

Consolidated Financial Statements
of Pekao SA Capital Group
as of 31 December 1999,
prepared in accordance
with the Polish Accounting Standards
Opinion of the Auditor

REGISTERED AUDITOR'S OPINION to the shareholders of Bank Polska Kasa Opieki SA

We have audited the financial statements of the Bank Polska Kasa Opieki SA Group (the Group), which are attached to this opinion and comprise:

- (a) the introduction;
- (b) the consolidated balance sheet as at 31 December 1999, showing total assets and total liabilities and equity of PLN 60,075,102 thousand;
- (c) the consolidated income statement for the year ended 31 December 1999, showing a net profit of PLN 171,515 thousand;
- (d) the consolidated cash flow statement for the year ended 31 December 1999 showing a decrease in cash and cash equivalents of PLN 3,656,029 thousand;
- (e) the statement of changes in consolidated equity for the year ended 31 December 1999;
- (f) off-balance sheet liabilities amounting to PLN 19,930,484 thousand;
- (g) notes to the financial statements.

and the consolidation schedules forming the basis of their preparation.

The preparation of the consolidated financial statements and the Directors' Report is the responsibility of the Management Board of the parent company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the following regulations applicable in the Republic of Poland:

- (a) the provisions of chapter 7 of the Accounting Act of 29 September 1994 (Journal of Laws No. 121 item 591 with subsequent amendments) to the extent that they relate to the annual audit of consolidated financial statements;
- (b) auditing standards issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the consolidated financial statements are free of material misstatements or omissions. The audit included examining, on a test basis, accounting documents and entries, amounts and disclosures in the consolidated financial statements. The audit also included an assessment of the accounting policies employed by the Group and consideration of significant estimates made during the preparation of the consolidated financial statements as well as an overall assessment of their presentation. We believe that our audit provided a reasonable basis for our audit opinion.

Moreover, we noted that the information presented in the Directors' Report for the year ended 31 December 1999 is consistent with the information presented in audited financial statements.

In our opinion, the attached consolidated financial statements have been prepared, in all material respects, on the basis of properly prepared consolidation schedules and in accordance with consistently applied provisions of the Accounting Act, Resolution No. 1/98 of the Banking Supervision Commission on specific accounting policies for banks and the preparation of notes to the financial statements, Resolution No. 2/98 of the Banking Supervision Commission on specific principles for the preparation of consolidated financial statements by banks, the Decree of the Minister of Finance dated 19 November 1999 on the scope of information to be disclosed in the consolidated financial statements of issuers of securities admitted for public trading or seeking admission for public trading, the Decree of the Minister of Finance dated 19 November 1999 on the scope of additional information to be disclosed in the entity and consolidated financial statements of banks issuing securities admitted for public trading or seeking such admission, and the Decree of the Minister of Finance dated 22 December 1998 on the type, form, scope and frequency of publication of current and periodic information by issuers of securities admitted for public trading.

The consolidation schedules and the consolidated financial statements have been prepared on the basis of the financial statements of the entities forming the Group, with the application of uniform accounting policies and valuation methods.

The form and contents of the consolidated financial statements comply with relevant laws. They present clearly all information necessary to evaluate the profitability of the Group.

In our opinion the attached consolidated financial statements give, in all material respects, a true and fair view of the financial position of the Group as at 31 December 1999 and its financial result for the year then ended.

Without qualifying our opinion as to the truth and fairness of the consolidated financial statements of the Group, we draw attention to the following facts:

- (a) The portfolio of securities held by Bank Polska Kasa Opieki SA includes restructuring bonds issued by the Minister of Finance, with a carrying value of PLN 996,366 thousand as at 31 December 1999 and Polish Treasury bonds denominated in USD with a carrying value of PLN 4,466,351 thousand as at 31 December 1999, which at the date of our audit opinion were not publicly traded.

In the opinion of the Management Board of Pekao SA, the value of the aforementioned securities, which form a part of the long-term investment portfolio and generate secure income, is not less than the amounts disclosed in the Bank's accounting records.

REGISTERED AUDITOR'S OPINION
to the shareholders of Bank Polska Kasa Opieki SA (cont'd)

- (b) The securities portfolio includes bonds issued by the National Bank of Poland (the NBP) with a carrying value PLN 2,211,987 thousand. They have been acquired in accordance with Resolution No. 36/28/PPK/1999 of the Management Board of NBP dated 25 June 1999 regarding the issue of bonds to banks in connection with the reduction of obligatory reserve rates. These bonds, due to their specific nature, are not transferable, and are stated at their carrying value.
- (c) On 6 August 1997, the President of the NBP issued Decree No. 4/97 amending the decree on specific accounting policies for banks and the preparation of notes to financial statements, whereby the accruals basis replaced the formerly applied cash basis for the recognition of interest income on loans (classified as normal) granted for government central investment projects. The Group adopted the aforementioned Decree from 1 January 1997. The President of the NBP in the aforementioned Decree instructed that capitalised interest income accrued in prior years and included in the balance sheet as deferred income may be included in the financial result to the extent corresponding to the costs incurred in relation to re-financing loans for these government central investment loans. Accordingly, the Group continues to show in the balance sheet interest capitalised in prior years. The excess of income over costs amounted to PLN 485,857 thousand at 31 December 1999. After taking into account the effect of corporate income tax, the net profit suspended in the balance sheet of the Group amounts to PLN 340,100 thousand with the consequence that the net assets of the Group are understated by this amount.

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

Antoni F. Reczek
President of the Management Board

PricewaterhouseCoopers Sp. z o.o.

