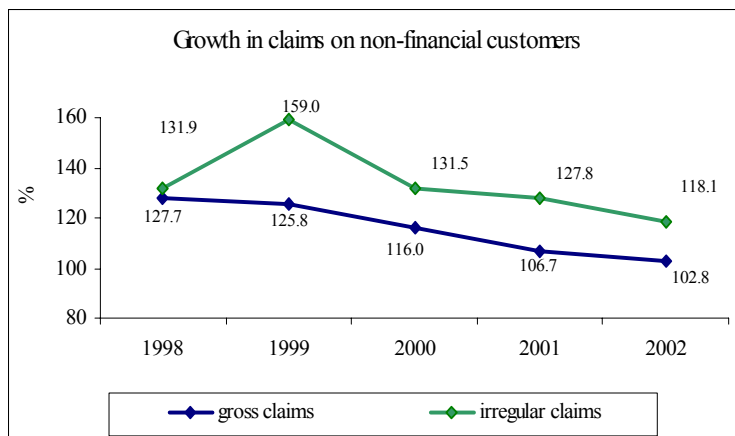


The **volume of FX derivative transactions**, which had risen rapidly in 2000-2001, came down 140.4bn zloty (25.7%); the factors behind this – apart from these transactions being recorded differently at one bank – included a reduction of the banks' open FX positions and the diminished returns on these transactions issuing from changed market conditions. On the other hand, higher interest rate volatility meant that the main factor behind the increase in the off balance sheet items of the commercial banks (which went up 9.0% to 1,150.2bn zloty) were forward-value **interest rate contracts**, which soared 184.4bn zloty compared to year end 2001 (61.9%), to stand at almost 482.6bn zloty.



The quality of claims on non-financial customers continued to deteriorate in 2002. Although growth in **irregular classifications** waned, to 18.1% (from 27.8% in 2001), it still

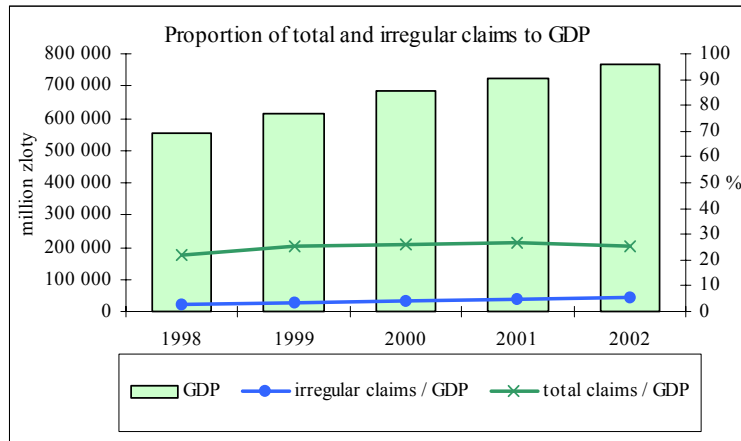
substantially outpaced growth in overall claims (gross). As a result, the proportion of commercial bank loan portfolios classified irregular rose 2.8 points (to 21.4%).



The ratio of irregular classifications over total lending to non-financial customers thus reached a level comparable to 1995, which had marked the last phase of banking sector restructuring following the crisis of the early 1990s. Indeed, **this ratio is even higher than it was eight years ago, yet it does not pose the same threat to the banking industry, one reason being that the banks are now much more strongly capitalised.** In 1995, unabsorbed prior period losses had been equivalent to half of total bank capital, whereas in 2002 they represented only 5%. Furthermore, at that time the banks were just gaining their first experience of credit risk management, while now most of them already have modern systems in place, and some are even employing sophisticated credit risk models.

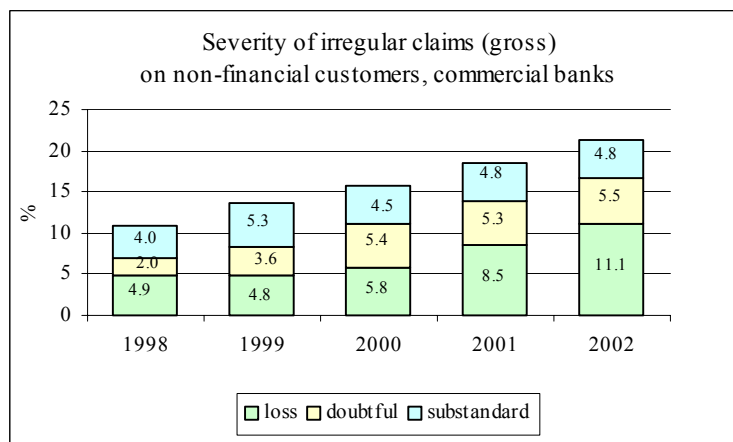
One measure of credit risk independent of the particular methods of asset classification applied in various countries is the level of irregular assets that require the establishment of specific provisions. At the end of December 2002, these constituted **10.9%** of the portfolio (with 7.4% classified loss). Figures from other central banks indicate that loan portfolio quality was higher at Hungarian and Slovenian banks (which had irregular asset ratios of 3.4% and 5.4%, respectively), yet worse in the Czech Republic (13.8%) and Slovakia (21.9%).

In the European Union, a ratio of irregular assets above 9% of total claims (gross) is considered to signal an impending "bad debt crisis". However, this is linked to the high ratio of outstanding loans to GDP (averaging 91%), whereas this ratio is only 25.7% in Poland, with irregular loans accounting for 5% of GDP.



As in the previous year, the increase in impaired assets was mainly caused by a rapid rise in loss classifications, which at year end 2002 accounted for over half of all irregular classifications (52%). However, another factor was that banks were still carrying on their books loss assets originated many years ago (which had not been written off for legal and tax reasons), despite fully provisioning against them. If items dating prior to 2000 were to be excluded, loss classifications would drop to 6.5% of total claims (instead of 11.1%) and 18% of irregular classifications (instead of 21.4%).

The deterioration in loan portfolio quality is primarily related to the mounting credit risk involved in lending to non-financial corporations. At year end, the share of irregular assets in outstanding claims on this group of borrowers had risen 1.9 points since March (to 25.0%), mainly due to a loss of creditworthiness among distribution companies and those manufacturing food products and beverages. By far the poorest quality was observed in claims on sole proprietors (29% of these were classified irregular).



As measured by the proportion of adverse classifications, the quality of claims on households slipped 0.7 points compared to March (coming down to 15.5%), yet was still

much higher than that of claims on corporates, one factor in this being the increasing share in this portfolio of housing loans, marked by a relatively low irregular asset ratio (5.8%).

The swift growth of foreign currency outstandings – one cause of this was the zloty depreciation already mentioned – meant that the quality of these remained relatively sound (3.6% classified irregular), despite a substantial increase in irregular classifications in absolute terms (35.2%). However, the fall in demand for euro-denominated loans in response to the exchange rate movements observed recently may therefore lead to the quality of these claims deteriorating, which would particularly hurt those banks that have been expanding their lending operations by offering foreign currency finance.

The rise in irregular classifications was also associated with the General Inspectorate of Banking Supervision uncovering deficiencies in credit risk management at the banks. Following supervisory intervention at 52 banks (compared to 45 in 2001), assets to a value of 6.6bn zloty were downgraded in classification (including 3.7bn zloty reclassified from satisfactory or special mention to irregular), raising the proportion of irregular exposures by approximately 1.9 points.

The risk exposure of commercial banks arising on lending to non-financial customers was 42% offset by specific provisions, with the remaining portion collateralised by security (eligible for deduction from the provisioning base).

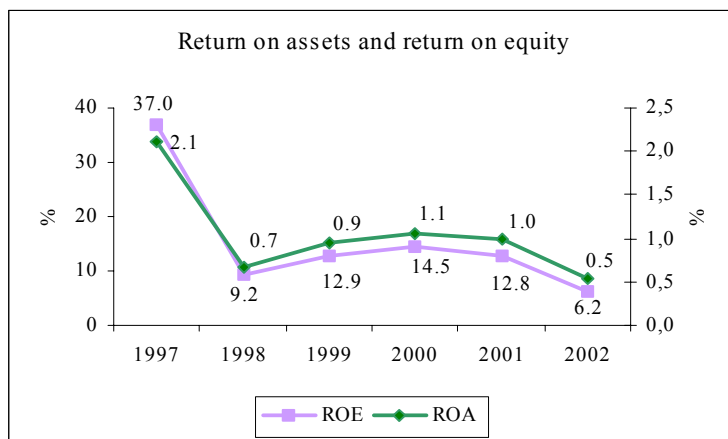
Specific provisions against irregular exposures to non-financial customers amounted to 17.8bn zloty, having risen 4.4bn zloty (33.2%), with 0.8bn zloty of these additional provisioning charges being performed against bank exposures to the shipbuilding company Stocznia Szczecinska Porta Holding SA. The fact that specific provisions grew faster than irregular classifications is attributable both to the increased severity of classifications (a higher proportion of loss assets) and to slower growth in security deductible from the provisioning base (up 12.6%).

At year end, provisions against substandard, doubtful and loss assets were equivalent to 21.4%, 56.8% and 101.1% of the corresponding provisioning base (i.e., the value of these assets less eligible security), thereby **exceeding regulatory requirements in each of these risk categories** (these requirements stand at 20%, 50% and 100%).

With the expansion of banking business flagging, growth in **net income from banking activity** tumbled to a mere 0.2% (compared to 4.6% in 2001 and 26.6% in 2000). The increasing disproportion between growth in this income and in net provisioning expense – increases in 2002 of 63m zloty and 639m zloty, respectively, as against 1,182m zloty and 922m zloty in 2001 – depressed **pre-tax earnings** by 27.1% (taking them down to 3.9bn zloty).

The amendments to the Accounting Act introduced in 2002 had the net effect of increasing the total pre-tax earnings of the banks by 94.6m zloty. The inclusion in unconsolidated earnings of valuations of affiliates (where this is done by the equity method) caused these earnings to decline by some 317m zloty, yet the other amendments led to earnings rising.

Although the rate of corporate income tax remained unchanged (at 28%), the effective rate of taxation, i.e., the ratio of corporate income tax to pre-tax earnings, climbed to 39%. This increase in effective taxation (up 8.3%) – despite lower pre-tax earnings – was a consequence of the high expense of specific provisions and valuation allowances (most of which is not tax-deductible) and also of corporate income tax in 2003 being set at a rate of 27% (rather than the 24% previously planned). All in all, the net earnings of the commercial banks in 2002 amounted to 2.4bn zloty, down 39.8% on 2001.

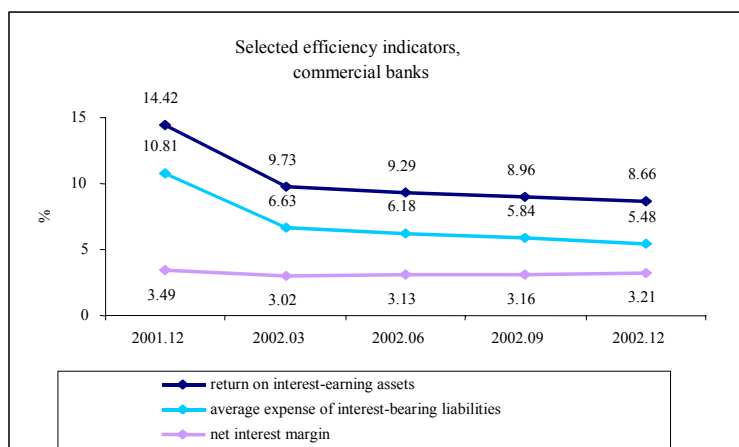


Weaker earnings caused **operating efficiency** at the banks to dwindle, reducing profitability ratios (earnings over total expense), with pre-tax profitability down 2.2 points to 1.0% and net profitability down 1.8 points to 0.6%, while return on assets (ROA) came down 0.5 points to 0.5% and return on equity (ROE) sank 6.4 points to 6.7%. The cost/income ratio (total expense over total income) rose 2.1 points to 99.0%.

The main reason for last year's stagnation in **net income from banking activity** was slender growth in net interest income (NII), up 2.1%, which prevented banks restoring their income streams to the level seen before 2001. This slow growth in NII was linked to a steepening decline in interest income, caused by lower average returns on interest-earning assets (down 5.7 points to 8.7%). This, in turn, was the product of various factors, including lower rates on loans and other earning assets, and also a surge in cheaper loans denominated in foreign currencies (including housing loans). Exposures classified irregular also had a significant impact on interest income, since the interest accrued on these could not be recognised.

The fact that the decline in NII observed in 2001 was in any case halted in 2002 can be traced to a dramatic reduction in interest expense, the result of:

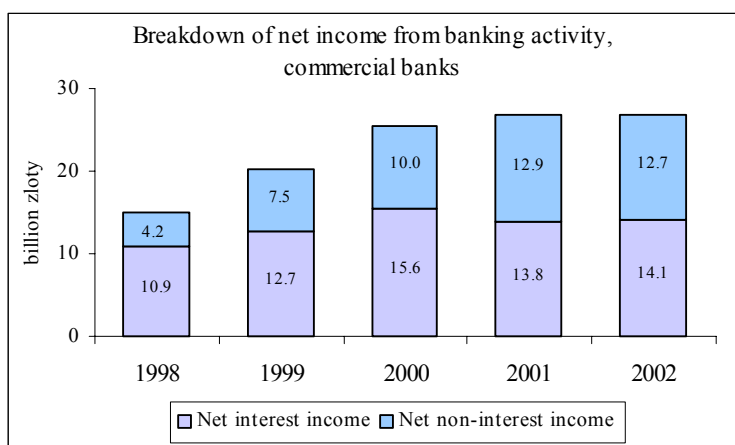
- a reduction in the average rates payable on interest-bearing liabilities (down 5.3 points to 5.5%), due to lower deposit rates and the greater part played by “cheaper” current account balances in funding bank operations;
- a decrease in the overall volume of interest-bearing liabilities, chiefly because of an outflow of deposits.



Thus, the rise in NII was primarily the result of asymmetric changes in the asset and liability mix, and therefore of the increase in positive interest rate positions (the surplus of interest-earning assets over interest-bearing liabilities). At year end, the proportion of interest-earning assets in total assets came to 87%, a ratio 7.3 points higher than the proportion of interest-bearing liabilities (at year end 2001, this difference had been 3.8 points).

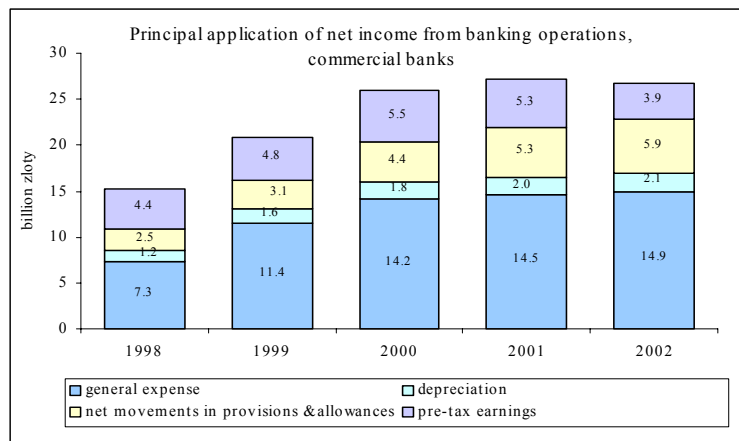
The banks' average **net interest margin** (NIM), defined as the ratio of net interest income to average total assets (less interest due on irregular exposures), slumped in the first quarter (down 0.47 points), whereupon it rose steadily in subsequent quarters, to stand at 3.2% at year end, although still running at 0.3 points less than a year previously. By comparison, in 2001 the NIM in other countries of Central and Eastern Europe came to 2.0% in the Czech Republic, 2.3% in Slovakia, 3.6% in Slovenia and 4.1% in Hungary; in the European Union, it was under 2.0%. The net interest margins recorded by commercial banks in Poland are therefore gradually approaching the level seen in the EU.

The stagnation of net income from banking activity was also the result of lower non-interest income due to a fall in net gains on foreign exchange and financial operations (down altogether by 6.6%, or 443m zloty). A year previously, the banks had achieved significant growth in these items, which rose 2.3bn zloty, or 52.7%. The open FX positions they were holding in 2001 (because of foreign currency lending, among other things) had encouraged banks to trade actively on the derivatives market, and the income earned here, together with FX gains, had acted as a substitute for interest income. The decline in these sources of income in 2002 stemmed from the reduced profitability of this trading due to changes in market conditions, and from smaller transaction volumes.



The downturn on the capital market prevented certain banks from achieving the gains they had projected from the sale of equities. As a result, the income generated here fell compared to the year before, dropping 33.3% to 357m zloty. It was substantially because of this situation that two large banks with earnings particularly dependent on the capital and FX markets were dragged into loss.

An important component of net income from banking activity was net fee income, which went up 7.0% (this was 2.9 points less than in 2001), thanks to soaring fee income in the second half of the year on loans and advances, settlement operations and other banking transactions, one reason for this being higher charges for banking services.

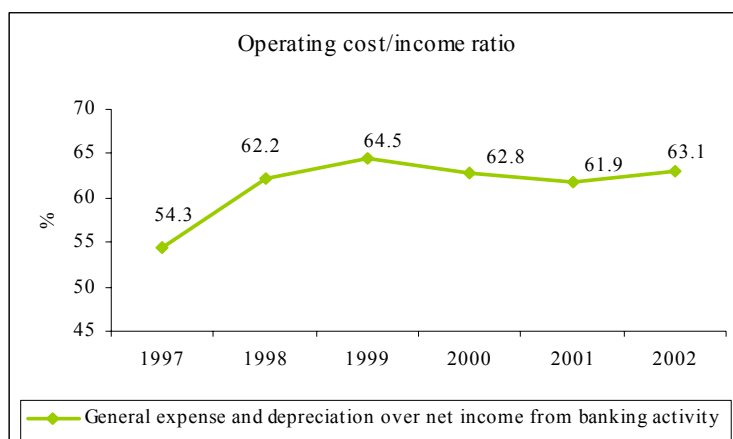


Net movements in specific and general **provisions** and in valuation allowances against financial fixed assets stood at 5.9bn zloty, up 12.1% on 2001, which was mainly due to a 24.0% increase in the expense of provisioning against irregular exposures (which rose to 5.3bn zloty), with 75.0% of this involving provisions against loss classifications. Net provisioning charges accounted for 22.1% of net income from banking activity (compared to 19.8% in 2001).