Registered Auditor No. C11/503

Registered Audit Company No. 144

Warsaw, 31 March 2000

1. BANK PEKAO SA CONSOLIDATED BALANCE SHEET

	Note	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
ASSETS			
I. Cash and balances with the Central Bank	1	1,792,652	5,479,284
II. Debt securities eligible for rediscount at the Central Bank		48,558	10,502
III. Amounts due from other financial institutions	2	4,488,001	4,307,932
IV. Amounts due from clients and public sector entities	3	26,678,147	21,532,669
V. Amounts due from non-consolidated subsidiaries and associated companies	2,3	157,786	525,904
VI. Amounts due from subsidiaries and associated companies consolidated by the equity accounting method	2,3	534,246	823,356
VII. Amounts due from reverse repo transactions	4	10,094	44,830
VIII. Debt securities	5, 11	20,668,777	16,233,686
IX. Shares in non-consolidated subsidiaries and associated companies	6, 8, 11	70,477	203,021
X. Shares in subsidiaries and associated companies consolidated using the equity accounting method.	7, 8, 11	333,532	177,851
XI. Shares in other entities	9, 11	245,338	351,693
XII. Other securities	10, 11	15,500	14,302
XIII. Intangible assets	12	142,438	127,303
XIV. Tangible fixed assets	13	2,116,641	1,582,590
XV. Other assets	14	492,513	784,239
XVI. Prepayments and accrued income	15	2,280,402	2,403,257
TOTAL ASSETS		60,075,102	54,602,419
LIABILITIES AND EQUITY			
I. Amounts due to Central Bank		4,651,811	4,926,744
II. Amounts due to other financial institutions	16	1,476,476	1,678,559
III. Amounts due to clients and public sector entities	17	44,959,102	38,921,947
IV. Amounts due to non-consolidated subsidiaries and associated companies	16,17	13,953	30,098
V. Amounts due to subsidiaries and associated companies consolidated by equity accounting method	16,17	178,836	82,009
VI. Liabilities arising from repo transactions with securities	18	92,551	-
VII. Liabilities arising from the issue of own securities	19	51,339	17,073
VIII. Special funds and other liabilities	20	431,054	1,153,970
IX. Accruals and deferred income	21	3,961,114	3,870,153
X. Provisions	22	348,891	208,095
XI. Subordinated liabilities		-	-
XII. Minority interests		-	-
XIII. Negative goodwill	23	46,118	646,067
XIV. Share capital	24	145,340	145,340
XV. Supplementary capital	25	506,965	415,275
XVI. Revaluation reserve		158,651	92,180
XVII. Other reserve capital	26	2,584,522	1,895,626
XVIII. Foreign exchange differences on foreign branches		(964)	(1,015)
XIX. Foreign exchange differences on consolidation		-	-
XX. Retained profit (uncovered loss) from previous years	27	297,828	-
XXI. Net profit		171,515	520,298
TOTAL LIABILITIES AND EQUITY		60,075,102	54,602,419
Net book value (in ths PLN)		3,909,975	3,713,771
Number of shares		145,340,000	145,340,000
Net book value per share (in PLN)	28	26.90	25.55
Diluted number of shares		-	-
Diluted book value per share (in PLN)		-	-

	Note	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
OFF-BALANCE SHEET ITEMS			
I. Contingent liabilities		12,300,803	11,700,517
1. Liabilities granted:		6,425,984	5,185,674
a) financing		5,631,592	4,476,002
b) guarantees	29	794,392	709,672
2. Liabilities received:		5,874,819	6,514,843
a) financing		6,776	5,373
b) guarantees		5,868,043	6,509,470
II. Liabilities arising from sale/purchase transactions		1,733,523	2,282,305
III. Others, including:		5,896,158	5,917,255
- securities transactions		232,182	72,682
- transactions with financial instruments		401,221	170,512
- deposit transactions		407,719	1,733,450
- other		4,855,036	3,940,611
TOTAL OFF-BALANCE SHEET ITEMS		19,930,484	19,900,077

2. CONSOLIDATED INCOME STATEMENT

	Note	For the period from 01.01.1999 to 31.12.1999 PLN '000	For the period from 01.01.1998 to 31.12.1998 PLN '000
I. Interest income	30	5,354,692	5,909,093
II. Interest expense	31	(3,311,095)	(3,975,596)
III. Net interest income (I - II)		2,043,597	1,933,497
IV. Commission income	32	934,038	763,644
V. Commission expense		(100,531)	(96,313)
VI. Net commission income (IV - V)		833,507	667,331
VII. Income from shares and other securities	33	5,270	32,969
VIII. Profit on financial operations	34	20,919	43,158
IX. Foreign exchange result		325,371	268,468
X. Result on banking activities		3,228,664	2,945,423
XI. Other operating income	35	305,323	100,963
XII. Other operating expenses	36	(78,431)	(81,763)
XIII. Overhead costs	37	(2,052,807)	(1,761,926)
XIV. Depreciation and amortisation		(347,677)	(187,457)
XV. Provisions created	38	(1,208,497)	(805,246)
XVI. Release of provisions	39	558,237	519,098
XVII. Net provisions (XV - XVI)		(650,260)	(286,148)
XVIII. Operating profit		404,812	729,092
XIX. Net extraordinary gains (losses)		415	678
1. Extraordinary gains		3,196	1,683
2. Extraordinary costs		(2,781)	(1,005)
XX. Amortisation of goodwill		-	-
XXI. Amortisation of negative goodwill		8,454	235,452
XXII. Profit (loss) before taxation		413,681	965,222
XXIII. Income tax	40	(188,287)	(442,051)
XXIV. Share of net profit (loss) of associated companies consolidated under the equity accounting method		(53,879)	(2,873)
XXV. Minority interests		-	-
XXVI. Net profit		171,515	520,298
Weighted average number of ordinary shares		145,340,000	141,495,000
Net profit (loss) per share (in PLN)	41	1.18	3.68

3. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
I. Consolidated equity at the beginning of the period	3,067,704	2,276,834
II. Share capital at the beginning of the period	145,340	137,650
Increase of share issues	-	7,690
III. Share capital at the end of the period	145,340	145,340
IV. Supplementary capital at the beginning of the period	415,275	45,000
increase due to share premium	-	338,360
increase due to appropriation of profits:	91,690	31,915
appropriation of profit	4,631	31,915
transfer from negative goodwill	87,059	-
V. Supplementary capital at the end of the period	506,965	415,275
VI. Revaluation reserve at the beginning of the period	92,180	92,045
increase due to sale and liquidation of fixed assets	-	135
transfer from negative goodwill	66,567	-
decrease due to sale and liquidation of fixed assets	(96)	-
VII. Revaluation reserve at the end of the period	158,651	92,180
VIII. General Banking Risk Fund at the beginning of the period	210,320	158,013
increase due to appropriation of profits	46,344	210,660
decrease due to:	-	-
a) transfer to other reserve capital	-	(129,663)
b) transfer to liabilities to State Treasury	-	(28,350)
c) other	-	(340)
IX. General Banking Risk Fund at the end of the period	256,664	210,320
X. Other reserve capital at the beginning of the period	1,685,306	1,019,660
increase due to:	-	-
a) appropriation of profit	164,259	491,759
b) transfer from General Banking Risk Fund	-	129,663
c) release of provisions previously created from restructuring fund	7,364	22,257
d) net assets of entities consolidated using the equity accounting method	-	22,707
e) transfer from negative goodwill	488,642	-
f) other	15,196	-
decrease due to:	-	-
a) settlement of investments from previous years	(1,015)	(454)
b) sale and liquidation of fixed assets	-	(135)
c) share in net assets of companies consolidated for the first time (acquisition method)	(11,108)	-
d) share of net assets of companies consolidated for the first time (equity method)	(5,956)	-
e) other	(14,830)	(151)
XI. Other reserve capital at the end of the period	2,327,858	1,685,306
XII. Foreign exchange differences from retranslation of foreign branches	(964)	(1,015)
XIII. Unappropriated profit from previous years at the beginning of the period	-	824,949
unappropriated profit of previous year	297,828	-
decrease due to:	-	-
a) appropriation to supplementary capital	-	(31,915)
b) appropriation to General Banking Risk Fund	-	(210,660)
c) appropriation to other reserve capital	-	(491,759)
d) appropriation to employee fund	-	(90,615)
XIV. Unappropriated profit from previous years at the end of the period	297,828	-
XV. Net profit	171,515	520,298
XVI. Consolidated equity at the end of the period	3,863,857	3,067,704

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	For the period from 01.01.1999 to 31.12.1999 PLN '000	For the period from 01.01.1998 to 31.12.1998 PLN '000
A. CASH FLOWS FROM OPERATING ACTIVITIES (I +/- II) - indirect method	(2,569,328)	3,281,074
I. Net profit (loss)	171,515	520,298
II. Total adjustments for:	(2,740,843)	2,760,776
1. Minority interests	-	-
2. Share of (profit) loss of associated companies consolidated by equity accounting method	53,879	2,873
3. Amortisation (including amortisation of goodwill and negative goodwill)	341,605	(38,164)
4. Foreign exchange differences	(325,371)	(268,468)
5. Interests and dividends	(3,277)	(2,114)
6. (Profit) loss on investing activities	2,707	(1,165)
7. Change in other provisions	146,807	(11,371)
8. Taxation charge	188,287	442,051
9. Corporate income tax paid	(193,053)	(462,265)
10. Change in debt securities	(4,546,982)	(60,722)
11. Change in amounts due from other financial institutions	419,418	533,431
12. Change in amounts due from clients and public sector entities	(5,057,134)	(2,566,171)
13. Change in receivables from reverse repo transactions	34,736	1,294,587
14. Change in other securities	212,639	(224,443)
15. Change in amounts due to financial institutions	(385,772)	(1,747,025)
16. Change in amounts due to clients and public sector entities	6,026,594	5,960,205
17. Change in liabilities arising from repo transactions	92,551	(19,999)
18. Change in liabilities arising from own securities issued	34,266	(20,028)
19. Change in other liabilities	(321,929)	(459,393)
20. Change in prepayments and accruals	122,854	160,712
21. Change in deferred income	90,961	(20,223)
22. Other adjustments	325,371	268,468
B. NET CASH FLOWS FROM INVESTING ACTIVITIES (I-II)	(1,086,701)	(903,110)
I. Proceeds from investing activities	3,823,009	9,792,849
1. Sale of intangible assets	62	13,772
2. Sale of tangible fixed assets	46,894	550,685
3. Sale of shares in subsidiaries	620,732	51,800
4. Sale of shares in associated companies	32,013	79,194
5. Sale of shares in parent entity	-	-
6. Sale of other shares and securities (including trading shares and securities)	3,120,031	9,095,284
7. Other proceeds	3,277	2,114
II. Expenditure on investing activities	(4,909,710)	(10,695,959)
1. Purchase of intangible assets	(25,767)	(53,348)
2. Purchase of tangible fixed assets	(587,283)	(930,215)
3. Purchase of shares in subsidiaries	(456,632)	(45,653)
4. Purchase of shares in associated companies	(212,101)	(8,639)
5. Purchase of shares in parent entity	-	-
6. Purchase of other shares and securities (including trading shares and securities)	(3,627,927)	(9,658,104)
7. Purchase of own shares for resale	-	-
8. Other expenditure	-	-

	For the period from 01.01.1999 to 31.12.1999 PLN '000	For the period from 01.01.1998 to 31.12.1998 PLN '000
C. NET CASH FLOWS FROM FINANCING ACTIVITIES (I-II)	-	256,226
I. Proceeds from financing activities	-	346,050
1. Long-term bank loans received	-	-
2. Long-term loans received from other financial institutions	-	-
3. Issue of bonds and other debt securities to other financial institutions	-	-
4. Increase in subordinated liabilities	-	-
5. Proceeds from share issues	-	346,050
6. Contributions to capital received	-	-
7. Other proceeds	-	-
II. Expenditures on financing activities	-	(89,824)
1. Repayment of long-term bank loans	-	-
2. Repayment of long-term loans from other financial institutions	-	-
3. Redemption of bonds and other securities from other financial institutions	-	-
4. Decrease in subordinated liabilities	-	-
5. Share issue expenses	-	-
6. Redemption of shares	-	-
7. Dividends and other amounts paid to shareholders	-	-
8. Amounts paid to the Management and Supervisory Boards as an appropriation of net profit	-	-
9. Donations	-	-
10. Dividends paid to minority shareholders	-	-
11. Repayment of principal amounts under finance lease agreements	-	-
12. Other expenses	-	(89,824)
D. TOTAL NET CASH FLOWS (A+/-B+/-C)	(3,656,029)	2,634,190
E. CHANGE IN CASH AND CASH EQUIVALENTS	(3,656,029)	2,634,190
- including foreign exchange differences	-	-
F. CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE REPORTING PERIOD	5,726,909	3,092,719
G. CASH AND CASH EQUIVALENTS AS AT THE END OF THE REPORTING PERIOD (F+/- D)	2,070,880	5,726,909