Due to **staff cuts**, which averaged 6.5 thousand or 4.6% (taking total staffing to 131.9 thousand) and the ensuing decrease in personnel expense (down 1.7%), **general expense** rose only 2.1% (0.2% in real terms). The development of IT systems that accompanied this reduction in employment, coupled with innovations in products and technology driven by heightening competition, led to an increase of 10.5% (8.5% in real terms) in “other property and equipment expense” (those items not involving occupancy expense). This primarily comprised expenditure on technology, together with telecommunications and consulting services, and advertising.

Waning growth in net income from banking activity led to an increase of 1.2 points in the **operating cost/income ratio** (general expense and depreciation charges as a proportion of net income from banking activity), which is particularly worrying at a time of narrowing net interest margins. This trend can be expected to have a negative impact on the future

profitability of the banking industry. In the case of banks that currently enjoy above-average margins (mainly thanks to “cheap” funding from demand deposits) and those with highly positive interest rate positions, this may consolidate the downward trend in profitability. However, it should be noted that many banks have all but exhausted their capacity for significant cost-cutting. Banks have generally prepared themselves for a much broader scale of operations than they are actually conducting. Yet many expense items are relatively rigid because of technological standards, procedural requirements, etc. It is therefore not possible to reduce this expense to the extent necessary to sustain efficiency in the present business environment. Although many banks should still be seeking substantial cost savings, including in the area of personnel expense, the precondition for a sizeable improvement in resource efficiency is a rise in balance sheet and transaction volumes, which is contingent on the economic upturn expected.



The **overall net FX position** of the banking sector amounted to a long 0.73bn zloty at year end, having come down 33.6% since December 2001. This was chiefly due to a reduction in the long position arising on assets and liabilities actually denominated in foreign currencies, despite an increase in the position on items denominated in zloty yet indexed to exchange rates (up 44.4%). Almost the entire FX exposure within the banking industry is held by the ten largest banks. The FX positions of 36 banks were no greater than 2% of their capital base (regulatory capital). Whereas the majority of banks had been maintaining long overall net positions in 2001, from the first quarter of 2002 onwards a growing number of banks were holding short positions.

At year end, the sum of 10-day **Value at Risk** at the commercial banks was slightly higher than it had been at the close of the previous quarter (69.56m zloty, as against 69.14m), yet was much lower than at mid-year (103.29m zloty).

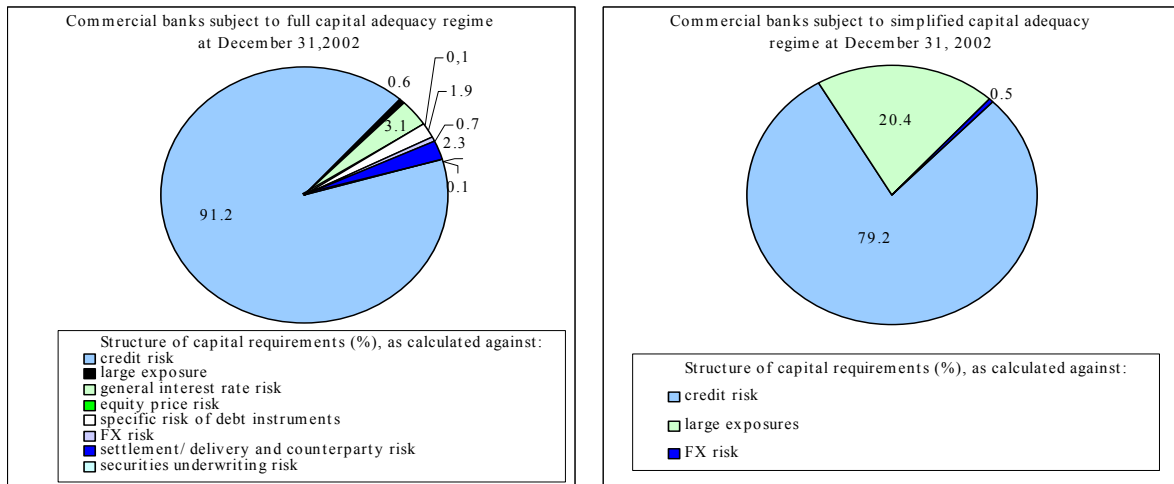
The reductions seen in 2002 in holdings of securities with the shortest maturities, in balances at the NBP and vault cash, and also in short-term placements at foreign banks, allied with a parallel increase in the demand deposits of non-financial customers, led to some deterioration in **bank liquidity**. This was reflected in a higher surplus of liabilities over assets maturing in up to one month and up to three months. This is confirmed in the CAEL bank ratings assigned by GINB analysts (CAEL = Capital adequacy, Asset quality, Earnings, Liquidity), which indicate that the banks with the soundest liquidity risk management represented 81.0% of total bank assets (down from 85.8%). However, the proportion of banks in the most difficult situation remained small (a mere 0.6%), testifying to the negligible threat which liquidity risk poses to the stability of the banking system overall.

The majority of banks complied with regulatory **ceilings on capital holdings**, which were exceeded by only three commercial banks. Ten commercial banks were in breach of **large exposure limits**, with one bank accounting for approximately 60% of the total capital requirement against this (which was over twice as high as in March).

Due to the scale of their trading book business, the 23 largest commercial banks (representing 88.4% of all assets) were subject to the **full capital adequacy regime**, and were therefore required to meet capital requirements not only against credit risk in the banking book, but also against particular types of risk in the trading book. The remaining banks were subject to the simplified regime. The **overall capital requirement** of the commercial banks, reflecting the size of their risk exposure, stood at 21.2bn zloty, an increase compared to March of just 91m zloty (0.4%), which can chiefly be ascribed to credit risk exposure falling 0.3bn zloty (1.7%).

The capital requirement against **market risk** rose 50m zloty, or 3.5%, compared to March and primarily involved general interest rate risk, settlement/delivery risk and counterparty risk, and the specific risk of debt instruments. By contrast, the capital requirement against FX risk came down 25.1% as a result of a reduction in the capital charge on overall net positions

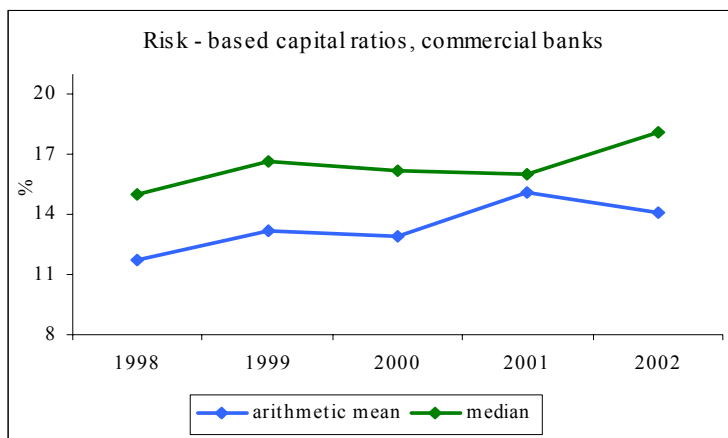
in excess of 2% of the capital base (lowered from 16% to 12% in 2002), of FX positions declining, and of the capital base increasing.



The **regulatory capital** (capital base) of the commercial banks, which determines the permissible scale of their risk exposure, grew 2.6bn zloty in 2002 to total 38.5bn, an increase of 7.1%. This growth was the smallest since 1998.

The main factor slowing the growth of regulatory capital was that current period losses shot up by a factor of three and a half (to 1.4bn zloty). In addition, this capital was reduced 2.8% by the implementation of amendments to the Banking Act and of prudential regulations issued by the Commission for Banking Supervision, in particular by an increase in the proportion of deductible intangible assets, up from 10% to 30% (these rose by almost 196%), by the revaluation of equity exposures to financial corporations and other banks, and by the introduction of a revised formula for calculating the capital base.

The **risk-based capital ratio** of the commercial banks slipped to 14.5% (from 15.1% at the end of 2001). The majority of commercial banks (54) had a ratio above the regulatory minimum, with over half of them (35) reporting a ratio over 15%. Only five small institutions, accounting for 1.5% of total assets at the commercial banks, failed to meet this criterion, which was the result of losses incurred in meeting specific provisioning requirements. Two of these institutions were taken over by other banks in the first months of 2003.



The **cooperative banks** have been growing faster than the commercial banks since 2001. In 2002, their total assets rose 8.9% (8.0% in real terms) compared to the previous December, to stand at 23.4bn zloty, mainly thanks to an increase in claims on non-financial customers (up 13.3%). The cooperative banks chiefly owe their swift lending growth to loans to private farmers, which occupied a dominant position in their portfolios, at 43.5% of all outstandings, and which were up 16.8%, with preferential farm loans up 17.5%. Personal loans, representing 24.9% of portfolios, rose 8.5%.

The cooperative banks did not experience any outflow of deposits taken from non-financial customers, which may be explainable by poor access to alternative savings vehicles in small towns and rural areas. However, growth in these deposits did slacken. In December 2002, these balances amounted to 17.4bn zloty, up 7.9% on 2001 (as against growth of 21.7% a year earlier).

The strong growth recorded in the **capital** of the cooperative banks (up 14.4% to 2.1bn zloty) was mainly the result of appropriations from 2001 earnings to the resource fund (equivalent to the capital surplus). The average risk-based capital ratio at the cooperative banks, at 13.4%, was lower than at the commercial banks. The regulatory minimum ratio was not met by eleven banks, and the ensuing capital deficiency totalled 46m zloty, having risen almost threefold compared to year end 2001.

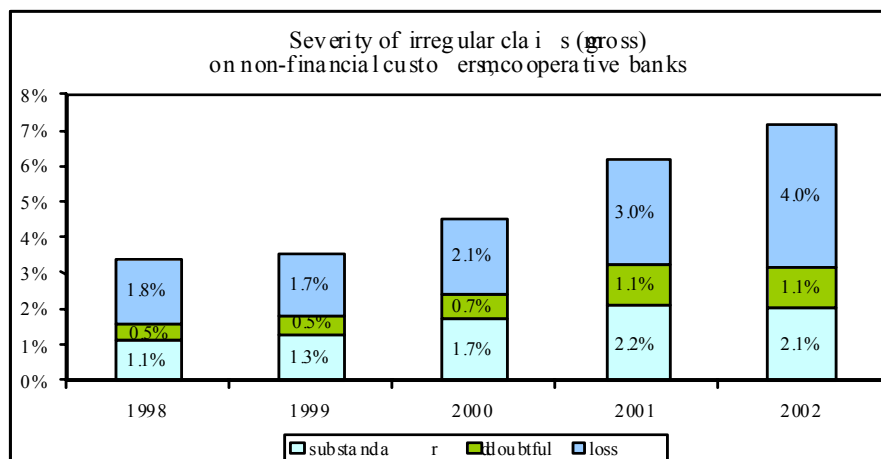
Although the **earnings** performance of the cooperative banks improved on the year before, with pre-tax earnings of 504.9m zloty and net earnings of 364.9m zloty (up 3.9% and 16.0%, respectively), this growth was due to settlements associated with the merger of six affiliating

banks to form Bank Polskiej Spoldzielczosci SA. On a comparable basis, i.e., if the effects of this merger were to be excluded, pre-tax earnings would have dropped 9.2% and net earnings would have fallen 5.3%. The main reason for this was weaker growth in net income from banking activity (up 1.6%, as against 12.6% in 2001), principally as a result of lower interest rates on preferential farm loans (priced by reference to the rediscount rate), which was accompanied by an increase in operating expense (up 5.9%).

Profitability increased (even on a comparable basis, despite earnings declining), with net profitability up 1.0 points to 9.6% and pre-tax profitability up 0.7 points to 14.1%. The cost/income ratio was also healthier, coming down 0.5 points (to 87.7%).

The relatively rapid growth in total assets and capital shaved 0.2 points off **ROA** and 3.7 points off **ROE**, taking these to 1.4% and 15.7%, respectively.

The proportion of **claims classified irregular** went up 1.0 points (to 7.2%). However, claims on non-financial customers were still of better quality than at the commercial banks, thanks to an exceptionally low share of irregular classifications in claims on private farmers (2.7%). The quality of other types of loan was also much higher. In December 2002, irregular assets subject to specific provisioning requirements constituted 3.8% of all cooperative bank claims (gross) on non-financial customers.



At year end 2002, the **overall capital requirement** against the risk exposure of the cooperative banks was 10.0% higher than at the end of the first quarter, the result of increased requirements against both credit risk (up 6.3%) and breaches of large exposures limits.

The difficult economic environment for the banks led to further discrepancies in condition in 2002. Thanks to an innovative and flexible approach, many of them strengthened their position. This implies that the difficulties faced by certain banks may also have stemmed from poor management or inappropriate strategic choices. Banks should currently focus on seeking additional sources of income, rather than solely relying on radical cost-cutting measures.

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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	2001	2002
1	2	3	4	5	6	7	8	9	10	11	12
Number of banks (excluding those declared bankrupt or under liquidation)											
1	Commercial banks, of which:	87	82	81	81	83 ³¹	83	77	74 ³²	71 ³³	62 ³⁴
2	Banks with majority public-sector interest ³⁵	29	29	27	24	15	13	7	7	7	8
	of which:										
	- directly owned by Treasury ³⁶	16	15	13	8	6	6	3	3	3	3
	- indirectly owned by Treasury	11	11	11	13	8	7	4	4	4	5 ³⁷
	- owned by NBP	2	3	3	3	1	0	0	0	0	0
3	Banks with majority private-sector interest	58	53	54	57	68	70	70	67	64	54
	of which:										
	- under Polish control	48	42	36	32	39 ³⁸	39	31	20	16	7
	- under foreign control ³⁹	10	11	18	25	29 ⁴⁰	31	39	47 ⁴¹	48 ⁴²	47 ⁴³
4	Cooperative banks	1,653	1,612	1,510	1,394	1,295	1,189	781	680	642	605
5	Total banks	1,740	1,694	1,591	1,475	1,378	1,272	858	754	713	667

³¹ Including 2 banks which were banking organisations and did not file reports.

³² Including 1 bank which was a banking organisation and did not file reports.

³³ Including 2 banks which were banking organisations and did not file reports.

³⁴ Including 3 banks not conducting operating activity.

³⁵ Banks where the Treasury, other state institutions or the NBP hold equity entitling them to exercise at least 50% + 1 votes at a shareholders' general meeting.

³⁶ Banks where the Treasury directly holds equity entitling it to exercise at least 50% + 1 votes at a shareholders' general meeting.

³⁷ Including 1 bank not conducting operating activity.

³⁸ Including Rzeszowski Bank Regionalny, which was a banking organisation and did not file reports.

³⁹ Branches of foreign banks and banks incorporated as public limited companies where foreign parties (natural or juridical persons) jointly hold equity, directly or indirectly, entitling them to exercise at least 50% + 1 votes at a shareholders' general meeting.

⁴⁰ Including Bank of America Polska SA, which was a banking organisation and did not file reports.

⁴¹ Including Slaski Bank Hipoteczny SA, which was a banking organisation and did not file reports.

⁴² Including MHB Bank Polska SA and Bank of Tokyo – Mitsubishi (Polska) SA, which were banking organisations and did not file reports.

⁴³ Including 2 banks not conducting operating activity.

		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	2	3	4	5	6	7	8	9	10	11	12
Total assets (%)											
1	Commercial banks of which:	93.4	94.7	95.2	95.4	95.5	95.7	95.8	95.8	95.5	95.0
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	23.1	25.3
	- directly owned by Treasury	76.1	70.8	63.0	51.1	38.2	36.7	22.1	21.1	21.3	23.1
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	72.4	69.7
	- under Polish control	10.4	15.4	22.7	15.1	30.9	33.2	24.6	3.4	3.2	2.5
	- under foreign control	2.6	3.2	4.2	13.7	15.3	16.6	47.2	69.5	69.2	67.2
4	Cooperative banks	6.6	5.3	4.8	4.6	4.5	4.3	4.2	4.2	4.5	5.0
5	Total banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Loans (less provisions) ⁴⁴ (%)											
1	Commercial banks of which:	92.9	93.3	94.5	93.9	94.5	95.0	94.9	94.6	94.2	93.5
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	20.5	21.4
	- directly owned by Treasury	76.6	69.1	58.5	42.0	27.9	26.3	19.7	19.4	18.4	19.3
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	73.7	72.1
	- under Polish control	10.9	15.9	25.0	16.6	33.1	34.3	22.6	3.2	2.4	1.6
	- under foreign control	2.7	4.4	5.8	16.0	18.2	21.9	50.9	70.2	71.3	70.5
4	Cooperative banks	7.1	6.7	5.5	6.1	5.5	5.0	5.1	5.4	5.8	6.5
5	Total banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Table 2 Staffing at banks⁴⁵ (excluding foreign offices)

Year end	Total banking sector	Commercial banks	Cooperative banks
1993	,	119,733	,
1994	,	128,705	,
1995	,	136,048	,
1996	169,534	144,201	25,333
1997	172,227	147,095	25,132
1998	174,044	149,067	24,977
1999	174,748	149,638	25,110
2000	169,934	144,237	25,697
2001	165,225	138,822	26,403
2002	158,749	131,874	26,875

Table 3 Domestic office network

Year end	Head offices	Branch offices	Other offices ⁴⁶	Total
commercial banks				
1993	87	1,436	,	,
1994	82	1,454	,	,
1995	81	1,501	,	,
1996	81	1,580	8,126	9,787
1997	81	1,634	8,168	9,883
1998	83	1,868	7,795	9,746
1999	77	2,235	8,116	10,428
2000	73	2,449	8,948	11,470
2001	69	2,879	7,773	10,721
2002	59	3,038	6,865	9,962
cooperative banks				
1996	1,394	502	634	2,530
1997	1,295	581	674	2,550
1998	1,189	668	730	2,587
1999	781	1,048	790	2,619
2000	680	1,149	879	2,708
2001	642	1,201	1,035	2,878
2002	605	1,264	1,170	3,039

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

⁴⁶ In addition to sub-branch offices and customer service offices, also includes domestic representative offices conducting operating activity.