5. INTRODUCTION

Bank Polska Kasa Opieki Spółka Akcyjna („the Bank”) is one of the oldest Polish Banks. It is a joint stock company operating on the basis of the Commercial Code, the Banking Law, other relevant Polish legislation and its articles of association. It was entered into the Commercial Register maintained by the Warsaw Regional Court on 29 October 1929 and has operated without interruption until the present day. It is now registered in the Commercial Register (reference RHB 13482) maintained by the Warsaw District Court (XVI Registration Section).

1. The activities of the Bank - parent company

The Bank is a universal commercial bank offering a wide range of banking services to both corporate customers and private individuals. Its operations are performed in both Polish Zloty and foreign currencies, in Poland and abroad. The Bank is also an active participant in both domestic and foreign financial markets. Under the European Classification of Business Activities the Bank's major activity is: „other currency agency services” (6512).

The Bank's performs the following activities both domestically and internationally:

- 1) acceptance of demand and term deposits,
- 2) maintenance of other bank accounts,
- 3) granting bank loans,
- 4) financial settlements in all forms recognised in both domestic and foreign banking environments,
- 5) performing cheque and bill of exchange operations,
- 6) accepting and placing deposits in Polish and foreign banks,
- 7) granting bank guarantees,
- 8) engaging in foreign currency operations in accordance with relevant permits issued by the President of the National Bank of Poland,
- 9) servicing of issues of government securities and provision of fund management services,
- 10) the issue of own securities, trading in such securities and maintaining securities deposit accounts,
- 11) performing services on behalf of third parties in relation to securities issues,
- 12) safekeeping of valuable items, documents and securities and provision of safe deposit boxes,
- 13) organisation and participation in banking consortia,
- 14) trading in receivables,
- 15) engaging in futures, forwards and similar transactions,
- 16) provision of custodial services,
- 17) issuing bank debit cards and servicing related operations,
- 18) running a home loans and savings society,
- 19) offering financial advisory and consultancy services,
- 20) taking up or acquiring shares and related rights in entities other than banks and acquiring participation units in trust funds,
- 21) entering into commitments related to the issue of securities,
- 22) trading in securities,
- 23) participation (on terms and conditions agreed upon with the debtor) in debt for asset swaps,
- 24) trading in property and receivables secured on property,
- 25) trading in derivatives on its own account and on behalf of third parties ,
- 26) engagement in sales agency activities and providing depository services in accordance with the provisions of the Act on Formation and Operation of Pension Funds,
- 27) management and provision of leasing and factoring services,
- 28) providing agency services with regard to sale of participation units or investment certificates as defined by the Investment Fund Act,
- 29) engagement in insurance agency activities,
- 30) services related to the safe transportation of cash, securities and valuables.

2. Group structure

At the end of 1999 the Bank Pekao SA Group comprised the parent company and 53 subsidiary and associated companies. Analysis of Group structure (excluding Bank Pekao SA):

	31.12.1999 Number	31.12.1998 Number
Subsidiary companies:		
- consolidated	15	6
- not consolidated	12	29
Total	27	35
Associated companies:		
- consolidated	7	3
- not consolidated	19	17
Total	26	20
Total	53	55

In 1999, the number of companies forming part of the Group changed in comparison with 1998 due to the following reasons:

- 1) merger of four banks, i.e. Pekao SA, BDK S.A., PBKS S.A. and PBG S.A. which used to be members of the Pekao SA Banking Group to form Bank Pekao SA,
- 2) sale of shares of 8 companies,
- 3) liquidation of 4 companies,
- 4) purchase of shares in 4 companies,
- 5) extension of the Group by shareholdings in 8 companies included in the assets of companies which were consolidated using the acquisition accounting method for the first time, comprising: 1 subsidiary and 7 associated companies,
- 6) an increase resulting from the reclassification of shares of two companies from the investment portfolio and a decrease due to reclassification of shares to the investment portfolio.

The following companies were consolidated at 31 December 1999:

Name of company	Activity	Shareholding held by Bank Pekao SA	Status	Consolidation method
Bank Pekao SA	Banking	-	Parent	-
Bank Depozytowo-Kredytowy Ukraina Ltd., Łuck (BDK Ukraine)	Banking	100.00%	Subsidiary	acquisition accounting
Bank Pekao Tel Aviv Ltd. (Pekao Tel Aviv)	Banking	99.99%	Subsidiary	acquisition accounting
Centralny Dom Maklerski Pekao SA (CDM SA)	Brokerage	100.00%	Subsidiary	acquisition accounting
Pekao Faktoring Sp. z o.o	Finance	100.00%	Subsidiary	acquisition accounting
Pekao Fundusz Kapitałowy Sp. z o.o.	Finance	100.00%	Subsidiary	acquisition accounting
PBG Leasing Sp. z o.o	Leasing	100.00%	Subsidiary	acquisition accounting
Pekao Leasing Sp. z o.o.	Leasing	100.00%	Subsidiary	acquisition accounting
Przedsiębiorstwo Zarządzania Nieruchomościami Sp. z o.o. (PZN)	Property management	85.05%	Subsidiary	acquisition accounting
MHB Mitteleuropäische Handelsbank AG Deutsch- Polnische Bank	Banking	29.99%	Associate	equity
Bank Handlowy International SA Luxembourg	Banking	23.20%	Associate	equity
Pekao Financial Services Sp. z o.o.	Finance	100.00%	Subsidiary	equity
Pekao/Alliance PTE SA	Finance	51.00%	Subsidiary	equity

Pekao/Alliance Towarzystwo Funduszy Inwestycyjnych S.A.	Finance	51.00%	Subsidiary	equity
BDK-Daewoo Leasing Sp. z o.o.	Leasing	50.00%	Associate	equity
Trinity Management Sp. z o.o.	Financial consultancy	50.00%	Associate	equity
3 NFI S.A.	Investment fund	32.00%	Associate	equity
XI NFI S.A.	Investment fund	32.00%	Associate	equity
Pekao Informatyka Sp. z o.o.	IT services	100.00%	Subsidiary	equity
Pekao Development Sp. z o.o.	Real estate management	100.00%	Subsidiary	equity
Pekao Trading Company (Canada) Ltd.	Sales agency	100.00%	Subsidiary	equity
Pekao Trading Corporation	Sales agency	100.00%	Subsidiary	equity
Centrozap S.A.	Trade	25.23%	Associate	equity

In comparison to the consolidated financial statements at 31 December 1998:

- 1) the following companies were not consolidated at 31 December 1999:
 - a) the former subsidiary banks i.e.: Pomorski Bank Kredytowy S.A. - Grupa Pekao S.A., Bank Depozytowo-Kredytowy S.A. - Grupa Pekao S.A. and Powszechny Bank Gospodarczy S.A. - Grupa Pekao S.A. which were merged with Bank Pekao SA on 1 January 1999,
 - b) Build Ship Sp. z o.o. - which is in the process of liquidation.
- 2) the following companies were consolidated for the first time:
 - a) under the acquisition accounting method:

BDK Ukraina Ltd., Pekao Tel Aviv Ltd. (change of consolidation method from equity accounting), PBG Leasing Sp. z o.o., Pekao Faktoring Sp. z o.o., Pekao Fundusz Kapitalowy Sp. z o.o., Pekao Leasing Sp. z o.o. and PZN Sp. z o.o.
 - b) under the equity method:

Pekao/Alliance P.T.E. S.A., Pekao/Alliance Towarzystwo Funduszy Inwestycyjnych S.A., Pekao Development Sp. z o.o., Pekao Financial Services Sp. z o.o., Pekao Informatyka Sp. z o.o., Pekao Trading Company (Canada) Ltd., Pekao Trading Corporation, 3 NFI S.A., XI NFI S.A., BDK Daewoo Leasing Sp. z o.o. and Trinity Management Sp. z o.o.

In 1999, following the decision of the State Treasury to sell shareholdings in the Bank to a consortium of UniCredito Italiano (50.09%) and Allianz (2.0%), Bank Pekao SA became part of the UniCredito Italiano Group. As a subsidiary, it is obliged to prepare consolidated financial statements in accordance with the requirements of its holding company. In order to meet the requirements of UniCredito Italiano the list of subsidiaries and associates, which are consolidated as part of the Bank Pekao SA Group members has been widened.

The subsidiaries and associated companies covered by consolidation comprise companies involved in banking and finance activities, have an influence on widening the product range of the Bank or which provide services to the Bank.

The Bank has not consolidated companies, which have not yet commenced operations, whose scale of operations is immaterial in relation to the activities of the Bank or which are designated for sale or liquidation.

3. Accounting policies applied and changes

- 1) The consolidated financial statements of the Group have been prepared in accordance with the following:
 - The Accounting Law dated 29 September 1994 (as amended),
 - The Banking Law dated 29 August 1997 (as amended),
 - Resolution No. 2/98 of the Banking Supervision Commission dated 3 June 1998 concerning the preparation of consolidated financial statements by Banks,
 - The Decree of the Council of Ministers dated 22 December 1998 concerning the nature, form, scope and frequency of periodic information to be published by issuers of securities admitted to public trading,
 - The Decree of the Council of Ministers dated 22 December 1998 concerning the requirements to be fulfilled by a share issue prospectus, short form (mini) share issue prospectus, information memorandum and short form (mini) information memorandum,
 - The Decree of the Council of Ministers dated 19 November 1999 regarding the scope of information to be presented in the financial statements and consolidated financial statements of Banks whose securities have been admitted to public trading (or which have applied for such admittance),
 - Decree No. 13/98 of the Banking Supervision Commission dated 22 December 1998 regarding the creation of provisions for banking risk,
 - The Decree of the Minister of Finance dated 17 January 1997 regarding the amortisation and depreciation of intangible and tangible fixed assets respectively (with amendments).
 - Guidance issued by the Polish Securities and Exchange Commission on 23 February 2000 regarding the publication of information relating to differences between Polish Accounting Standards and IAS/US GAAP.
- 2) All accounting records are maintained under the historical cost convention, with the exception of tangible fixed assets, which are revalued periodically in accordance with the Accounting Act.
- 3) Consolidation methodology

The consolidation was prepared, using both the acquisition and equity accounting methods, on the basis of the financial statements of the parent, subsidiary and associated companies for the year ended 31 December 1999.

The financial statements of companies based in other countries are prepared on the basis of the accounting regulations applicable in those countries. There are no significant differences between the accounting policies applied by those companies and the accounting policies applied by the parent company.

Subsidiary companies that were acquired with the intention of exercising continuous influence over their activities, or render services to the Bank were consolidated using the acquisition accounting method.

Under the acquisition accounting method, a consolidated balance sheet is prepared by adding the respective assets and liabilities of the parent company and the subsidiaries in full. The cost of acquisition of subsidiary entities and their share capital are eliminated on consolidation. After the addition of the respective balance sheet items, other consolidation eliminations and adjustments are made.

Under the acquisition accounting method, a consolidated profit and loss statement is prepared by adding the incomes and expenditures of the parent company and subsidiaries. These items are added in full. After the addition of the respective incomes and expenditures, necessary consolidation eliminations and adjustments are made.

The net assets of a subsidiary company are determined at the date that it is acquired by the Bank. In accordance with β 10.1 of Resolution No. 2/98 of the Banking Supervision Commission the market value of the net assets of subsidiary companies is taken to be equal to their book value. The resulting negative goodwill is amortised to the profit and loss account over a period of 5 years commencing from the month following acquisition. The value of negative goodwill is separately disclosed in the consolidated balance sheet.