Table 4 Ownership structure of banking sector

Authorised capital (registered equity at state banks) of which belonging to:	1995	1996	1997	1998	1999	2000	2001	2002
	Value of equity (million zloty)							
- the Treasury directly	1,109	1,366	1,304	1,351	1,037	977	1,236	1,697
- the National Bank of Poland	273	352	175	8	8	0	0	0
- other state institutions	277	488	332	319	250	225	217	150
- other domestic investors	262	393	589	690	866	1,405	984	1,017
- foreign investors	588	1,330	2,462	3,561	4,089	4,575	5,835	6,742
- small investors	546	537	1,069	1,243	1,056	896	1,246	1,066
- members of cooperative banks	192	268	294	357	392	423	448	475
- total	3,247	4,733	6,224	7,530	7,698	8,500	9,966	11,147
	Structure (%)							
- the Treasury directly	34.2	28.9	20.9	17.9	13.5	11.5	12.4	15.2
- the National Bank of Poland	8.4	7.4	2.8	0.1	0.1	0.0	0.0	0.0
- other state institutions	8.5	10.3	5.3	4.2	3.2	2.6	2.2	1.3
- other domestic investors	8.1	8.3	9.5	9.2	11.3	16.5	9.9	9.1
- foreign investors	18.1	28.1	39.6	47.3	53.1	53.8	58.5	60.5
- small investors	16.8	11.3	17.2	16.5	13.7	10.5	12.5	9.6
- members of cooperative banks	5.9	5.7	4.7	4.7	5.1	5.0	4.5	4.3
- total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 5 Total assets and equity capital at particular groups of banks (December 31, 2002)

	No. of banks in group	Authorised capital (registered equity at state banks, members' share fund at cooperative banks) ⁴⁷				Total assets	
		total		of which: held by foreign investors			
		million zloty	%	million zloty	%	million zloty	%
1	2	3	4	5	6 = 5/3	7	8
Banking sector, of which:	664	11,147	100.0	6,742	60.5	467,118	100.0
– cooperative banks	605	475	4.3	0.0	0.0	23,416	5.0
– commercial banks, of which:	59	10,672	95.7	6,742	63.2	443,702	95.0
banks with majority Polish equity	14	2,560	23.0	171	6.7	129,910	27.8
banks controlled by foreign investors, of which:	45	8,112	72.7	6,571	81.0	313,792	67.2
banks with 100% foreign equity	23	3,024	27.1	3,024	100.0	34,250	7.3

⁴⁷ Equity capital of the group as a whole, regardless of the investors involved.

Table 6 Foreign equity capital investment, banking sector

	Country of origin	Period end	Foreign equity capital		
			Amount (million zloty)	Share in authorised capital	
				held by foreign investors (%)	of all commercial banks (%)
1	Germany	1995	126.3	21.49	4.13
		1996	370.1	27.83	8.29
		1997	818.3	33.23	13.80
		1998	1,138.1	31.96	15.87
		1999	1,075.8	26.31	14.73
		2000	1,088.1	23.78	13.47
		2001	1,308.2	22.42	13.74
		2002	1,776.7	26.35	16.65
2	USA	1995	88.5	15.06	2.90
		1996	221.0	16.62	4.95
		1997	470.2	19.10	7.93
		1998	1,028.7	28.88	14.34
		1999	945.9	23.13	12.95
		2000	1,223.8	26.75	15.15
		2001	1,167.7	20.01	12.27
		2002	1,388.2	20.59	13.00
3	Holland	1995	191.2	32.53	6.26
		1996	239.9	18.04	5.37
		1997	434.3	17.64	7.32
		1998	499.0	14.01	6.96
		1999	538.7	13.17	7.37
		2000	560.5	12.25	6.94
		2001	538.9	9.24	5.66
		2002	738.0	10.95	6.92
4	Ireland	1995	14.0	2.38	0.46
		1996	64.9	4.88	1.45
		1997	89.1	3.62	1.50
		1998	55.4	1.56	0.77
		1999	290.4	7.10	3.97
		2000	325.2	7.11	4.03
		2001	514.1	8.81	5.40
		2002	514.1	7.62	4.82
5	Belgium	1996	8.6	0.65	0.19
		1997	24.2	0.98	0.41
		1998	32.0	0.90	0.45
		1999	163.8	4.01	2.24
		2000	167.2	3.65	2.07
		2001	298.7	5.12	3.14
		2002	460.1	6.82	4.31
6	France	1995	47.7	8.12	1.56
		1996	151.4	9.94	2.96
		1997	220.6	8.96	3.72
		1998	324.4	9.11	4.52
		1999	343.1	8.40	4.70
		2000	348.5	7.62	4.31
		2001	445.2	7.63	4.68
		2002	445.2	6.60	4.17
7	Portugal	1999	110.6	2.70	1.51
		2000	182.3	3.98	2.26
		2001	510.2	8.74	5.36
		2002	424.6	6.30	3.98
8	Sweden	2000	86.7	1.90	1.07
		2001	306.4	5.25	3.22
		2002	344.3	5.11	3.22

	Country of origin	Period end	Foreign equity		
			Amount (million zloty)	Share in authorised capital	
				held by foreign investors (%)	of all commercial banks (%)
9	Austria	1995	58.0	9.87	1.90
		1996	132.3	11.38	3.39
		1997	229.4	9.31	3.87
		1998	256.7	7.21	3.58
		1999	273.5	6.69	3.74
		2000	238.0	5.20	2.95
		2001	424.1	7.27	4.46
		2002	332.0	4.92	3.11
10	Italy	1995	6.2	1.05	0.08
		1996	6.2	0.46	0.14
		1999	72.8	1.78	1.00
		2000	88.1	1.93	1.09
		2001	126.6	2.17	1.33
		2002	126.6	1.88	1.19
		11	South Korea	1996	60.6
1997	60.4			2.45	1.02
1998	60.4			1.70	0.84
1999	60.4			1.48	0.83
2000	60.4			1.32	0.75
2001	60.4			1.04	0.63
12	Czech Republic			1997	33.9
		1998	33.9	0.95	0.47
		1999	34.1	0.83	0.47
		2000	35.2	0.77	0.44
		2001	44.3	0.76	0.47
		2002	59.3	0.88	0.56
		13	Denmark	2000	25.2
2001	41.1			0.70	0.43
2002	42.2			0.63	0.40
14	Cyprus	2002	42.0	0.62	0.39
15	United Kingdom	1995	0.9	0.15	0.03
		1996	4.2	0.32	0.09
		1997	20.2	0.82	0.34
		1998	19.1	0.54	0.27
		1999	26.1	0.64	0.36
		2000	38.2	0.83	0.47
		2001	38.2	0.65	0.40
		2002	38.2	0.57	0.36
16	EBRD	1995	28.3	4.81	0.93
		1996	38.3	2.88	0.86
		1997	22.0	0.89	0.37
		2000	11.0	0.24	0.14
		2001	11.0	0.19	0.12
		2002	11.0	0.16	0.10
		17	Other	1995	21.8
1996	32.5			2.44	0.73
1997	39.8			1.62	0.67
1998	113.7			3.19	1.59
1999	153.8			3.76	2.11
2000	96.7			2.12	1.20
18	Total			1995	587.8
		1996	1,330.0	100.00	29.79
		1997	2,462.4	100.00	41.52
		1998	3,561.4	100.00	49.65
		1999	4,089.1	100.00	55.97
		2000	4,575.1	100.00	56.64
		2001	5,835.1	100.00	61.30
		2002	6,742.5	100.00	63.18

Table 7 Banking sector assets (million zloty)

Period end	Total assets	Due from			Securities
		financial corporations (excluding NBP)	non-financial customers	general government	
1	2	3	4	5	6
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	428,486.3	89,842.5	186,917.6	6,901.9	94,959.9
2001	469,706.9	91,529.2	197,892.7	11,301.3	95,799.7
2002	467,117.8	77,998.2	201,614.0	14,657.7	105,249.6
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	410,445.3	85,019.8	176,808.4	6,686.6	93,655.3
2001	448,200.7	84,572.5	186,619.5	11,003.7	94,717.5
2002	443,701.5	70,855.8	188,981.7	14,212.7	103,874.3
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	18,041.0	4,822.7	10,109.2	215.3	1,304.5
2001	21,506.2	6,956.7	11,273.2	297.6	1,082.2
2002	23,416.3	7,142.4	12,632.3	445.0	1,375.3

Table 8 Structure of total assets, commercial banks

1	2	Value (million zloty)	Growth rate 12/2001=100		Structure (%)	
		31/12/2002	nominal	real	12/2001	12/2002
		3	4	5	6	7
1	Cash & due from central bank	20,862.8	73.7	73.1	6.3	4.7
	of which: cash	5,561.2	73.0	72.4	1.7	1.3
	due from central bank	15,301.6	73.9	73.3	4.6	3.4
2	Due from financial corporations	70,855.8	83.8	83.1	18.9	16.0
3	Due from non-financial customers	188,981.7	101.3	100.5	41.6	42.6
4	Due from general government	14,212.7	129.2	128.2	2.5	3.2
5	Securities	103,874.3	109.7	108.2	21.1	23.4
6	Fixed assets	21,215.7	106.3	105.5	4.5	4.8
7	Other assets	23,698.5	103.0	102.2	5.1	5.3
8	Total assets	443,701.5	99.0	98.2	100.0	100.0

Table 9 Structure of liabilities & capital, commercial banks

1	2	Value (million zloty)	Growth rate 12/2001=100		Structure (%)	
		31/12/2002	nominal	real	12/2001	12/2002
		3	4	5	6	7
1	Due to central bank	2,757.9	61.5	61.0	1.0	0.6
2	Due to financial corporations ^a	62,224.1	94.2	93.5	14.7	14.0
3	Due to non-financial customers	267,719.6	96.8	96.0	61.7	60.4
4	Due to general government	18,370.9	119.2	118.3	3.4	4.1
5	Capital funds, subordinated loan capital & reserves	44,862.9	109.3	108.4	9.2	10.1
6	Year-to-date earnings ^b	2,357.8	x	x	1.2	0.5
7	Earnings pending confirmation	-105.0	x	x	0.0	0.0
8	Other liabilities	45,513.3	116.0	115.1	8.8	10.3
9	Total liabilities and capital	443,701.5	99.0	98.2	100.0	100.0

^a Excluding liabilities to the NBP disclosed in item 1

^b As of March 2002, the figure shown represents net earnings (previously pre-tax earnings)

Table 10 Share of largest banks in banking sector^a (%)

Period end	5 largest banks	10 largest banks	15 largest 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	46.5	66.7	78.8
2001	54.7	77.6	82.4
2002	53.6	76.8	82.7
share of deposits			
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
2001	59.8	82.1	85.4
2002	60.2	82.2	85.6
share of loans (gross)			
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
2001	52.1	75.7	81.3
2002	48.6	74.0	79.9

^{a)} largest banks by total assets

Table 11 Banking concentration ratios and Herfindahl-Hirschman index (HHI)

Period end	assets	deposits	loans (gross)
2000	0.0705	0.1017	0.0648
2001	0.0821	0.1052	0.0723
2002	0.0798	0.1065	0.0670

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

Period end	Total banking sector	Commercial banks	Cooperative banks
1	2	3	4
Share of loans to non-financial customers in total assets			
1993	30.1	30.0	32.5
1994	27.7	27.3	35.2
1995	29.6	29.3	34.1
1996	34.2	33.7	45.0
1997	37.7	37.3	45.6
1998	37.5	37.2	43.3
1999	41.5	41.1	49.9
2000	41.1	40.6	53.2
2001	39.5	39.0	49.8
2002	40.3	39.6	52.0
Share of securities in total assets			
1993	23.6	25.1	3.3
1994	28.2	29.7	2.9
1995	31.0	32.3	5.0
1996	31.4	32.5	8.0
1997	26.6	27.3	10.3
1998	26.9	27.7	8.5
1999	23.8	24.5	8.0
2000	22.2	22.8	7.2
2001	20.4	21.1	5.0
2002	22.5	23.4	5.9
Share of deposits from non-financial customers in total liabilities & capital			
1993	55.7	55.1	64.3
1994	60.0	59.6	67.1
1995	57.0	56.6	65.3
1996	56.6	56.1	67.4
1997	58.3	57.9	67.4
1998	58.8	58.3	71.2
1999	60.8	60.3	72.1
2000	59.3	58.7	73.3
2001	61.1	60.5	74.8
2002	59.6	58.9	74.2

Table 13 Commercial bank loans to non-financial customers, by borrower

	Total outstandings, (million zloty)				of which (%)							
					corporates				households			
	03/02	06/02	09/02	12/02	03/02	06/02	09/02	12/02	03/02	06/02	09/02	12/02
Authorised overdrafts	29,623	32,563	32,751	32,203	59.6	60.8	60.9	60.5	40.2	39.0	38.9	39.1
Bills discounted	1,656	1,615	1,485	1,207	79.4	81.2	82.0	78.8	20.3	18.6	17.8	20.7
Export loans	2,873	2,422	1,935	1,509	91.7	92.6	94.7	95.1	5.2	3.9	4.8	4.9
Operating loans	47,869	47,357	47,407	44,893	87.6	88.9	89.8	89.8	12.2	10.7	9.8	9.5
Investment project finance	43,722	44,068	45,870	48,300	80.6	82.2	82.5	83.0	18.7	17.0	16.4	16.1
of which: central govt. projects	3,085	3,001	2,902	2,821	100.0	100.0	100.0	100.0				
Real estate loans	22,820	25,720	27,727	29,389	35.5	32.8	32.2	31.6	64.5	67.2	67.8	68.4
of which: housing loans	21,454	24,083	25,931	27,233	32.2	29.1	28.5	27.8	67.8	70.9	71.4	72.2
Loans for purchase of securities	438	346	325	318	14.9	8.7	12.3	5.4	85.1	91.3	87.7	94.6
Credit card lending	1,318	1,409	1,497	1,778	6.5	5.0	6.6	8.8	93.5	95.0	93.4	91.2
Other loans & advances	36,783	37,153	37,992	33,459	19.8	23.5	22.3	14.7	79.7	76.1	77.3	84.9
Total outstandings, gross	187,103	192,652	196,991	193,056	61.1	61.7	61.4	60.4	38.5	37.8	38.2	39.0
of which:												
a) agricultural loans	7,332	6,580	6,872	8,276	47.6	44.1	47.0	55.7	52.2	55.7	52.8	44.1
- preferential	6,272	5,580	5,834	7,002	49.1	45.6	48.2	57.6	50.7	54.2	51.6	42.2
b) mortgage loans	9,385	13,179	16,134	17,337	34.4	28.9	31.5	31.8	65.5	71.0	68.4	68.1
c) consumer loans	11,061	15,249	15,264	16,763					100.0	100.0	100.0	100.0

Table 14 Commercial bank loans to non-financial customers, by currency

	Total outstandings, million zloty				of which (%)							
					zloty				foreign currency			
	03/02	06/02	09/02	12/02	03/02	06/02	09/02	12/02	03/02	06/02	09/02	12/02
Authorised overdrafts	29,623	32,563	32,751	32,203	95.2	93.5	94.0	93.2	4.8	6.5	6.0	6.8
Bills discounted	1,656	1,615	1,485	1,207	97.2	96.8	93.2	95.7	2.8	3.2	6.8	4.3
Export loans	2,873	2,422	1,935	1,509	12.1	13.2	19.4	19.5	87.9	86.8	80.6	80.5
Operating loans	47,869	47,357	47,407	44,893	69.4	67.3	68.8	72.5	30.6	32.7	31.2	27.5
Investment project finance	43,722	44,068	45,870	48,300	64.0	63.7	62.4	61.6	36.0	36.3	37.6	38.4
of which: central govt. projects	3,085	3,001	2,902	2,821	100.0	100.0	100.0	100.0				
Real estate loans	22,820	25,720	27,727	29,389	60.1	54.8	52.6	51.8	39.9	45.2	47.4	48.2
of which: housing loans	21,454	24,083	25,931	27,233	61.8	56.5	54.3	53.7	38.2	43.5	45.7	46.3
Loans for purchase of securities	438	346	325	318	98.0	97.2	96.6	96.7	2.0	2.8	3.4	3.3
Credit card lending	1,318	1,409	1,497	1,778	99.9	100.0	100.0	100.0	0.1	0.0	0.0	0.0
Other loans & advances	36,783	37,153	37,992	33,459	81.8	77.1	76.8	78.7	18.2	22.9	23.2	21.3
Total outstandings, gross	187,103	192,652	196,991	193,056	73.2	71.0	70.7	71.2	26.8	29.0	29.3	28.8
of which:	7,332	6,580	6,872	8,276	99.7	99.6	99.5	99.5	0.3	0.4	0.5	0.5
a) agricultural loans												
- preferential	6,272	5,580	5,834	7,002	99.7	99.8	99.8	99.9	0.3	0.2	0.2	0.1
b) mortgage loans	9,385	13,179	16,134	17,337	48.2	39.1	38.4	40.1	51.8	60.9	61.6	59.9
c) consumer loans	11,061	15,249	15,264	16,763	91.0	80.0	83.3	81.7	9.0	20.0	16.7	18.3