Associated companies and subsidiary companies with dissimilar activities to the parent company are consolidated using the equity accounting method.

The Group's interest in associated companies at the date that the exercise of significant influence commences is calculated as the share of the parent company in the net assets of those companies. The resulting negative goodwill on consolidation is treated in the same manner as that arising on the consolidation of subsidiary companies by the acquisition accounting method.

In contrast to the acquisition accounting method the assets, liabilities, incomes and expenditures of companies consolidated using the equity accounting method are not added to the respective items of the parent company and acquisition accounted subsidiary companies.

In these financial statements, goodwill has been determined in relation to two National Investments Fund, 3 NFI S.A. and XI NFI S.A., over which it commenced exercising significant influence in 1999.

The book value of the net assets of the companies acquired as a result of the merger on

1 January 1999 has been assumed to equal their market value. In the case of companies established in 1999 the book value of the shareholding equalled the share of net assets at the date of formation.

The interest in an associate or a subsidiary as stated in consolidated balance sheets for consecutive financial years is adjusted for increases or decreases in the net assets of the consolidated company, attributable to the parent company, which occurred during the period covered by consolidation less dividends received from that entity.

4) Consolidation eliminations:

The consolidated financial statements are prepared after elimination of the following:

- share capital of consolidated subsidiaries,
- consideration paid on acquisition of subsidiaries,
- intra-group receivables and payables,
- turnover and costs of sales relating to intra-group transactions,
- unrealised gains/losses arising on intra-group transactions,
- dividends paid between Group companies.

5) Interest income and expense

Interest income comprises interest received and receivable on inter-bank deposits, loans and securities. Interest income, including interest income on normal and watch category receivables, is recognised in the income statement on the accruals basis, except for interest on irregular loans (i.e. classified other than normal or watch) which is shown as suspended interest in liabilities. It is recognised in the income statement on a cash basis at the time of receipt. Interest received in advance is recognised in the income statement for the period to which it relates. Costs of a given period in respect of interest payable to clients are also recognised in the income statement on an accrual basis. Interest receivable or payable is shown in the balance sheet together with the related assets or liabilities.

6) Commission income and expense

Commission primarily comprises amounts other than interest, received in connection with bank account transactions, the granting of loans or guarantees granted and in connection with brokerage activities. These amounts are recognised in the income statement at the time of receipt.

7) Net gain/loss on foreign exchange position

The foreign exchange result is calculated taking into account exchange gains and losses arising on the retranslating into Polish zloty of foreign currency denominated assets and liabilities. Retranslating is performed at the daily rate of exchange set by the President of the National Bank of Poland. Foreign exchange differences arising on the retranslating of structural positions are shown separately within liabilities in the balance sheet.

8) Securities and shares

Securities are divided into two portfolios: trading and investment.

Investment portfolio shares and securities are stated at cost less provisions for permanent diminution in value.

Shares in foreign companies are stated at the closing mid exchange rate set by the NBP Foreign exchange differences arising on their translation are shown as liabilities within accruals and deferred income.

The cost of certain debt securities may be higher or lower than their par value. A premium is charged to the income statement over the period from acquisition until redemption. A discount is credited to the income statement using the straight-line method.

The cost of Treasury bonds purchased after their issue dates includes interest for the period in which they were not held by the Group. These bonds are stated at par value, as adjusted for interest and discount or premium.

Marketable securities are stated at the lower of current selling price and cost.

9) Provisions

Provisions mainly include provisions for:

- normal and watch category loans,
- irregular loans,
- financial and tangible fixed assets,
- off balance sheet liabilities,
- general risk,
- general credit risk.

Specific provisions for non-performing loans are recognised with regard to individual transactions. Provisions for the risk associated with specific assets and off-balance sheet items are subject to individual review and assessment.

Releases of provisions that were originally created as a charge to the income statement are credited to the income statement, whereas the release of provisions created in prior years as a charge to the restructuring reserve is credited to other reserve capital.

In the year ended 31 December 1999, the Bank adopted a more prudent approach to credit risk management by creating general provisions. A policy of maintaining a general provision of approximately 1% of the normal loan portfolio was adopted. The components of this general provision comprise: the general banking risk provision created in accordance with Art. 130 of the Banking Law, provisions for normal category retail and watch category corporate loans created in accordance with the relevant Resolution of the Banking Supervision Committee and a general credit risk provision. The general credit risk provision is not set off against assets but rather shown as part of the provisions category within liabilities.

10) Depreciation and amortisation

Depreciation of tangible fixed assets and amortisation of intangible fixed assets is calculated on the basis of a depreciation plan that specifies depreciation rates and annual depreciation charges. Planned depreciation rates are determined taking into account the useful economic lives of the related assets. Depreciation rates are reviewed periodically with changes effective from the beginning of the year in which they take place.

Depreciation rates for particular groups of fixed assets are as follows:

Buildings	1.5% - 50.0%
Equipment and machinery	4.0% - 50.0%
Motor vehicles	6.0% - 50.0%

Land and capital work in progress are not depreciated.

Intangible fixed assets are amortised over periods not exceeding 5 years.

Planned depreciation or amortisation, which reflects regular wear and tear of tangible or intangible assets, is charged to operating expenses, whereas unscheduled depreciation or amortisation is charged to other operating expenses. Depreciation on tangible fixed assets held by the Group leasing companies and leased to third parties under operating lease agreements is calculated in two ways: for accounting purposes the original gross value less its residual value, (i.e. the amount which the company should receive on selling the leased item) is depreciated in equal instalments over the whole period of the lease; and for tax purposes the leased asset is depreciated in accordance with the Decree of the Finance Minister of 17 January 1997 regarding the depreciation of tangible fixed assets and amortisation of intangible assets. The resulting difference between accounting and tax depreciation/amortisation is recognised in the deferred tax provision.

11) Taxation

The taxation charge represents corporate income tax arising on the activities of the Group.

Corporate income tax is calculated at the rate of 34% (1998 - 36%) of gross profit (determined in accordance with accounting regulations) with adjustments for non-taxable income and non-tax allowable costs.