Table 15 Commercial bank loans to non-financial customers, by instrument

	zloty				foreign currency				total			
	03/02	06/02	09/02	12/02	03/02	06/02	09/02	12/02	03/02	06/02	09/02	12/02
Authorised overdrafts	20.6	22.3	22.1	21.8	2.8	3.8	3.4	3.9	15.8	16.9	16.6	16.7
Bills discounted	1.2	1.1	1.0	0.8	0.1	0.1	0.2	0.1	0.9	0.8	0.8	0.6
Export loans	0.3	0.2	0.3	0.2	5.0	3.8	2.7	2.2	1.5	1.3	1.0	0.8
Operating loans	24.3	23.3	23.4	23.7	29.2	27.7	25.7	22.2	25.6	24.6	24.1	23.3
Investment project finance	20.4	20.5	20.5	21.6	31.3	28.6	29.9	33.4	23.4	22.9	23.3	25.0
of which: central govt. projects	2.3	2.2	2.1	2.1					1.6	1.6	1.5	1.5
Real estate loans	10.0	10.3	10.5	11.1	18.2	20.8	22.8	25.4	12.2	13.4	14.1	15.2
of which: housing loans	9.7	10.0	10.1	10.6	16.3	18.7	20.5	22.7	11.5	12.5	13.2	14.1
Loans for purchase of securities	0.3	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Credit card lending	1.0	1.0	1.1	1.3	0.0	0.0	0.0	0.0	0.7	0.7	0.8	0.9
Other loans & advances	22.0	21.0	20.9	19.2	13.3	15.2	15.3	12.8	19.7	19.3	19.3	17.3
Total outstandings, gross	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:	5.3	4.8	4.9	6.0	0.0	0.1	0.1	0.1	3.9	3.4	3.5	4.3
a) agricultural loans												
- preferential	4.6	4.1	4.2	5.1	0.0	0.0	0.0	0.0	3.4	2.9	3.0	3.6
b) mortgage loans	3.3	3.8	4.4	5.1	9.7	14.4	17.2	18.7	5.0	6.8	8.2	9.0
c) consumer loans	7.3	8.9	9.1	10.0	2.0	5.4	4.4	5.5	5.9	7.9	7.7	8.7

Table 16 Structure of securities portfolios, commercial banks

1	2	Value (net), million zloty				Structure %			
		1999	2000	2001	2002	1999	2000	2001	2002
		3	4	5	6	7	8	9	10
1	Equity securities	1,327.0	1,535.6	1,573.5	1,402.4	1.6	1.6	1.7	1.8
	- listed	1,053.3	1,089.8	845.5	247.9	1.2	1.2	0.9	0.5
	- other	273.7	445.8	727.9	1,154.6	0.3	0.5	0.8	1.3
2	Debt securities of which issued by:	83,799.8	91,409.0	92,735.4	102,262.2	98.3	97.6	97.9	97.9
	- central banks & other monetary financial institutions	24,695.8	33,808.9	24,625.1	22,252.7	29.0	36.1	26.0	23.3
	- central banks	24,356.4	33,115.2	23,823.9	20,265.0	28.6	35.4	25.2	22.3
	- money market bills	10,975.8	19,897.2	13,954.0	6,833.4	12.9	21.2	14.7	9.4
	- bonds	13,381.6	13,222.4	9,869.9	13,431.7	15.7	14.1	10.4	12.9
	- other monetary financial institutions	341.6	695.9	801.2	1,987.7	0.4	0.7	0.8	0.9
	- other financial corporations	546.5	1,635.8	2,712.7	2,410.6	0.6	1.7	2.9	2.2
	- non-financial corporations	2,872.5	3,273.6	3,010.0	3,193.1	3.4	3.5	3.2	2.5
	- general government institutions	55,685.1	52,690.7	62,387.5	74,405.8	65.3	56.3	65.9	69.9
	- central government institutions	55,226.8	51,892.7	60,956.8	72,372.9	64.8	55.4	64.4	68.4
	- T-bills	15,582.8	10,862.7	18,209.1	22,610.7	18.3	11.6	19.2	21.4
	- restructuring bonds	7,233.7	7,386.1	7,077.6	6,263.1	8.5	7.9	7.5	7.0
	- other bonds	32,410.3	33,643.9	35,670.1	43,499.1	38.0	35.9	37.7	40.0
	- local government institutions	458.2	797.9	1,430.8	2,032.9	0.5	0.9	1.5	1.5
	- social security funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Other	145.9	705.2	408.7	209.7	0.2	0.8	0.4	0.3
4	TOTAL	85,272.7	93,649.9	94,717.5	103,874.3	100.0	100.0	100.0	100.0

Table 17 Gross claims of commercial banks on non-financial customers (December 31, 2002)

	Value million zloty	Structure (%)	Growth rate 12.01 = 100
Gross claims, of which:	197,451.3	95.3	102.8
- consumer loans classified satisfactory	32,824.2		100.3
- claims classified special mention	13,220.9		106.8
- claims classified irregular	42,267.2		118.1
of which: classified loss	21,943.0		133.6
Interest receivable	9,154.6	4.4	124.9
of which: deferred interest on irregular claims	7,919.1		129.1
Other claims	527.3	0.3	64.3
Total gross claims	207,133.2	100.0	103.4

Table 18 Irregular claims of commercial banks on financial corporations (December 31, 2002)

	Claims, million zloty		Share in total claims, %	
	classified irregular	of which: classified loss	claims classified irregular	of which: classified loss
1	2	3	4	5
Banks:	414.9	223.5	0.7	0.4
- with registered office in Poland	264.5	73.1	1.1	0.3
- with registered office abroad	150.3	150.3	0.4	0.4
Insurance corporations and pension funds	0.6	0.6	0.5	0.4
Other financial intermediaries ^a	1,955.8	823.4	23.1	9.7
Financial auxiliaries ^b	189.7	159.2	21.0	17.6
Total financial corporations	2,561.0	1,206.6	3.6	1.7

a Includes credit unions, lease finance companies and factoring companies.

b Includes insurance agents, bureaux de change, commodity exchanges and financial foundations.

Table 19 Irregular claims of commercial banks on non-financial customers (December 31, 2002)

	Irregular claims		Proportion of claims classified irregular, %
	Million zloty	Structure %	
2	3	4	5
Due from corporates	30,078.8	61.8	25.0
Due from households of which:	11,783.3	37.7	15.5
- due from persons	7,183.0		12.3
- due from sole proprietors	3,968.0		29.0
Due from non-profit institutions serving households	405.1	0.5	36.2
Total due from non-financial customers of which:	42,267.2		21.4
- consumer loans	2,173.7		13.0
- mortgage loans	943.1		5.4

Table 20 Provisioning at commercial banks against claims on non-financial customers (December 31, 2002)

	Million zloty		Growth rate 12/2001 =100	
	Provisions required	Provisions established	Provisions required	Provisions established
Specific provisions of which:	17,649.6	18,041.8	128.7	132.7
- against claims classified satisfactory	130.9	219.5	87.6	102.5
- against claims classified special mention	5.7	123.3	23.0	142.9
- against claims classified irregular of which:	17,510.6	17,822.4	129.1	133.2
substandard	761.6	814.7	101.7	105.8
doubtful	1,558.5	1,759.7	92.5	101.5
loss	15,190.6	15,247.9	136.5	140.2
General provisions	x	2,260.0	x	121.4

Table 21 Ratio of specific provisions to credit exposures classified satisfactory and special mention (December 31, 2002)

Classification	Specific provisions (% of provisioning base)		
	required		established
	before deductions ^a	after deductions ^a	
Consumer loans classified satisfactory	1.5	0.5	0.7
Exposures classified special mention	1.5	0.2	0.8

^a equivalent to 25% of general provisions

Table 22 Ratio of specific provisions to credit exposures classified irregular

Classification	Specific provisions (% of provisioning base)		
	required	established	
		31/12/2001	31/12/2002
Substandard	20.0	20.8	21.4
Doubtful	50.0	52.7	56.8
Loss	100.0	101.3	101.1
Total	x	102.0	101.8

Table 23 Ratio of irregular claims requiring provisions to gross claims on non-financial customers (December 31, 2002)

Date	Ratio of irregular claims requiring provisions to gross claims (%)			
	Total	of which:		
		substandard	doubtful	loss
Banking sector				
31.03.2002	7.9	2.0	1.4	4.5
31.12.2002	10.5	1.8	1.6	7.1
Commercial banks				
31.03.2002	8.4	2.1	1.5	4.8
31.12.2002	10.9	1.9	1.6	7.4
Cooperative banks				
31.03.2002	2.2	0.7	0.3	1.2
31.12.2002	3.8	1.1	0.5	2.1

Table 24 Structure of commercial bank claims on non-financial customers (million zloty)

Period end	Gross claims	Classified satisfactory	Classified special mention	Classified irregular	of which		
					substandard	doubtful	loss
1997	96,412.4	86,252.2	x	10,160.2	3,810.6	1,160.1	5,189.5
1998	123,089.7	109,691.4	x	13,398.3	4,920.9	2,496.0	5,981.4
1999	154,903.8	123,480.2	10,125.3	21,298.3	8,160.4	5,528.1	7,609.8
2000	180,138.4	140,254.5	11,887.1	27,996.8	8,076.1	9,696.0	10,224.7
2001	192,137.6	144,193.6	12,237.4	35,706.6	9,170.8	10,146.4	16,389.4
2002	197,451.3	141,963.2	13,220.9	42,267.2	9,454.3	10,869.9	21,943.0
of which: requiring provisions							
2002	x	x	7,675.7	21,569.7	3,698.9	3,245.4	14,625.4

Table 25 Ratio of irregular claims to gross claims on non-financial customers (%)

Period	Ratio of irregular claims to gross claims (%)			
	Total	of which		
		substandard	doubtful	loss
Banking sector				
1993	30.1	7.3	6.1	16.7
1994	27.9	5.8	5.4	16.7
1995	20.4	5.2	3.4	11.8
1996	12.7	3.9	1.6	7.2
1997	10.2	3.8	1.2	5.2
1998	10.5	3.9	1.9	4.7
1999	13.3	5.1	3.4	4.8
2000	15.0	4.4	5.1	5.5
12.2001	17.9	4.6	5.1	8.2
03.2002	19.3	5.3	5.3	8.7
06.2002	20.3	5.0	5.8	9.5
09.2002	20.8	5.0	5.8	10.0
12.2002	20.5	4.6	5.2	10.7
Commercial banks				
1993	31.0	7.5	6.4	17.1
1994	28.5	5.9	5.7	16.9
1995	20.9	5.4	3.5	12.0
1996	13.2	4.1	1.7	7.4
1997	10.5	3.9	1.2	5.4
1998	10.9	4.0	2.0	4.9
1999	13.7	5.3	3.6	4.8
2000	15.5	4.5	5.4	5.6
12.2001	18.6	4.8	5.3	8.5
03.2002	20.0	5.5	5.5	9.0
06.2002	21.2	5.1	6.1	10.0
09.2002	21.7	5.3	6.0	10.4
12.2002	21.4	4.8	5.5	11.1
Cooperative banks				
1993	24.4	5.5	4.1	14.8
1994	21.3	3.8	2.4	15.1
1995	11.7	1.9	1.1	8.7
1996	5.3	1.2	0.4	3.7
1997	3.7	1.1	0.4	2.2
1998	3.5	1.2	0.5	1.8
1999	3.6	1.4	0.5	1.7
2000	4.5	1.7	0.7	2.1
12.2001	6.2	2.1	1.1	3.0
03.2002	6.5	2.2	1.1	3.2
06.2002	6.5	2.1	1.2	3.2
09.2002	6.7	1.9	1.2	3.6
12.2002	7.2	2.1	1.1	4.0

Table 26 Commercial bank claims on general government sector (December 31, 2002)

	Residents			Non-residents
	Central government institutions	Local government institutions	Social security funds	
	million zloty			
Gross claims of which:	2,773.6	8,887.4	2,431.2	9.8
- loans & advances	2,707.7	8,588.3	2,428.9	9.8
- purchased debt	62.9	299.1	0.0	0.0
Interest receivable	91.0	81.9	4.7	0.0
Total claims	2,864.6	8,969.3	2,435.9	9.8

Table 27 Liabilities of commercial banks to non-financial customers (December 31, 2002)

	Value (million zloty)			Structure (%)
	total	zloty	foreign currency	
Demand deposits:	78,537.6	62,852.9	15,684.6	29.3
- taken from corporates	29,411.4	23,392.3	6,019.1	11.0
- taken from households	46,184.7	36,832.5	9,352.2	17.2
- taken from non-profit institutions serving households	2,941.5	2,628.1	313.3	1.1
Time, assigned and notice deposits	182,619.8	149,355.4	33,264.5	68.2
- taken from corporates	24,399.3	20,569.4	3,829.9	9.1
- taken from households	153,198.6	124,052.4	29,146.2	57.2
- taken from non-profit institutions serving households	5,021.9	4,733.6	288.4	1.9
Due on cash collateral	2,412.7	1,554.0	858.7	0.9
- taken from corporates	1,653.8	1,011.5	642.3	0.6
- taken from households	743.3	532.5	210.8	0.3
- taken from non-profit institutions serving households	15.6	10.0	5.6	0.0
Borrowings from corporates	115.6	115.6	0.0	0.0
Other liabilities	20.8	20.8	0.0	0.0
Interest payable	3,528.2	3,382.8	145.3	1.3
Liabilities in suspense (booked under account no. 291)	484.9	312.3	172.6	0.3
Total liabilities of which:	267,719.6	217,593.8	50,125.8	100.0
- total deposits	261,157.4	212,208.3	48,949.1	97.5
- taken from corporates	53,810.7	43,961.7	9,849.0	20.1
- taken from households	199,383.3	160,884.9	38,498.4	74.4
- taken from non-profit institutions serving households	7,963.4	7,361.7	601.7	3.0

Table 28 Deposits taken from non-financial customers (million zloty)

Period end	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	254,173.2	210,223.9	43,949.3	240,953.6	197,005.4	43,948.2
2001	287,093.6	234,251.3	52,842.3	271,000.4	218,172.0	52,828.4
2002	278,529.2	229,555.0	48,974.2	261,157.4	212,208.3	48,949.1
taken from corporates (non-financial corporations) ^a						
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	55,621.5	46,875.7	8,745.8	53,008.1	44,262.8	8,745.3
2001	65,076.7	52,032.1	13,044.6	61,878.2	48,834.9	13,043.3
2002	54,848.0	44,998.3	9,849.7	53,810.7	43,961.7	9,849.0
taken from persons / households ^a						
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	189,594.8	154,864.8	34,730.0	179,400.1	144,670.6	34,729.5
2001	212,211.8	172,997.4	39,214.4	199,800.4	160,598.3	39,202.1
2002	215,204.9	176,682.5	38,522.4	199,383.3	160,884.9	38,498.4
taken from other customers/ non-profit institutions serving households ^a						
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	8,956.9	8,483.4	473.5	8,545.4	8,072.0	473.4
2001	9,805.1	9,221.8	583.3	9,321.8	8,738.8	583.0
2002	8,476.3	7,874.2	602.1	7,963.4	7,361.7	601.7

^a A new classification by institutional sector came into force as of March 2002

Table 29 Total capital funds of the banks (total core and supplementary capital) (million zloty)

Period end	Commercial banks			Cooperative banks	Banking sector
	total	banks with majority			
		Polish equity	foreign equity		
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	33,838.5	6,347.1	27,491.4	1,599.2	35,437.7
2001	39,954.8	6,366.6	33,588.2	1,927.6	41,882.4
2002	44,984.6	7,956.0	37,028.6	2,269.2	47,253.8

Table 30 Capital base (regulatory capital) of the banks, (million zloty)

Year end	Commercial banks			Cooperative banks	Banking sector
	total	banks with majority			
		Polish equity	foreign equity		
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	1,207.1	25,766.8
2000	29,223.9	4,749.1	24,474.8	1,464.6	30,688.5
2001	35,951.1	5,621.8	30,329.3	1,817.7	37,768.8
2002	38,513.8	6,815.3	31,698.5	2,078.7	40,592.5

Table 31 Risk capital requirements, commercial banks (December 31, 2002)

Risk	No. of banks	Capital requirement	
		million zloty	%
Commercial banks			
Credit risk ^a	59	18,949.0	89.5
Large exposures	7	739.4	3.5
Market risk	32	1,491.4	7.0
of which:			
- foreign exchange risk	18	134.5	0.6
- commodity price risk	0	0.0	0.0
- equity price risk	9	20.9	0.1
of which: specific		10.4	0.1
general		10.4	0.1
- specific risk of debt instruments	17	351.2	1.7
- general interest rate risk	21	551.3	2.6
- settlement/delivery risk & counterparty risk	17	417.7	2.0
- securities underwriting risk	6	15.7	0.1
Overall capital requirement	59	21,179.7	100.0
Banks subject to full capital adequacy regime			
Credit risk ^a	23	16,513.5	91.2
Large exposures	3	113.4	0.6
Market risk	23	1,476.3	8.2
of which:			
- foreign exchange risk	9	119.5	0.7
- commodity price risk	0	0.0	0.0
- equity price risk	9	20.9	0.1
of which: specific		10.4	0.1
general		10.4	0.1
- specific risk of debt instruments	17	351.2	1.9
- general interest rate risk	21	551.3	3.1
- settlement/delivery risk & counterparty risk	17	417.7	2.3
- securities underwriting risk	6	15.7	0.1
Overall capital requirement	23	18,103.2	100.0
Banks subject to simplified capital adequacy regime			
Credit risk	36	2,435.4	79.2
Large exposures	4	626.0	20.4
Market risk	9	15.1	0.5
of which:			
- foreign exchange risk	9	15.1	0.5
- commodity price risk	0	0.0	0.0
- equity price risk	x	x	x
of which: specific	x	x	x
general	x	x	x
- specific risk of debt instruments	x	x	x
- general interest rate risk	x	x	x
- settlement/delivery risk & counter-party risk	x	x	x
- securities underwriting risk	x	x	x
Overall capital requirement	36	3,076.5	100.0