The deferred tax provision is calculated on the basis of temporary timing differences in the recognition of income and costs for accounting and taxation purposes. It is calculated taking into account those corporate tax rates that are expected to apply when the timing differences are realised (i.e.: 1998: 34% and 32%; 1999: 30%, 28%, 24% and 22%).

Deferred tax is calculated using the full liability method. This method was applied for the first time in the calculation of the corporate income tax charge for the year ended 31 December 1998. The resulting additional tax charge for 1998 was PLN 129,112 thousand.

12) Acquired assets held for resale

Acquired assets held for resale are shown at the amount of the loan in relation to which they were seized less provisions for differences between that amount and the net realisable value on sale of the relevant asset.

13) Prepayments

Prepayments include costs deferred to the periods to which they relate. They also include capitalised interest costs arising on a refinancing loan received from the NBP to refinance loans granted to government central investment projects. Until the end of 1996 these capitalised interest costs were not charged to the profit and loss account until paid.

14) Accruals and deferred income

Accruals and deferred income mainly comprise capitalised interest income on a government central investment project, which as in the case of capitalised interest expense discussed in 13) above had been recognised in the income statement on a cash basis until the end of 1996. Other components of deferred income are: suspended income, foreign exchange differences on the revaluation of structural positions and income received in advance.

Accruals represent accrued operating expenses of the year ended 31 December 1999 charged to the income statement for the year and accrued liabilities to employees (i.e. the annual bonus, the Christmas bonus, discretionary bonuses, long-service awards and one-off retirement payments). The provision for long-service awards and retirement payments has been calculated by an independent actuary. The Bank will review the level of this provision at least once every two years.

15) Other operating income and expenses

Other operating income comprises mainly income from operating and finance leases, factoring, restructuring of other entities and management of property. It also includes income from the recovery of bad debts, asset management on behalf of third parties, compensation, penalties and fines received and rental of premises.

Other operating costs mainly include costs related to debt collection, management of assets on behalf of third parties and the sale and disposal of fixed assets.

16) Shareholders funds

Shareholders funds comprise share capital and reserves created by the Group companies in accordance with applicable regulations i.e. legislation and company statutes. Shareholders funds include unappropriated profits and uncovered losses from previous periods.

The share of the shareholders funds of consolidated subsidiary companies attributable to the parent company is added to the respective components of equity of the parent company. Only that part of the shareholders funds of consolidated subsidiary companies that arose after acquisition by the parent company is added to the respective components of shareholders funds of the parent company. Such increases in shareholders funds arise mainly from the retention of net profits to shareholders funds and revaluation of fixed assets.

Share capital comprises only the share capital of the parent company and is shown at its nominal value in accordance with the statute of the Bank and with its entry in the commercial register.

- a) supplementary capital is principally created from appropriations of profits and share premiums arising on the issue of shares. Bank Pekao SA, in accordance with its statute, is obliged to transfer 10% of its net profit each year to supplementary capital until supplementary capital reaches a level of 200% of share capital.
- b) revaluation reserve represents the accumulated change in net book value of fixed assets arising from revaluations performed in previous years;
- c) reserve capital may be utilised in accordance with the statutes of the Group companies. It is principally created from appropriations of profits, transfers from revaluation reserve, and the releases of provisions previously created as charges against the restructuring reserve;
- d) the general banking risk reserve is created by Bank Pekao SA from appropriations of net profit in accordance with the terms of the Banking Law of 29 August 1997;
- e) The equity accounting consolidation reserve represents changes in the net assets of associated companies arising other than as a result of current net profits e.g. foreign currency differences arising on the revaluation of shareholdings by the parent company and unappropriated profits (in relation to previously non material associated companies consolidated for the first time);
- f) negative goodwill arises where the Bank's share in the market value of the net assets of acquired subsidiary and associated companies acquired is greater than the value of the consideration given to acquire such assets. In accordance with a decision of the Management Board of Bank Pekao SA negative goodwill is amortised and credited to the profit and loss account over a period of 5 years commencing from the month after the relevant acquisition. The negative goodwill arising when Bank Pekao SA acquired control over BDK S.A., PBG S.A. and PBKS S.A. on 1 October 1996 was PLN 1,169,561 thousand. This negative goodwill was amortised in accordance with the Bank's accounting policy. On 1 January 1999 the merger of the above mentioned Group banks was concluded. The amount of non-amortised negative goodwill at that date was credited to equity.
- g) Unappropriated profit from previous years comprises the total unappropriated profit of the former subsidiary banks for 1998 of PLN 297,828 thousand.
- h) The net result for the current period is the profit or loss after taxation for the period as disclosed in the profit and loss statement.

4. Analysis of companies comprising the Group

Company	Shares held by	Share capital held %	Total assets PLN '000	Net sale and income from financial operations PLN '000
	Parent company		59,733,817	5,345,087
Consolidated subsidiary companies				
Bank Depozytowo-Kredytowy				
Ukraina Ltd (Łuck)		100.00	33,573	9,627
- direct interest		35.00		
- indirect interest		65.00		
Bank Pekao Tel Aviv Ltd.	(a)	99.99	327,827	26,631
Centralny Dom Maklerski Pekao SA	(a)	100.00	636,132	223,991
Pekao Faktoring Sp. z o.o.	(a)	100.00	59,533	4,282
Pekao Fundusz Kapitałowy Sp. z o.o.	(a)	100.00	86,587	1,777
PBG Leasing Sp. z o.o.	(a)	100.00	246,739	267
Pekao Leasing Sp. z o.o.	(a)	100.00	291,440	4,791
Przedsiębiorstwo Zarządzania Nieruchomościami Sp. z o.o. (PZN)		100.00	86,408	386
- direct interest		85.00		
- indirect interest		15.00		
Pekao Financial Services Sp. z o.o.	(a)	100.00	5,852	5,338
Pekao/Alliance PTE S.A.	(a)	51.00	20,375	1,867
Pekao/Alliance Towarzystwo Funduszy Inwestycyjnych S.A.	(a)	51.00	7,932	14,340
Pekao Informatyka Sp. z o.o.	(a)	100.00	11,074	19,273
Pekao Development Sp. z o.o.	(a)	100.00	85,548	25,185
Pekao Trading Company (Canada) Ltd.	(a)	100.00	19,270	73,609
Pekao Trading Corporation	(a)	100.00	22,213	23,137
Consolidated associated companies				
MHB Mitteleuropäische Handelsbank Aktiengesellschaft, Deutsch-Polnische Bank	(a)	29.99	3,024,545	122,269
Bank Handlowy International S.A. (BHI)		23.20	1,373,243	56,233
- direct interest		21.63		
- indirect interest		1.57		
BDK-Daewoo Leasing Sp. z o.o.	(a)	50.00	277,185	182,794
Trinity Management Sp. z o.o.	(a)	50.00	8,358	14,228
3 NFI S.A.	(a)	32.00	276,541	5,387
XI NFI S.A.	(a)	32.00	307,882	2,764
Centrozap S.A.		25.23	265,279	376,063
- direct interest		18.83		
- indirect interest		6.40		