^a At banks subject to the full capital adequacy regime, credit risk refers to the banking book

Table 32 Distribution of commercial banks by risk-based capital ratio⁴⁸

Risk-based capital ratio, %	Number of banks									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
8% and over	69	64	68	73	73	75	68	66	64	54
of which:										
over 30%	24	30	26	24	20	18	17	11	15	12
15% - 30%	26	21	27	21	27	23	28	29	24	23
12% - 15%	4	5	7	15	15	14	9	12	13	8
8% - 12%	15	8	8	13	11	20	14	14	12	11
Under 8%	18	18	13	8	8	8	9	7	5	5
of which:										
2% - 8%	5	2	2	1	2	3	4	6	2	2
0% - 2%	0	1	0	0	0	0	0	0	1	1
under 0%	13	15	11	7	6	5	5	1	2	2
Total	87	82	81	81	81	83	77	73	69	59
Median value	16.5	20.8	18.5	17.5	16.9	15.0	16.6	16.2	16.0	18.1
Arithmetic mean	9.4	11.5	11.5	12.3	12.5	11.7	13.2	12.9	15.1	14.5

Table 33 Distribution of cooperative banks by risk-based capital ratio

Risk-based capital ratio, %	Number of banks									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
2	3	4	5	6	7	8	9	10	11	12
8% and over	1,300	1,188	1,144	1,074	1,119	1,086	738	652	632	594
of which:										
over 30%	125	60	61	22	16	17	21	26	41	37
15% - 30%	788	689	613	380	384	379	267	264	299	281
12% - 15%	205	241	217	267	310	310	205	153	122	127
8% - 12%	182	198	253	405	409	380	245	209	170	149
Under 8%	353	424	366	320	176	103	43	28	10	11
of which:										
2% - 8%	114	94	119	169	120	80	34	24	8	10
0% - 2%	19	21	32	26	17	7	3	0	0	1
under 0%	220	309	215	125	39	16	6	4	2	0
Total	1,653	1,612	1,510	1,394	1,295	1,189	781	680	642	605
Median value	16.2	14.2	14.0	11.7	12.4	12.9	13.5	13.8	15.4	15.5
Arithmetic mean	4.7	2.2	8.4	8.8	11.1	11.8	12.8	12.8	13.9	13.4

⁴⁸ Prior to the introduction of Resolution no. 5/2001 of the Commission for Banking Supervision on the scope and detailed procedures for determining capital requirements (issued on December 12, 2001), the risk-based capital ratio solely took account of a capital requirement against credit risk; as of March 31, 2002, it also takes account of capital requirements against particular types of market risk

Table 34 Off balance sheet commitments, banking sector

		Total banking sector	Commercial banks	Cooperative banks
1	2	3	4	5
OBS commitments at 31/12/2001 (million zloty)				
1	Commitments extended	73,420.0	72,288.2	1,131.8
2	Commitments received	37,228.5	36,924.8	303.7
3	Commitments to purchase and sell	946,479.1	946,395.5	83.5
OBS commitments at 31/12/2002 (million zloty)				
1	Commitments extended	86,731.3	85,435.4	1,295.8
2	Commitments received	47,362.2	46,879.7	482.4
3	Commitments to purchase and sell	1,018,083.4	1,017,913.2	170.3

Table 35 Structure of off balance sheet commitments, commercial banks

1	2	Million zloty		Growth rate
		12/2001	12/2002	12/01=100
		3	4	5
1	Contingent commitments extended of which to:	72,288.2	85,435.4	118.2
	– financial corporations	10,312.1	17,850.7	173.1
	– non-financial customers	58,332.7	63,483.2	108.8
	– government	3,643.4	4,101.5	112.6
2	Commitments to purchase and sell of which:	946,395.5	1,017,913.2	107.6
	– FX	571,200.1	435,766.3	76.3
	– securities	7,492.4	11,247.5	150.1
	– financial instruments	342,085.4	530,539.9	155.1
	– other	25,617.5	40,359.4	157.5

Table 36 Derivatives contracts, commercial banks

1	2	Contract values. million zloty					
		31/12/2001			31/12/2002		
		total	hedging	trading	total	hedging	trading
		3	4	5	6	7	8
1	Total derivatives contracts, of which:	882,651.7	131,549.5	751,102.1	935,881.6	10,983.5	924,898.1
2	Forward-value contracts of which:	844,823.8	129,355.6	715,468.2	889,330.8	9,260.1	880,070.8
	– interest rate contracts	298,168.2	24,092.0	274,076.2	482,607.2	2,625.6	479,981.6
	– FX contracts	545,560.3	104,168.2	441,392.0	405,220.8	6,493.2	398,727.6
	– securities contracts	1,095.4	1,095.4	0.0	1,502.8	141.2	1,361.6
3	Option contracts of which:	35,778.4	2,184.0	33,594.3	43,079.0	1,723.4	41,355.6
	– exchange-traded	169.2	164.0	5.2	882.4	0.0	882.4
	– OTC	35,609.2	2,020.0	33,589.1	42,196.6	1,723.4	40,473.1
4	Other instruments of which:	2,049.5	9.9	2,039.6	3,471.8	0.0	3,471.8
	– exchange-traded	0.0	0.0	0.0	0.0	0.0	0.0
	– OTC	2,049.5	9.9	2,039.6	3,471.8	0.0	3,471.8

Table 37 Total income, expense and earnings at the banks

Period	Commercial banks	Banking sector
Total income (million zloty)		
1993	17,557.5	19,099.9
1994	22,402.0	23,997.3
1995	26,971.7	28,661.8
1996	31,651.9	33,550.6
1997	42,853.1	45,225.6
1998	61,783.2	64,415.7
1999	76,304.0	78,912.9
2000	119,386.2	122,954.8
2001	169,616.9	173,757.5
2002	389,887.6	393,547.6
Total expense (million zloty)		
1993	16,505.2	18,172.9
1994	21,047.0	22,794.5
1995	22,420.7	23,970.2
1996	25,513.8	27,147.6
1997	36,547.1	38,568.9
1998	57,413.0	59,760.3
1999	71,537.4	73,822.9
2000	113,859.2	116,950.2
2001	164,316.5	167,968.6
2002	386,021.6	389,176.7
Pre-tax earnings (million zloty)		
1993	1,052.2	927.0
1994	1,355.0	1,202.8
1995	4,551.0	4,691.6
1996	6,138.2	6,403.0
1997	6,306.0	6,656.7
1998	4,370.3	4,655.4
1999	4,766.5	5,090.0
2000	5,526.9	6,004.6
2001	5,300.4	5,788.9
2002	3,866.0	4,370.9
Net earnings (million zloty)		
1993	-214.4	-401.0
1994	316.7	121.7
1995	2,761.5	2,848.3
1996	4,229.1	4,420.5
1997	4,270.1	4,495.6
1998	1,648.4	1,824.9
1999	2,972.0	3,180.8
2000	3,909.3	4,212.3
2001	3,917.2	4,231.8
2002	2,357.8	2,722.7

Table 38 Profitability (net & pre-tax) and cost/income ratio

Period	Commercial banks	Banking sector
Pre-tax profitability (pre-tax earnings / total expense), %		
1993	6.4	5.1
1994	6.4	5.3
1995	20.3	19.6
1996	24.1	23.6
1997	17.3	17.3
1998	7.6	7.8
1999	6.7	6.9
2000	4.9	5.1
2001	3.2	3.5
2002	1.0	1.1
Net profitability (net earnings / total expense), %		
1993	-1.3	-2.2
1994	1.5	0.5
1995	12.3	11.9
1996	16.6	16.3
1997	11.7	11.7
1998	2.9	3.1
1999	4.2	4.3
2000	3.4	3.6
2001	2.4	2.5
2002	0.6	0.7
Cost/income ratio (total expense / total income), %		
1993	94.0	95.1
1994	94.0	95.0
1995	83.1	83.6
1996	80.6	80.9
1997	85.3	85.3
1998	92.9	92.8
1999	93.8	93.6
2000	95.4	95.1
2001	96.9	96.7
2002	99.0	98.9

Table 39 Key performance indicators, commercial banks⁴⁹

	2001	I-III 2002	I-VI 2002	I-IX 2002	2002 ⁵⁰
Number of banks analysed	65	64	62	61	60
Earning assets / total assets (%)	84.02	85.72	85.53	87.00	86.06
Performing assets / total assets (%)	80.71	82.24	81.71	83.01	82.30
Interest received / average total assets ⁵¹ (%)	12.20	8.36	8.11	7.88	7.62
Interest paid / average total assets (%)	8.71	5.34	4.98	4.72	4.42
Net interest income / average total assets (%)	3.49	3.02	3.13	3.16	3.20
Net income from banking activity ⁵² / average total assets (%)	6.33	5.66	5.97	5.97	5.97
General expense / average total assets (%)	3.67	3.14	3.21	3.26	3.38
Pre-tax earnings / average total assets (%)	1.34	1.67	1.05	1.07	0.88
ROA (net earnings / average total assets, %)	0.99	1.22	0.72	0.72	0.53
ROE (net earnings / average core capital, %) ⁵³	13.10	14.48	8.44	8.40	6.70

Table 40 General expense, commercial banks (per branch / employee), and efficiency per employee

	2001	2002
Occupancy expense per branch (thousand zloty)	689.6	639.3
Other property & equipment expense per branch (thousand zloty)	1,643.1	1,680.7
Personnel expense ⁵⁴ per employee (thousand zloty)	55.5	57.2
Average monthly salary (zloty)	3,814.4	3,926.3
Contributions & payments to Bank Guarantee Fund/pre-tax earnings (%)	2.8	2.3
Pre-tax earnings per employee (thousand zloty)	37.3	28.5
Assets per employee (thousand zloty)	3,157.7	3,276.2

⁴⁹ Data taken from Uniform Bank Performance Reports.

⁵⁰ Including one bank which ceased operating activity on December 1, 2002.

⁵¹ Less outstanding unpaid interest on irregular assets.

⁵² The sum total of: net interest income, net fee income, net FX gains and net income on securities.

⁵³ Figures for 2001 and 2002 excluding banks with negative core capital.

⁵⁴ In addition to salary expense, includes social insurance contributions and other payroll expense.

Table 41 Profit and loss account of the banks (million zloty)

		Commercial banks		Banking sector	
		2001	2002	2001	2002
I	Interest income	48,196.9	33,529.1	51,408.6	36,007.7
II	Interest expense	34,383.2	19,424.9	36,027.2	20,410.1
III	Net interest income (I-II)	13,813.7	14,104.2	15,381.4	15,597.5
IV	Fee income	6,630.0	7,128.0	7,205.3	7,804.1
V	Fee expense	954.4	1,056.9	989.2	1,092.9
VI	Net fee income (IV-V)	5,675.6	6,071.0	6,216.1	6,711.3
VII	Income from equities, other securities & other variable-income financial instruments	536.8	357.3	536.9	362.3
VIII	Net gains (losses) on financial operations	1,681.1	1,580.5	1,680.7	1,642.0
IX	Net FX gains (losses)	5,040.6	4,698.2	5,040.6	4,700.5
X	Net income from banking activity	26,747.7	26,811.1	28,855.7	29,013.6
XI	Other operating income	1,161.0	1,015.4	1,197.1	1,058.1
XII	Other operating expense	761.8	1,111.2	793.8	1,156.8
XIII	General expense	14,544.8	14,850.6	15,909.4	16,289.3
	Salary expense	6,496.9	6,380.8	7,318.7	7,245.0
	Social insurance contributions & other payroll expense	1,384.9	1,366.3	1,583.6	1,566.0
	Other	6,662.9	7,103.5	7,007.2	7,478.3
XIV	Depreciation of fixed assets & amortisation of intangibles	2,002.8	2,061.2	2,103.1	2,173.2
XV	Charges to provisions & valuation allowances	15,378.6	18,580.4	15,836.5	19,086.6
XVI	Release of provisions & valuation allowances	10,079.7	12,642.2	10,378.7	13,004.3
XVII	Net movements in provisions & valuation allowances (XV-XVI), of which:	5,299.0	5,938.2	5,457.8	6,082.3
	- net movements in specific & general provisions	4,977.0	5,843.9	5,135.3	5,981.4
	- net movements in valuation allowances against financial fixed assets	321.9	94.3	322.5	100.8
XVIII	Net operating income (X+XI-XII-XIII-XIV +/-XVII)	5,300.4	3,865.3	5,788.7	4,370.2
XIX	Extraordinary gains (losses)	0.0	0.7	0.1	0.7
XX	Pre-tax earnings (XVIII+/-XIX)	5,300.4	3,866.0	5,788.9	4,370.9
XXI	Corporate income tax	1,386.1	1,501.0	1,559.4	1,640.8
XXII	Other compulsory deductions from profit (increase in loss)	-2.9	7.2	-2.4	7.4
XXIII	Net earnings	3,917.2	2,357.8	4,231.8	2,722.7

Table 42 Cooperative sector as proportion of total banking sector (December 31, 2002)

1	2	Total assets		Total capital funds (core and supplementary capital) ^a		Loans to non-financial customers (less provisions)		Household deposits ^b		Total losses ^c		Net earnings ^d	
		million zloty	%	million zloty	%	million zloty	%	million zloty	%	million zloty	%	million zloty	%
1	Affiliating banks ^e	8,546.7	1.83	460.0	0.97	1,724.1	0.92	834.7	0.39	101.1	3.95	7.0	0.17
2	Total cooperative banks	23,416.3	5.01	2,269.2	4.80	12,177.4	6.48	15,821.6	7.35	21.1	0.83	373.1	9.10
	of which: affiliated to												
3	Bank Polskiej Spoldzielczosci SA	13,260.7	2.84	1,305.0	2.76	6,483.7	3.45	8,897.9	4.13	10.1	0.39	236.6	5.77
4	Gospodarczy Bank Wielkopolski SA	6,287.0	1.35	592.0	1.25	3,640.0	1.94	4,220.9	1.96	6.1	0.24	91.0	2.22
5	Mazowiecki Bank Regionalny SA	3,057.9	0.65	312.1	0.66	1,661.4	0.88	2,140.8	1.00	4.8	0.19	36.9	0.90
6	unaffiliated	810.7	0.17	60.1	0.13	392.3	0.21	562.0	0.26	0.1	0.01	8.6	0.21
7	Cooperative sector ^f	31,963.0	6.84	2,729.2	5.77	13,901.5	7.40	16,656.3	7.74	122.2	4.78	380.1	9.27
8	Banking sector	467,117.8	100.00	47,253.8	100.00	188,048.2	100.00	215,204.9	100.00	2,557.4	100.00	4,100.9	100.00

^a Prior to regulatory deductions

^b Deposits taken from persons, sole proprietors and individual farmers

^c Current period loss, prior period loss and loss pending confirmation

^d Current period

^e Bank Polskiej Spoldzielczosci SA, Gospodarczy Bank Wielkopolski SA & Mazowiecki Bank Regionalny SA

^f Affiliating banks and cooperative banks

Table 43 Polish gross domestic product⁵⁵ and banking sector assets

Year	Gross domestic product			Banking sector assets (period end)		
	million zloty	growth rate ⁵⁶	million euros	million zloty	% of GDP	growth rate ⁵⁷
1	2	3	4	5	6	7
1995	308,103.7	107.0	97,725.7	149,342.2	48.8	112.0
1996	387,826.6	106.0	114,125.7	197,215.2	51.1	111.4
1997	472,350.4	106.8	126,669.0	247,668.9	52.8	111.0
1998	553,560.1	104.8	140,059.3	318,726.8	58.0	118.5
1999	615,115.3	104.1	144,683.3	363,427.4	59.4	103.8
2000	684,981.9	104.0	177,917.4	428,486.3	62.6	108.7
2001	721,575.3	101.0	204,882.4	469,780.4	65.1	105.8
2002	769,400.0	101.3	191,383.5	467,117.8	60.7	99.4

Table 44 Basic financial data on the banks, restated in euros (December 31, 2002)

	Commercial banks	of which:		Cooperative banks	Banking sector
		with majority			
		Polish equity	foreign equity		
	million euros (EUR/PLN = 4.0202)				
2	3	4	5	6	7
Total assets	110,368.0	32,314.3	78,053.7	5,824.7	116,192.7
Loans (less provisions)	43,746.8	10,789.0	32,957.8	3,029.0	46,775.8
Securities (less valuation allowances)	25,838.1	10,152.1	15,686.0	342.1	26,180.2
Deposits taken from non-financial customers	64,961.3	21,905.7	43,055.6	4,321.1	69,282.4
- of which: household deposits	49,595.4	19,454.7	30,140.7	3,935.5	53,530.9
Total capital funds (total core and supplementary capital)	11,189.6	1,979.0	9,210.6	564.5	11,754.1
- of which: core capital	10,448.2	1,842.0	8,606.2	529.2	10,977.4
- of which: authorised capital	2,654.6	636.7	2,017.9	99.0	2,753.6
Capital base (regulatory capital)	9,580.1	1,695.3	7,884.8	517.0	10,097.1
Pre-tax earnings	961.6	320.0	641.6	125.6	1,087.2
Net earnings	586.5	172.7	413.8	90.8	677.3

⁵⁵ Based on GUS figures (adjusted to reflect revised version of national accounts for 1995 and subsequent years).

⁵⁶ In real terms, previous year = 100.

⁵⁷ In real terms, December previous year = 100.

Schedule of banks in Poland (at December 31, 2002)⁵⁸

No.	Bank code	Name of bank
I. Banks under Polish control		
1.1. Banks with a majority public-sector interest ⁵⁹		
- state banks		
1	113	Bank Gospodarstwa Krajowego
- public limited companies directly controlled by the Treasury ⁶⁰		
2	102	PKO Bank Polski SA
3	203	Bank Gospodarki Zywnosciowej SA
- public limited companies indirectly controlled by the Treasury ⁶¹		
4	132	Bank Pocztowy SA
5	137	Bank Inicjatyw Spoleczno-Ekonomicznych SA ⁶²
6	146	Wschodni Bank Cukrownictwa SA
7	154	Bank Ochrony Srodowiska SA
1.2. Banks with a majority private-sector interest		
8	130	Bank Wspolpracy Europejskiej SA
9	147	Bank Spolem SA ⁶³ (as of March 26, 2003 – Euro Bank SA)
10	162	Bank Wschodni SA ⁶⁴
11	168	Invest-Bank SA
- banks affiliating local cooperative banks		
12	161	Gospodarczy Bank Wielkopolski SA ⁶⁵
13	193	Bank Polskiej Spoldzielczosci SA (formerly Gospodarczy Bank Poludniowo-Zachodni SA – until March 12, 2002 ⁶⁶)
14	206	Mazowiecki Bank Regionalny SA

⁵⁸ Excluding NBP, cooperative banks affiliated to affiliating banks, and banks declared bankrupt or under liquidation.

⁵⁹ State banks, and public limited companies where the Treasury holds a total equity interest, directly or indirectly, entitling it to exercise at least 50% + 1 votes at a shareholders' general meeting.

⁶⁰ Public limited companies where the Treasury (represented by the Minister of the Treasury) directly holds a total equity interest entitling it to exercise at least 50% + 1 votes at a shareholders' general meeting.

⁶¹ 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 at least 50% + 1 votes at a shareholders' general meeting.

⁶² Merged with Bank Cukrownictwa Cukrobank SA as of September 30, 2002.

⁶³ On December 23, 2002, Bank Spolem SA took over management of the assets of Bank Wschodni SA.

⁶⁴ The acquisition of Bank Wschodni SA by Bank Spolem SA took place January 7, 2003, and was entered in the business register on January 28.

⁶⁵ Merged with Baltycki Bank Regionalny SA on May 9, 2001, and with Pomorsko-Kujawski Bank Regionalny SA on May 10, 2002.

⁶⁶ Prior to its merger on March 12, 2002, with Bank Unii Gospodarczej SA, Lubelski Bank Regionalny SA, Malopolski Bank Regionalny SA, Rzeszowski Bank Regionalny SA and Warminsko-Mazurski Bank Regionalny SA. In addition, Bank Polskiej Spoldzielczosci SA acquired Dolnoslaski Bank Regionalny SA on July 19, 2002, pursuant to a decision of the Commission for Banking Supervision.

No.	Bank code	Name of bank
II. Banks under foreign control ⁶⁷		
2.1. Branches of foreign banks		
1	184	Societe Generale SA, Branch in Poland
2.2. Public limited companies with 100% foreign equity		
2	134	Dresdner Bank Polska SA
3	158	DaimlerChrysler Services (debis) Bank Polska SA
4	167	ABN AMRO Bank (Polska) SA
5	171	GE Capital Bank SA
6	175	Raiffeisen Bank Polska SA
7	179	Credit Lyonnais Bank Polska SA
8	183	Danske Bank Polska SA
9	185	GE Bank Mieszkaniowy SA
10	186	BNP Paribas Bank Polska SA
11	187	Westdeutsche Landesbank Polska SA (as of January 9, 2003 – WestLB Bank Polska SA)
12	188	Deutsche Bank Polska SA
13	195	GMAC Bank Polska SA
14	200	Rabobank Polska SA
15	207	FCE Bank Polska SA
16	209	Bankgesellschaft Berlin (Polska) SA
17	212	Bank of America (Polska) SA (as of January 31, 2003 – CC-Bank SA)
18	213	Volkswagen Bank Polska SA
19	214	Fiat Bank Polska SA
20	216	Toyota Bank Polska SA
21	219	MHB Bank Polska SA ⁶⁸
22	220	Bank Svenska Handelsbanken (Polska) SA ⁶⁹
23	221	Bank of Tokyo-Mitsubishi (Polska) SA ⁷⁰
2.3. Public limited companies with majority foreign equity		
24	103	Bank Handlowy w Warszawie SA ⁷¹
25	105	ING Bank Slaski SA ⁷²
26	106	Bank Przemyslowo-Handlowy PBK SA ⁷³

⁶⁷ 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, and also branches of foreign banks.

⁶⁸ Authorised on January 18, 2001, and entered in the business register on June 23, this bank commenced operating activity on February 1, 2002.

⁶⁹ Authorised on February 7, 2001, and entered in the business register on April 27, this bank commenced operating activity on October 3.

⁷⁰ Authorised on October 10, 2001, and entered in the business register on November 15, this bank commenced operating activity on April 19, 2002.

⁷¹ Merged with Citibank (Poland) SA on March 1, 2001.

⁷² On October 1, 2001, ING Bank Slaski SA acquired the banking business of ING Warsaw Branch, and on November 9 it acquired Wielkopolski Bank Rolniczy SA (WBR SA), pursuant to a ruling of the Commission for Banking Supervision of August 6, 2001. In the intervening period, the Supervisory Board of WBR SA had petitioned the Chief Administrative Court for the Commission's ruling to be set aside, and it was not until November 9 that this petition was finally dismissed by the Court. The Commission had earlier placed WBR SA under administration.

⁷³ Merged with Powszechny Bank Kredytowy SA on December 31, 2001. Thee two banks began operating as a single institution on January 1, 2002.

No.	Bank code	Name of bank
27	109	Bank Zachodni WBK SA ⁷⁴
28	114	BRE Bank SA
29	116	BIG Bank Gdanski SA ⁷⁵ (as of January 8, 2003 – Bank Millennium SA)
30	124	Bank Polska Kasa Opieki SA
31	144	Nordea Bank Polska SA ⁷⁶
32	150	Kredyt Bank SA
33	152	Bank Przemyslowy SA
34	155	LG Petro Bank SA ⁷⁷
35	160	Fortis Bank Polska SA
36	174	Bank Amerykanski w Polsce SA “AmerBank”
37	191	Deutsche Bank 24 SA
38	196	AIG Bank Polska SA
39	215	Rheinhyp-BRE Bank Hipoteczny SA
2.4. Public limited companies under indirect foreign control		
40	156	Gornoslaski Bank Gospodarczy SA ⁷⁸
41	163	Bank Czestochowa SA ⁷⁹
42	169	Dominet Bank SA ⁸⁰ (formerly Cuprum-Bank SA – until October 4, 2002)
43	189	HypoVereinsbank Bank Hipoteczny SA ⁸¹
44	194	Lukas Bank SA ⁸²
45	218	Slaski Bank Hipoteczny SA ⁸³
III. Banks conducting no operating activities		
1	128	Polski Kredyt Bank SA ⁸⁴
2	140	Bank Rozwoju Budownictwa Mieszkaniowego SA ⁸⁵
3	142	Bank Rozwoju Cukrownictwa SA ⁸⁶
IV. Cooperative banks operating independently ⁸⁷		
1	8000	Spoldzielczy Bank Rozwoju „Samopomoc Chlopska” ⁸⁸
2	8591	Krakowski Bank Spoldzielczy, Cracow

⁷⁴ On June 13, 2001, Wielkopolski Bank Kredytowy SA was merged with Bank Zachodni SA.

⁷⁵ Merged with BIG Bank SA on January 5, 2001.

⁷⁶ Merged with Bank Wlasnosci Pracowniczej – Unibank SA on December 21, 2001.

⁷⁷ Controlled by Nordea Bank Sweden AB (Publ).

⁷⁸ Controlled by HVB via Bank Przemyslowo-Handlowy PBK SA.

⁷⁹ Controlled by Commerzbank AG via BRE Bank SA. Merged with BRE Bank SA on February 28, 2003.

⁸⁰ Controlled by Merrill Lynch Global Emerging Markets Partners LP via Dominet SA.

⁸¹ Controlled by HVB via Bank Przemyslowo-Handlowy PBK SA

⁸² Controlled by Caisse Nationale de Credit Agricole via Lukas SA.

⁸³ Controlled by ING Bank NV via ING Bank Slaski SA.

⁸⁴ Kredyt Bank SA has incorporated the banking business into its own operations and intends to sell the banking licence to another bank.

⁸⁵ On December 1, 2002, the bank transferred the assets and liabilities arising from its operating activity to Bank Gospodarstwa Krajowego.

⁸⁶ On June 1, 2002, the last branch of Bank Rozwoju Cukrownictwa SA was sold to Gospodarczy Bank Wielkopolski SA, which took over services to its customers.

⁸⁷ Not affiliated to other structures.

⁸⁸ Controlled by HVB via Bank Przemyslowo-Handlowy PBK SA.

Appendix 2

Schedule of listed banks (as of December 31, 2002)⁸⁹

No.	Bank code	Name of bank
1	103	Bank Handlowy w Warszawie SA
2	105	ING Bank Slaski SA
3	106	Bank Przemyslowo-Handlowy PBK SA
4	109	Bank Zachodni WBK SA
5	114	BRE Bank SA
6	116	BIG Bank Gdanski SA (as of January 8, 2003 – Bank Millennium SA)
7	124	Bank Polska Kasa Opieki SA
8	144	Nordea Bank Polska SA
9	150	Kredyt Bank SA
10	154	Bank Ochrony Srodowiska SA
11	155	LG Petro Bank SA
12	160	Fortis Bank Polska SA
13	163	Bank Czestochowa SA
14	174	Bank Amerykanski w Polsce SA “AmerBank”
15	191	Deutsche Bank 24 SA

Appendix 3

Schedule of banks with minority foreign equity (as of December 31, 2002)

No.	Bank code	Name of bank
1	137	Bank Inicjatyw Spoleczno-Ekonomicznych SA
2	154	Bank Ochrony Srodowiska SA
3	168	Invest-Bank SA

⁸⁹ Banks admitted for public trading by the Polish Securities and Exchange Commission.

Selected legislation related to the banking sector
(as at December 31, 2002)

I. Acts of parliament & equivalent

1. The Constitution of the Republic of Poland of April 2, 1997 (as published in *Dziennik Ustaw* [the Journal of Laws] no. 78/1997, item 483, with corrigendum in no. 28/2001, item 319).
2. 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* nos. 118/1991, item 512 [single revised text]; 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; 117/1997, 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; 114/2000, item 1193; and 3/2001, item 18).
3. The Act on Arrangement Proceedings of October 24, 1934, issued as an Ordinance of the President of the Republic of Poland (as published and amended in *Dziennik Ustaw* nos. 93/1934, item 836; 38/1950, item 349; 55/1990, item 320; 6/1996, item 43; 43/1996, item 189; 121/1997, item 770; 96/1997, item 592; and 133/1997, item 885).

NB The Bankruptcy and Rehabilitation Act of February 28, 2003, is to take effect on October 1, 2003, repealing the above two laws.
4. The Act on Bills of Exchange of April 28, 1936 (as published in *Dziennik Ustaw* no. 37/1936, item 282).
5. 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).
6. 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; 114/2000, item 1191; 11/2001, item 91; 71/2001, item 733; 113/2001, item 984; 130/2001, item 1450; and 145/2001, item 1638).
7. 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; 99/1999, item 1151; 4/2001, item 27, revised pursuant to ruling of the Constitutional Tribunal of June 29, 2001, ref. K. 23/2000; and 69/2001, item 724).
8. The Act on the Protection of Competition and Consumers of December 15, 2000 (as published and amended in *Dziennik Ustaw* nos. 122/2000, item 1319; 154/2001, item 1800; and 129/2002, item 1102).

9. 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; 70/2000, item 819; 116/2000, item 1216; 37/2001, item 424; 100/2001, item 1084; 25/2002, item 253; and 41/2002, item 365).
10. The Corporate Income Tax Act of February 15, 1992 (as published and amended in *Dziennik Ustaw* nos. 54/2000, item 654 [single revised text]; 60/2000, items 700 & 703; 86/2000, item 958; 103/2000, item 1100; 117/2000, item 1228; 122/2000, item 1324; 106/2001, item 1150; 110/2001, item 1190; 125/2001, item 1364; 24/2002, item 253; 74/2002, item 676; 93/2002, item 820; 141/2002, item 1179; 169/2002, item 1384; 199/2002, item 1672; 200/2002, item 1684; and 230/2002, item 1922).

NB Amendments to the Corporate Income Tax Act took effect on January 1, 2003, pursuant to the Act Amending the Corporate Income Tax Act of July 27, 2002 (as published in Dziennik Ustaw no. 141/2002, item 1179); the Act Amending the Personal Income Tax Act, the Corporate Income Tax Act and the Act on a Flat Rate of Taxation on Certain Income Obtained by Natural Persons of August 30, 2002 (as published in Dziennik Ustaw no. 169/2002, item 1384); the Act on the Inland Water Transport Fund and Reserve Fund of October 28, 2002 (as published in Dziennik Ustaw no. 199/2002, item 1672); and the Act Amending the Corporate Income Tax Act of October 30, 2002 (as published in Dziennik Ustaw no. 200/2002, item 1684).

NB An amendment to the Corporate Income Tax Act took effect on January 8, 2003, pursuant to the Act of December 5, 2002, on Interest Rate Subsidies to Fixed-Rate Housing Loans (as published in Dziennik Ustaw no. 230/2002, item 1922).
11. 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).
12. 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; 29/2000, item 356; and 93/2000, item 1027; 126/2002, items 1068 & 1071; and 129/2002, item 1102).
13. The Accounting Act of September 29, 1994 (as published in *Dziennik Ustaw* no. 76/2002, item 694 [single revised text]).
14. The Act on Certified Auditors and Their Self-Regulatory Body of October 13, 1994 (as published in *Dziennik Ustaw* no. 31/2001, item 359 [single revised text]).
15. The Act on the Bank Guarantee Fund of December 14, 1994 (as published and amended in *Dziennik Ustaw* nos. 9/2000, item 131 [single revised text], 86/2000, item 958; 119/2000, item 1252; and 154/2001, item 1802).
16. 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; 122/2000, item 1315; and 72/2001, items 744 & 746).
17. The Act on Bonds of June 29, 1995 (as published in *Dziennik Ustaw* no. 120/2001, item 1300 [single revised text]).

18. The Act on Certain Forms of Support to Residential Construction of October 26, 1995 (as published and amended in *Dziennik Ustaw* nos. 98/2000, item 1070 [single revised text]; 4/2001, item 27; 16/2001, item 167; and 154/2001, item 1800).
19. The Act on State Assistance in the Repayment of Certain Housing 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; 122/2000, item 1310; 4/2001, item 27; 133/2001, item 1508; and 127/2002, item 1090).
20. The Act on Credit Unions of December 14, 1995 (as published and amended in *Dziennik Ustaw* nos. 1/1996, item 2; 101/1999, item 1178; 8/2001, item 64; and 100/2001, item 1081).
21. The Act on the Amalgamation and Consolidation of Certain Banks Incorporated 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).
22. 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).
23. 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; 86/2000, item 958; 16/2001, item 167; 81/2001, item 876; 25/2002, item 253; and 121/2001, item 1032).
24. 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; 48/2000, item 548; 93/2000, item 1027; 116/2000, item 1216; and 98/2001, item 1071).
25. 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; 114/2000, item 1194; and 1/2002, item 2).
26. The Act on the National Court Register of August 20, 1997 (as published and amended in *Dziennik Ustaw* nos. 17/2001, item 209 [single revised text]; 1/2002, item 3; and 113/2002, item 984).
27. The Act on Public Trading in Securities of August 21, 1997 (as published in *Dziennik Ustaw* no. 49/2002, item 447 [single revised text]).
28. 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 of June 28, 2000, published in no. 53/2000, item 648; 62/2000, item 718; 119/2000, item 1252; 8/2001, item 64; 110/2001, item 1189; 154/2001, items 1784 & 1800; 126/2002, item 1070; and 141/2002, item 1178).
29. The Banking Act of August 29, 1997 (as published and amended in *Dziennik Ustaw* nos. 111/2001, item 1195 [amendment deferred]; 130/2001, item 1450; 72/2002, item 665 [single revised text]; 126/2002, item 1070; 141/2002, item 1178; 144/2002, item 1208; 169/2002, items 1385 & 1387; and 241/2002, item 2074).

NB Amendments to the Banking Act took effect on January 1, 2003, pursuant to the Act Amending the Banking Act and Other Legislation of August 23, 2001 (as published in Dziennik Ustaw no. 111/2001, item 1195); the Act Amending the Taxation Act and Certain Other Legislation of

September 12, 2002 (as published in Dziennik Ustaw no. 169/2002, item 1387); and the Act Amending the Act on the Social Insurance System and Certain Other Legislation of December 18, 2002 (as published in Dziennik Ustaw no. 241/2002, item 2074).

NB An amendment to the Banking Act is to take effect on October 12, 2003, pursuant to the Act on Electronic Payment Instruments of September 12, 2002 (as published in Dziennik Ustaw no. 169/2002, item 1385).

30. 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; 60/2000, item 702; 39/2001, item 459; and 126/2002, item 1070).
31. 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; 116/2000, item 1216; 120/2000, item 1268; 122/2000, item 1315; 16/2001, item 166; 27/2001, item 446; 39/2001, item 459; 42/2001, item 475; 125/2001, item 1368; 130/2001, item 1452; 89/2002, item 804; and 113/2002, item 984).
32. 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).
33. The Foreign Exchange Act of July 27, 2002 (as published in *Dziennik Ustaw* no. 141/2002, item 1178).

NB This Act took effect on October 1, 2002.

34. The Act on Electronic Signatures of September 18, 2001 (as published in *Dziennik Ustaw* no. 130/2001, item 1450).

NB This Act took effect on July 16, 2002, with the exception of Article 4, subparas. 3-6, and Article 11, para. 4, which are to take effect on the day of accession of the Republic of Poland to membership in the European Union.

35. The Consumer Credit Act of July 20, 2001 (as published in *Dziennik Ustaw* no. 100/2001, item 1081).

NB This Act took effect on September 19, 2002.

36. 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; 114/2000, item 1193; 49/2001, item 509; 67/2001, item 679; 102/2001, item 1115; 147/2001, item 1643; 1/2002, item 2; 115/2002, item 995; and 130/2002, item 1112).
37. The Act on the Promulgation of Statutory Instruments and Certain Other Legal Instruments of July 20, 2000 (as published and amended in *Dziennik Ustaw* nos. 62/2000, item 718; 46/2001, item 499; 74/2002, item 676; and 113/2002, 984).
38. The Commercial Company Code of September 15, 2000 (as published and amended in *Dziennik Ustaw* nos. 94/2000, item 1037; and 102/2001, item 1117).
39. The Act on Preventing the Use in Financial Trading of Assets Derived from Illegal or Undisclosed Sources and on Preventing the Financing of Terrorism of November 16, 2000 (as published and amended in *Dziennik Ustaw* nos. 116/2000, item 1216; 63/2001, item 641; 25/2002, item 253; 32/2002, item 299; 41/2002, item 365; 74/2002, item 676; 89/2002, item 804; 141/2002, item 1178; and 189/2002, item 1500).

40. 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).
41. 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).
42. The Act on the Operations of Cooperative Banks, Their Affiliation, and Affiliating Banks of December 7, 2000 (as published and amended in *Dziennik Ustaw* nos. 119/2000, item 1252; 111/2001, item 1195; and 141/2002, item 1178).
43. The Act on Settlement Finality in Payment and Securities Settlement Systems, and on the Principles for Supervision of those Systems of August 24, 2001 (as published in *Dziennik Ustaw* no. 123/2001, item 1351).
44. The Act on Interest Rate Subsidies to Fixed-Rate Export Loans of June 8, 2001 (as published in *Dziennik Ustaw* no. 73/2001, item 762).
45. The Act on Interest Rate Subsidies to Loans Extended to Doctors, Dentists, Nurses, Midwives and Medical Technicians, and on the Forgiving of those Loans of August 24, 2001 (as published and amended in *Dziennik Ustaw* nos. 128/2001, item 1406; and 144/2002, item 1209).
46. The Personal Data Protection Act of August 29, 1997 (as published in *Dziennik Ustaw* no. 101/2002, item 926 [single revised text]).
47. The Act on the Consequences of the Introduction of the Single Currency, the Euro, in Certain European Union Member States of May 25, 2001 (as published and amended in *Dziennik Ustaw* nos. 63/2001, item 640; and 141/2002, item 1178).
48. The Act on Administrative Debt Collection Procedures of June 17, 1966 (as published and amended in *Dziennik Ustaw* nos. 110/2002, item 968 [single revised text]; 113/2002, item 984; 127/2002, item 1090; and 141/2002, item 1178).
49. The Public Finance Act of November 26, 1998 (as published and amended in *Dziennik Ustaw* nos. 155/1998, item 1014; 38/1999, item 360; 49/1999, item 485; 70/1999, item 778; 110/1999, item 1255; 6/2000, item 69; 12/2000, item 136; 48/2000, item 550; 95/2000, item 1041; 119/2000, item 1251; 122/2000, item 1315; 45/2001, item 497; 46/2001, item 499; 98/2001, item 1070; 102/2001, item 1116; 125/2001, item 1368; 145/2001, item 1623; 41/2002, items 363 & 365; 74/2002, item 676; 156/2002, item 1300; 113/2002, item 984; 200/2002, item 1685; and 213/2002, item 1802).
50. The Code of Civil Procedure of November 17, 1964 (as published and amended in *Dziennik Ustaw* nos. 43/1964, item 296; 15/1965, item 113; 27/1974, item 157; 39/1974, item 231; 45/1975, item 234; 11/1982, item 82; 30/1982, item 210; 5/1983, item 33; 45/1984, items 241 & 242; 20/1985, item 86; 21/1987, item 123; 41/1988, item 324; 4/1989, item 21; 33/1989, item 175; 14/1990, item 88; 34/1990, item 198; 53/1990, item 306; 55/1990, item 318; 79/1990, item 464; 7/1991, item 24; 22/1991, item 92; 115/1991, item 496; 12/1993, item 53; 105/1994, item 509; 83/1995, item 417; 24/1996, item 110; 43/1996, item 189; 73/1996, item 350; 149/1996, item 703; 43/1997, item 270; 54/1997, item 348; 75/1997, item 471; 102/1997, item 643; 117/1997, item 752; 121/1997, items 769 & 770; 133/1997, item 882; 139/1997, item 934; 140/1997, item 940; 141/1997, item 944; 106/1998, item 668; 117/1998, item 757; 52/1999, item 532; 22/2000, items 269 & 271; 48/2000, items 552 & 554; 55/2000, item 665; 73/2000, item 852; 99/2000, item 1037; 114/2000, item 1191 & 1193; 122/2000, items 1314, 1319 & 1322; 4/2001, item 27; 49/2001, item 508; 63/2001, item 635; 98/2001, items 1069, 1070 & 1071; 123/2001, item 1353; 125/2001, item 1368; 138/2001, item 1546; 25/2002, item 253; 26/2002, item 265; 74/2002, item 676; 84/2002,

item 764; 126/2002, items 1069 & 1070; 129/2002, item 1102; 153/2002, item 1271; and 219/2002, item 1849).

NB An amendment to the Code of Civil Procedure took effect on January 15, 2003, pursuant to the Act amending the Act on Housing Cooperatives and Certain Other Legislation of December 19, 2002 (as published in Dziennik Ustaw no. 240/2002, item 2058), while another amendment to the Code of Civil Procedure took effect on February 10, 2003, pursuant to the Act on the Provision of Legal Assistance in the Republic of Poland by Foreign Lawyers of July 5, 2002 (as published in Dziennik Ustaw no. 126/2002, item 1069).

51. The Act of December 5, 2002, on Interest Rate Subsidies to Fixed-Rate Housing Loans (as published in Dziennik Ustaw no. 230/2002, item 1922)

NB The above Act took effect on January 8, 2003.

52. The Act on Electronic Payment Instruments of September 12, 2002 (as published in Dziennik Ustaw no. 169/2002, item 1385).

NB This Act is to take effect on October 12, 2003 (with the exception of provisions concerning electronic money institutions, which are to take effect on the day of accession of the Republic of Poland to membership in the European Union).

II. Selected implementing legislation

1. 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* [the Official Gazette of the NBP] no. 14/1998, item 29).
2. Regulation no. 2/98 of the Commission for Banking Supervision on reporting requirements concerning balances on savings-and-loan accounts, home 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).
3. 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).
4. 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).

5. 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).

NB The Act Amending the Act on Mortgage Bonds and Mortgage Banks and Certain Other Legislation of July 5, 2002 (as published in Dziennik Ustaw no. 126/2002, item 1070) took effect on September 9, 2002, revoking Article 17, para. 2, of the Act on Mortgage Bonds and Mortgage Banks of August 29, 1997, which had provided the legal basis for issuing the above resolution; the resolution was thus rendered void.

6. 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).

NB This Resolution was rendered void on January 7, 2002, in accordance with an amendment to Article 32 of the Banking Act performed pursuant to the Act Amending the Banking Act and Other Legislation of August 23, 2001 (as published in Dziennik Ustaw no. 111/2001, item 1195).

7. 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).

NB This Resolution was rendered void on January 7, 2002, in accordance with an amendment to Article 32 of the Banking Act performed pursuant to the Act Amending the Banking Act and Other Legislation of August 23, 2001 (as published in Dziennik Ustaw no. 111/2001, item 1195).

8. 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 and amended in *Dziennik Urzędowy NBP* nos. 15/2000, item 27; and 22/2001, item 43).

NB This Resolution was rendered void (with the exception of §9, para. 2) on January 1, 2002, due to the taking effect of Resolution no. 5/2001 of the Commission for Banking Supervision on the scope and detailed procedures for determining capital requirements against particular risks, including breaches of large exposure limits, on the manner and detailed procedures for calculating a bank's risk-based capital ratio, taking account of the bank's links with subsidiary undertakings or other undertakings belonging to the same group of companies, and on the specification of additional items of bank balance sheets included together with the capital base in calculating capital adequacy, and the scope and method of determining such items, December 12, 2001 (as published in Dziennik Urzędowy NBP no. 22/2001, item 43).

9. Resolution no. 4/2001 of the Commission for Banking Supervision on the procedure to be applied by the Commission as an institution collaborating with the General Inspector of Financial Information, August 6, 2001 (as published in *Dziennik Urzędowy NBP* no. 11/2001, item 24).

10. Resolution no. 5/2001 of the Commission for Banking Supervision on the scope and detailed procedures for determining capital requirements against particular risks, including breaches of large exposure limits, on the manner and detailed procedures for calculating a bank's risk-based

capital ratio, taking account of the bank's links with subsidiary undertakings or other undertakings belonging to the same group of companies, and on the specification of additional items of bank balance sheets included together with the capital base in calculating capital adequacy, and the scope and method of determining such items, December 12, 2001 (as published in *Dziennik Urzędowy NBP* no. 22/2001, item 43, with corrigendum in no. 4/2002, item 8).

11. Resolution no. 6/2001 of the Commission for Banking Supervision on detailed procedures for determining the capital base of banks belonging to banking groups for the purpose of applying the standards and limits stipulated in the Banking Act, on the level and detailed scope of deductions from a bank's core capital and the conditions for such deduction, on other items of bank balance sheets to be included in supplementary capital, the level thereof and the conditions for such inclusion, on other deductions from a bank's capital base, the level thereof and the conditions for such deduction, and on the consideration to be given to a bank's links with subsidiary undertakings or other undertakings belonging to the same group of companies in determining the method used to calculate the capital base, December 12, 2001 (as published in *Dziennik Urzędowy NBP* no. 22/2001, item 44)
12. Resolution no. 7/2001 of the Commission for Banking Supervision on the detailed procedures and conditions for including claims and extended off balance sheet commitments in determining compliance with large exposure limits, on the specification of other claims and extended off balance sheet commitments exempt from the provisions concerning large exposure limits, and on the consideration to be given to a bank's links with subsidiary undertakings or other undertakings belonging to the same group of companies in calculating large exposures, December 12, 2001 (as published in *Dziennik Urzędowy NBP* no. 22/2001, item 45).
13. Resolution no. 8/2001 of the Commission for Banking Supervision on the amount of the additional portion of members' commitments at cooperative banks that may be included in the capital base of those banks, and the procedures and conditions for such inclusion, December 12, 2001 (as published in *Dziennik Urzędowy NBP* no. 22/2001, item 46).

*NB Until January 7, 2002, the relevant regulation in force had been Resolution no. 12/98 of the Commission for Banking Supervision on the amount of the additional portion of members' commitments at cooperative banks that may be included in the supplementary capital of those banks, and the procedures and conditions for such inclusion, December 2, 1998 (as published in *Dziennik Urzędowy NBP* no. 26/1998, item 60).*

14. Resolution No. 1/2002 of the Commission for Banking Supervision on the list of documents to be appended to applications to the Commission for Banking Supervision for authorisation to establish a bank, and to applications for approval for the appointment of members of the bank's management board, and on the information on the composition of the management board submitted to the Commission for Banking Supervision by the bank's supervisory board, January 10, 2002 (as published in *Dziennik Urzędowy NBP* no. 1/2002, item 1, with corrigendum in no. 2/2002, item 4).
15. Resolution No. 4/2002 of the Commission for Banking Supervision on procedures for the performance of banking supervision, March 6, 2002 (as published in *Dziennik Urzędowy NBP* no. 6/2002, item 10).

NB Until March 30, 2002, the relevant regulation in force had been 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. 2/1999, item 3; 14/1999, item 22; 25/1999, item 42; 12/2000, item 19; 6/2001, item 13; 11/2001, item 23; and 4/2002, item 6).

16. Resolution No. 5/2002 of the Commission for Banking Supervision specifying a model collateral register for mortgage bonds, November 18, 2002 (as published in *Dziennik Urzędowy NBP* no. 18/2002, item 45).

NB Until November 28, 2002, the relevant regulation in force had been 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).

17. 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).

NB A section of this Resolution was rendered void on January 7, 2002, as it was in conflict with the Banking Act of August 29, 1997 (as published in Dziennik Ustaw no. 72/2002, item 665), under the wording imparted by Article 1, subpara. 27, of the Act Amending the Banking Act and Other Legislation of August 23, 2001.

18. Regulation no. 8/2001 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 27, 2001 (as published and amended in *Dziennik Urzędowy NBP* nos. 10/2001, item 22; and 13/2002, item 35).
19. Regulation no. 6/2000 of the President of the NBP on methods of performing interbank settlements, April 6, 2000 (as published and amended in *Dziennik Urzędowy NBP* nos. 7/2000, item 12; 21/2001, item 41; and 18/2002, item 48).
20. Regulation no. 12/97 of the President of the NBP on the scope of information to be submitted by the banks for utilisation by the Bank Guarantee Fund, December 29, 1997 (as published in *Dziennik Urzędowy NBP* no. 21/1997, item 42).

NB A new regulation, the Regulation of the President of the NBP on the scope of information to be submitted by the banks for utilisation by the Bank Guarantee Fund, December 11, 2002 (as published in Dziennik Urzędowy NBP no. 20/2002, item 53), took effect on January 4, 2003.

21. Regulation no. 5/2002 of the President of the NBP on the method of numbering bank accounts operated at the banks, May 6, 2002 (as published in *Dziennik Urzędowy NBP* no. 8/2002, item 26).

22. Regulation no. 7/2002 of the President of the NBP on the method of numbering banks and their establishments, May 24, 2002 (as published in *Dziennik Urzędowy NBP* no. 8/2002, item 27).
23. 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).
24. Resolution no. 64/2001 of the NBP Management Board on the principles and procedures for banks calculating and maintaining regulatory required reserves, December 21, 2001 (as published and amended in *Dziennik Urzędowy NBP* nos. 23/2001, item 50; 6/2002, item 11; 8/2002, item 24; and 12/2002, item 32).
25. 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).
26. Resolution no. 28/1999 of the NBP Management Board adopting “Regulations for the operation of Treasury bill accounts and deposits at the National Bank of Poland”, August 27, 1999 (as published and amended in *Dziennik Urzędowy NBP* nos. 18/1999, item 28; 8/2002, item 18; and 13/2002, item 33).
27. Resolution no. 29/1999 of the NBP Management Board on the operation of the Central Treasury Bill Register, August 27, 1999 (as published and amended in *Dziennik Urzędowy NBP* nos. 18/1999, item 29; and 8/2002, item 19).
28. Resolution no. 3/2002 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, February 15, 2002 (as published and amended in *Dziennik Urzędowy NBP* nos. 5/2002, item 9, with corrigendum in no. 7/2002, item 15; 8/2002, item 25; and 13/2002, item 34).

*NB Until March 31, 2002, the relevant regulation in force had been 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).*

29. Resolution no. 36/28/PPK/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 and amended in *Dziennik Urzędowy NBP* nos. 15/1999, item 23; with corrigendum in no. 18/1999, item 30; and 7/2002, item 14).

30. Resolution No. 5/6/PPK/2002 of the NBP Management Board on the issue by the National Bank of Poland of bonds to be exchanged for part of the bonds acquired by banks in connection with the lowering of the regulatory reserve ratio, February 8, 2002 (as published in *Dziennik Urzędowy NBP* no. 3/2002, item 5).
31. 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 and amended in *Dziennik Urzędowy NBP* nos. 5/2000, item 8; 15/2001, item 30; and 8/2002, item 21).
32. 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; 16/2000, item 29; 18/2001, item 37; and 19/2002, item 49).
33. Resolution no. 6/2000 of the NBP Management Board adopting “Regulations for outright sales of Treasury securities to the banks and the purchase from the banks of such securities by the National Bank of Poland at tender”, February 25, 2000 (as published and amended in *Dziennik Urzędowy NBP* nos. 3/2000, item 6; and 8/2002, item 20).
34. Resolution no. 35/1999 of the NBP Management Board adopting “Regulations for the performance of payment orders and cheque transactions in international settlements, and for the purchase and sale of foreign currencies for holders of bank accounts at the National Bank of Poland”, October 29, 1999 (as published and amended in *Dziennik Urzędowy NBP* nos. 20/1999, item 34; 1/2001, item 1; 23/2001, item 49; and 14/2002, item 38).
35. Resolution no. 12/2001 of the NBP Management Board establishing a ceiling on the liabilities due on borrowings by the National Bank of Poland at international banking and financial institutions, September 25, 2001 (as published in *Dziennik Urzędowy NBP* no. 16/2001, item 32).
36. Resolution no. 57/2001 of the NBP Management Board adopting “Regulations for intraday refinancing provided to the banks by the National Bank of Poland”, November 22, 2001 (as published and amended in *Dziennik Urzędowy NBP* nos. 19/2001, item 38; and 8/2002, item 23).
37. Resolution no. 35/2000 of the NBP Management Board on the issue of money market bills by the National Bank of Poland and on trading in those bills, November 24, 2000 (as published and amended in *Dziennik Urzędowy NBP* nos. 15/2000, item 28; 5/2001, item 12; 4/2002, item 7; and 8/2002, item 22).
38. Resolution no. 51/2002 of the NBP Management Board on the method of calculating and publishing current exchange rates for foreign currencies, September 23, 2002 (as published in *Dziennik Urzędowy NBP* no. 14/2002, item 39).

*NB Until October 1, 2002, the relevant regulation in force had been Resolution No. 27/1999 of the NBP Management Board on the publication of exchange rates for the zloty against foreign currencies, July 23, 1999 (as published and amended in *Dziennik Urzędowy NBP* nos. 16/1999, item 26; 6/2000, item 10; and 8/2001, item 17).*

39. Resolution no. 20/2001 of the Monetary Policy Council on the regulatory reserve ratio for banks, December 19, 2001 (as published in *Dziennik Urzędowy NBP* no. 23/2001, item 48).
40. Resolution no. 19/2002 of the Monetary Policy Council on the rediscount rate, the refinance rate and the rate on time deposits at the National Bank of Poland, November 27, 2002 (as published in *Dziennik Urzędowy NBP* no. 18/2002, item 47).
41. Resolution no. 1/2002 of the Monetary Policy Council on procedures for the conduct of open market operations, January 29, 2002 (as published in *Dziennik Urzędowy NBP* no. 2/2002, item 2).

NB Until January 31, 2002, the relevant regulation in force had been Resolution no. 18/2001 of the Monetary Policy Council on procedures for the conduct of open market operations, November 28, 2001 (as published in Dziennik Urzędowy NBP no. 20/2001, item 40)

42. Resolution of the Monetary Policy Council on the medium-term monetary policy strategy for the years 1999-2003, September 23, 1998 (as published in *Monitor Polski* no. 36/1998, item 500).
43. Resolution of the Monetary Policy Council establishing monetary policy guidelines for the year 2002, September 26, 2001 (as published and amended in *Monitor Polski* nos. 34/2001, item 562; and 30/2002, item 483).
44. Resolution of the Monetary Policy Council establishing monetary policy guidelines for the year 2003, September 25, 2002 (as published in *Monitor Polski* no. 45/2002, item 678, with corrigendum in no. 50/2002, item 727).

NB This Resolution took effect on January 1, 2003.

45. Ordinance of the Council of Ministers on the detailed principles, scope and procedures for the provision of interest rate subsidies to loans for agricultural purposes, February 21, 1995 (as published and amended in *Dziennik Ustaw* nos. 19/1995, item 92; 3/1996, item 18; 52/1996, item 229; 36/1997, item 219; 82/1997, item 519; 97/1997, item 597; 105/1997, item 665; 144/1997, item 964; 12/1999, item 97; 53/1999, item 550; 64/1999, item 733; 92/1999, item 1048; 86/2001, item 950; and 46/2002, item 428).
46. Ordinance of the Council of Ministers on the detailed principles, scope and procedures for the provision of interest rate subsidies to bank loans for the purchase and storage of stocks of marine fish, March 21, 1995 (as published and amended in *Dziennik Ustaw* nos. 34/1995, item 167; 24/1997, item 122; 25/1998, item 133; 8/2000, item 87; and 120/2000, item 1286).
47. Ordinance of the Council of Ministers on the detailed principles, scope and procedures for the provision of interest rate subsidies to bank loans extended to finance export contracts, June 13, 1995 (as published in *Dziennik Ustaw* no. 83/1995, item 421).

48. 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).

NB On August 12, 2002, this Ordinance was repealed pursuant to a ruling of the Constitutional Tribunal of November 13, 2001, ref. K. 16/2001.

49. 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).

50. Ordinance of the Council of Ministers on state assistance in the repayment of certain housing loans taken out prior to March 31, 1996, dated February 27, 1996 (as published in *Dziennik Ustaw* no. 27/1996, item 121).

51. 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 1046).

52. 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).

53. Ordinance of the Council of Ministers on the implementation of certain provisions of the Act on Interest Rate Subsidies to Fixed-Rate Export Loans, December 12, 2001 (as published in *Dziennik Ustaw* no. 153/2001, item 1750).

54. Ordinance of the Council of Ministers on the 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).

*NB On April 2, 2002, this Ordinance was repealed (indirectly) by Article 114 of the Act on the Protection of Competition and Consumers of December 15, 2000 (as published in *Dziennik Ustaw* no. 122/2000, item 1319).*

55. Ordinance of the Council of Ministers on the incorporation of the state bank Powszechna Kasa Oszczednosci Bank Panstwowy as a public limited company wholly owned by the Treasury, trading under the name "Powszechna Kasa Oszczednosci Bank Polski Spolka Akcyjna", January 18, 2000 (as published in *Dziennik Ustaw* no. 5/2000, item 55, with corrigendum in no. 8/2000, item 115).

56. Ordinance of the Council of Ministers on conditions and procedures for extending loans and advances funded by the National Housing Fund, and on certain requirements concerning premises and buildings financed with the aid of such loans and advances, July 4, 2000 (as published and amended in *Dziennik Ustaw* nos. 62/2000, item 719; 116/2001, item 1234; and 154/2001, item 1806).

57. 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 method of determining the interest payable on the interest so redeemed, September 25, 2001 (as published in *Dziennik Ustaw* no. 120/2001, item 1279, subsequently amended by no. 127/2002, item 1090).

NB A section of this Ordinance was rendered void on August 12, 2000, as it was in conflict with Article 9, para. 2, of the Act on State Assistance in the Repayment of Certain Housing Loans and the Reimbursement of Banks for Guarantee Premiums Disbursed and on Amendments to Certain Legislation of November 30, 1995 (as published in Dziennik Ustaw no. 5/1996, item 32), under the wording imparted by Article 1, subpara. 11a, of the Act Amending the Act on State Assistance in the Repayment of Certain Housing Loans and the Reimbursement of Banks for Guarantee Premiums Disbursed and on Amendments to Certain Legislation of July 27, 2002 (as published in Dziennik Ustaw no. 127/2002, item 1090).

58. 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 and amended in *Dziennik Ustaw* nos. 64/2000, item 749; and 120/2001, item 1280, subsequently amended by no. 127/2002, item 1090).

NB A section of this Ordinance was rendered void on August 12, 2000, as it was in conflict with Article 10b, para. 1, of the Act on State Assistance in the Repayment of Certain Housing Loans and the Reimbursement of Banks for Guarantee Premiums Disbursed and on Amendments to Certain Legislation of November 30, 1995 (as published in Dziennik Ustaw no. 5/1996, item 32), under the wording imparted by Article 1, subpara. 13a, of the Act Amending the Act on State Assistance in the Repayment of Certain Housing Loans and the Reimbursement of Banks for Guarantee Premiums Disbursed and on Amendments to Certain Legislation of July 27, 2002 (as published in Dziennik Ustaw no. 127/2002, item 1090).

59. Ordinance of the Council of Ministers specifying the detailed principles for the organisational and financial separation of the brokerage business conducted by a bank, November 24, 1998 (as published in *Dziennik Ustaw* no. 146/1998, item 950).

60. Ordinance of the Council of Ministers on the procedures and operating conditions applicable to brokerage houses and banks conducting brokerage activity, and to banks operating securities accounts, September 3, 2002 (as published in *Dziennik Ustaw* no. 165/2002, item 1354).

NB Until October 19, 2002, the relevant regulation in force had been the Ordinance of the Council of Ministers on the procedures and operating conditions applicable to brokerage houses and banks conducting brokerage activity, and to banks operating securities accounts, December 22, 1998 (as published in Dziennik Ustaw no. 163/1998, item 1159).

61. Ordinance of the Council of Ministers specifying the reporting requirements of brokerage houses and banks conducting brokerage activity in terms of their intermediation in the acquisition and disposal of securities traded on foreign regulated markets, November 24, 1998 (as published in *Dziennik Ustaw* no. 146/1998, item 949).
62. 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).
63. Ordinance of the Council of Ministers specifying the scope, procedures, format and time frames for the submission of information by certain undertakings conducting brokerage activity and operating securities accounts, January 22, 2002 (as published and amended in *Dziennik Ustaw* nos. 38/2002, item 354; and 231/2002, item 1949).
64. Ordinance of the Council of Ministers specifying the minimum dedicated capital to be assigned by a bank to the conduct of brokerage activity, contingent on the scale of that activity, July 17, 2001 (as published in *Dziennik Ustaw* no. 84/2001, item 910).
65. Ordinance of the Council of Ministers specifying the scope of information to be included in applications for approval for the acquisition of a qualifying holding of shares in a public company or of depositary receipts issued in connection with such shares, July 17, 2001 (as published in *Dziennik Ustaw* no. 86/2001, item 940).
66. Ordinance of the Council of Ministers on the detailed principles, scope and procedures for the provision of interest rate subsidies to bank loans extended to finance activities related to corporate restructuring in the textile, clothing and footwear industries, October 17, 2001 (as published in *Dziennik Ustaw* no. 128/2001, item 1411)..
67. Ordinance of the Council of Ministers on the procedures and conditions for settlements with the banks on Treasury guarantees for the repayment of certain housing loans, July 24, 2001 (as published in *Dziennik Ustaw* no. 85/2001, item 928).
68. Ordinance of the Council of Ministers on the detailed principles and procedures for suspending the repayment of loans and advances by persons fulfilling the general obligation of defence of the Republic of Poland and by members of their families, August 14, 2001 (as published in *Dziennik Ustaw* no. 90/2001, item 998).
69. Ordinance of the Minister of Finance on the establishment of a model bank chart of accounts, December 12, 2001 (as published in *Dziennik Ustaw* no. 152/2001, item 1727).
70. Ordinance of the Minister of Finance on detailed bank accounting principles, December 10, 2001 (as published and amended in *Dziennik Ustaw* nos. 149/2001, item 1673; and 157/2002, item 1314).

71. Ordinance of the Minister of Finance on procedures for the compilation of the consolidated accounts of banks and the consolidated accounts of financial groups, December 12, 2001 (as published in *Dziennik Ustaw* no. 152/2001, item 1728).
72. Ordinance of the Minister of Finance on procedures for the performance by the National Bank of Poland of the controls specified in the Foreign Exchange Act, September 3, 2002 (as published in *Dziennik Ustaw* no. 154/2002, item 1275).

NB Until October 1, 2002, the relevant regulation in force had been the 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).
73. Ordinance of the Minister of Finance on procedures for establishing specific provisions against the risk of banking operations, December 10, 2001 (as published and amended in *Dziennik Ustaw* nos. 149/2001, item 1672; and 31/2002, item 288).
74. Ordinance of the Minister of Finance on detailed accounting principles for brokerage houses and establishments of banks engaged in the conduct of brokerage activity, January 18, 2001 (as published in *Dziennik Ustaw* no. 153/2001, item 1753)
75. Ordinance of the Minister of Finance on interest rate subsidies to business development loans extended to companies in the defence industry, March 5, 2001 (as published in *Dziennik Ustaw* no. 43/2001, item 480).
76. Ordinance of the Minister of Finance on the principles and procedure for the placing of cash deposits at a banking institution by a legal guardian on behalf of their ward, June 5, 2001 (as published in *Dziennik Ustaw* no. 64/2001, item 649).
77. Ordinance of the Minister of Finance on the procedure for notifying offices of banks, postal and telecommunications establishments and other offices of the halting of payments from a savings deposit subject to a garnishee order, June 25, 2001 (as published in *Dziennik Ustaw* no. 71/2001, item 739).
78. Ordinance of the Minister of Finance specifying a model transactions register, the method of maintaining such a register, and the procedure for providing data from this register to the General Inspector of Financial Information, September 21, 2001 (as published and amended in *Dziennik Ustaw* nos. 113/2001, item 1210; and 32/2002, item 308).
79. Ordinance of the Minister of Finance on the method of calculating funding costs and adoption of short-term market interest rates for particular currencies, the procedures for employing fixed rates of interest, and the specification of fee and commission schedules applied by Bank Gospodarstwa Krajowego during the tenor of DOKE agreements [agreements on interest rate subsidies to export loans], December 12, 2001 (as published in *Dziennik Ustaw* no. 153/2001, item 1751).
80. Ordinance of the Minister of Finance on the spread applicable to export loans included in the DOKE programme, November 7, 2001 (as published in *Dziennik Ustaw* no. 135/2001, item 1517).

81. Ordinance of the Minister of Finance on the information that should be included in an application for a commitment to conclude a DOKE agreement, and on the documents to be appended to such application, November 7, 2001 (as published in *Dziennik Ustaw* no. 135/2001, item 1518).
82. Ordinance of the Minister of Finance on the procedure for banks providing notification of a bank account having been subject to a garnishee order under administrative debt collection proceedings, April 30, 2002 (as published in *Dziennik Ustaw* no. 50/2002, item 454).

NB Until May 23, 2002, the relevant regulation in force had been the Ordinance of the Minister of Finance on notification of a garnishee order on a savings deposit account, June 6, 2001 (as published in Dziennik Ustaw no. 64/2001, item 650).
83. Ordinance of the Minister of Finance on the disbursement of subsidies funded by the National Housing Fund, June 10, 2002 (as published in *Dziennik Ustaw* no. 81/2002, item 734).
84. Ordinance of the Minister of the Treasury conferring the articles of association of Bank Gospodarstwa Krajowego, February 23, 1999 (as published and amended in *Dziennik Ustaw* nos. 21/1999, item 188; 107/2000, item 1140; and 73/2001, item 776).
85. Ordinance of the Minister of Justice specifying reduced court fees and exemptions from such fees in cases involving the securing of claims arising on loans, cash advances, guarantees and endorsements extended by banks, June 30, 1998 (as published in *Dziennik Ustaw* no. 87/1998, item 554).
86. 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).
87. Ordinance of the Minister of Internal Affairs and Administration on the procedure and conditions for seconding employees to the office of the General Inspectorate of Financial Information from establishments and bodies responsible to the Minister with responsibility for internal affairs, October 17, 2001 (as published in *Dziennik Ustaw* no. 131/2001, item 1470).
88. Ordinance of the Minister of Internal Affairs and Administration on the detailed principles and requirements that should be observed in securing notes and coin stored and transported by businesses and other establishments, October 14, 1998 (as published and amended in *Dziennik Ustaw* nos. 129/1998, item 858; and 17/2000, item 221).
89. Ordinance of the Minister of National Education on the principles for the conclusion between Bank Gospodarstwa Krajowego and the banks of agreements specifying the procedures for utilising financing from the Student Loan and Advance Fund, September 29, 1998 (as published in *Dziennik Ustaw* no. 126/1998, item 834).
90. Ordinance of the Minister of National Education on the detailed principles, procedures and criteria for the extension, repayment and forgiveness of student loans and student advances, on the amount of student loans and student advances, on the conditions and procedures for settlements involving payment of the interest due to banks on student loans, and on the interest rates applicable to

student loans and advances repayable by the borrower concerned, September 30, 1998 (as published and amended in *Dziennik Ustaw* nos. 126/1998, item 835; 139/1998, item 899; 80/1999, item 907; 81/2000, item 908; 101/2001, item 1096; and 160/2002, item 1322).

91. Resolution no. 61/37/G/2001 of the Management Board of the Bank Guarantee Fund establishing a specimen format for the schedule of depositors to be drawn up by a trustee in bankruptcy, July 5, 2001 (as published in *Biuletyn Bankowego Funduszu Gwarancyjnego* [the Bulletin of the Bank Guarantee Fund] no. 3/2001).
92. 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* nos. 1/1999 [single revised text]; and 3/1999).
93. 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 deposit protection scheme for funds held on bank accounts, November 20, 1997 (as published in *Biuletyn Bankowego Funduszu Gwarancyjnego* no. 4/2002 [single revised text]).
94. Resolution no. 32/2001 of the Supervisory Board of the Bank Guarantee Fund establishing the percentage rate applicable in 2002 to the guaranteed deposit protection fund established by institutions included in the compulsory deposit protection scheme, November 22, 2001 (as published in *Biuletyn Bankowego Funduszu Gwarancyjnego* no. 4/2001).
95. Resolution no. 33/2001 of the Supervisory Board of the Bank Guarantee Fund establishing the percentage rate applicable in 2002 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 22, 2001 (as published in *Biuletyn Bankowego Funduszu Gwarancyjnego* no. 4/2001).
96. Resolution no. 15/2001 of the Supervisory Board of the Bank Guarantee Fund specifying the methods, procedure and detailed conditions for the provision of repayable financial assistance to cooperative banks from the cooperative bank restructuring fund, May 8, 2001 (as published in *Biuletyn Bankowego Funduszu Gwarancyjnego* no. 2/2001).
97. Resolution no. 23/2002 of the Supervisory Board of the Bank Guarantee Fund establishing the percentage rate applicable in 2003 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 28, 2002 (as published in *Biuletyn Bankowego Funduszu Gwarancyjnego* no. 4/2002).
98. Resolution no. 24/2002 of the Supervisory Board of the Bank Guarantee Fund establishing the percentage rate applicable in 2003 to the guaranteed deposit protection fund established by institutions included in the compulsory deposit protection scheme, November 28, 2002 (as published in *Biuletyn Bankowego Funduszu Gwarancyjnego* no. 4/2002).

III. Prudential recommendations

1. Prudential recommendation A on the management of the risk arising on banks entering into transactions on the market for derivative instruments, 2002.
2. Prudential recommendation B on the control of banks' capital investment risk, 2002.
3. Prudential recommendation C on the management of large exposure risk, 2002.
4. Prudential recommendation D on the management of IT and telecommunications risk at banks, 2002.
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).

NB On February 5, 2003, the Commission for Banking Supervision adopted a new Recommendation F, on the basic criteria applied by the Commission for Banking Supervision in approving the policies issued by mortgage banks for determining the mortgage lending value of real estate.
6. Prudential recommendation G on the management of interest rate risk at banks, 2002.
7. Prudential recommendation H on bank internal controls and audit, 2002.
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, 2002.
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).
10. Prudential Recommendation K on the principles for the maintenance by mortgage banks of collateral accounts for mortgage bonds and projections of those accounts, October 10, 2001 (covering letter of 11/X/2001, ref. NB-BASB-IV-523-723/01).
11. Prudential Recommendation L on the role of external auditors in contributing to the process of bank supervision, November 7, 2001 (covering letter of 26/XI/2001, ref. NB-BI-I-020-1-495/01).
12. Prudential recommendation P on bank liquidity monitoring systems, 2002.