(a) Bank Pekao SA

Company	Shares held by	Share capital held %	Total assets PLN '000	Net sale and income from financial operations PLN '000
Non-consolidated subsidiaries				
Build Ship Sp. z o.o. (in liquidation)	(a)	100.00	149	7
Drukbank Sp. z o.o.	(a)	100.00	14,976	1,830
PK.O. Trading Corporation (dormant company)	(a)	100.00	8	-
PEKAO IMMOBILIER Sp. z o.o.	(a)	100.00	487	522
Pekao Ochrona Sp. z o.o.	(a)	100.00	500	-
Pracownicy Towarzystwo Emerytalne	(d)	100.00	-	-
Zasław Sp. z o.o. (in liquidation)	(a)	100.00	32	329
SRPBG Sp. z o. o.	(a)	95.00	0	5
Pekao Delta Trading Company Pty. Ltd. (dormant company)	(a)	89.50	1,532	-
LKK Lubelska Korporacja Komunikacyjna	(b)	58.50	2,574	2,651
CPF LLC	(a)	53.19	-	-
Pekao/Alliance Capital Management S.A.	(a)	51.00	3,690	2,386
Non-consolidated associates				
SRP Investment Sp. z o.o.	(a)	50.00	-	-
Lannen Polska Sp. z o.o.	(c)	50.00	29 777	19,807
Wytwórnia Silników „PZL-Mielec” Sp. z o.o.	(c)	42.87	-	40,225
Zwoltex S.A.	(c)	41.30	77,666	103,059
CPF Management (dormant company)	(a)	40.00	-	-
Grupa Inwestycyjna Wratlavia Sp. z o.o.	(a)	39.30	7,996	-
Agencja Inwestycyjna CORP S.A.	(e)	36.15	13,443	26,113
ZPC Świdnik Sp. z o. O	(c)	35.97	9,062	14,855
SYRENA International Sp. z o.o.	(a)	35.00	-	87,486
Wióknina Sp. z o.o.	(c)	33.00	3,118	2,978
Lodom Sp. z o.o.	(a)	30.08	25,425	6,378
PolCard S.A.	(a)	29.70	-	142,956
Rynex Sp. z o.o.	(c)	25.57	11,432	4,751
Olewnia Żeliwa „Śrem” S.A.	(a)	25.10	-	179,578
Polski Leasing Przemysłowy S.A.	(a)	24.88	150,218	-
Grupa Inwestycyjna NYWIG S.A.	(a)	24.60	-	37,089
Fabryka Sprzętu Okrętowego Meblomor S.A.	(c)	23.81	-	20,150
Krajowa Izba Rozliczeniowa S.A.	(a)	22.96	83,388	107,580
Tomtex S.A.	(c)	21.55	-	32,216

(a) Bank Pekao SA

(b) Pekao Leasing Sp. z o.o.

(c) Pekao Fundusz Kapitałowy Sp. z o.o.

(d) Centralny Dom Maklerski Pekao S.A.

(e) Przedsiębiorstwo Zarządzania Nieruchomościami Sp. z o.o.

BDK Ukraina and PZN are consolidated by the acquisition accounting method. Bank Pekao SA and Pekao Faktoring Sp. z o.o. each hold 35% of votes in BDK Ukraina, whilst Drukbank Sp. z o.o. holds 30% of votes.

Bank Pekao SA and Pekao Trading Corporation hold 85.05% and 14.95% of votes respectively at a general meeting of shareholders of PZN Sp. z o.o.

Bank Pekao S.A has both direct and indirect shareholdings in BHI and Centrozap which are consolidated using the equity accounting method. Bank Pekao SA and MHB hold 21.63% and 5.25% of votes respectively at a general meeting of shareholders of BHI. Bank Pekao SA and 3 NFI S.A. hold 18.83% and 20.00% of votes respectively at a general meeting of shareholders of Centrozap S.A.

5. Main differences between Polish Accounting Standards (PAS) and International Accounting Standards (IAS)

The Bank prepares consolidated financial statements in accordance with both Polish Accounting Standards (PAS) and International Accounting Standards (IAS).

The differences between those financial statements are presented below (as at 31 December 1999: in PLN'000):

1. Shareholders funds in accordance with PAS	3,863,857
a) difference in amount of negative goodwill transferred to shareholders funds on the merger of the Group banks	173,422
b) difference in 1998 net profit	162,108
c) reclassification of operating leases to finance leases	(32,702)
d) unrealised foreign exchange differences from structural items	122,263
e) adjustment in deferred taxation relating to interest from government central investment projects	52,629
f) other	(16,759)
Shareholders funds in accordance with IAS	4,324,818
2. Net profit in accordance with PAS	171,515
a) net interest result on government central investment projects	(35,238)
b) appropriation to employee fund from 1998 net profit	(7,783)
c) reclassification of operating leases to finance leases	(6,460)
d) adjustment to deferred taxation	41,101
Net profit in accordance with IAS	163,135

3. Explanation of differences

- Until the end of 1996, in accordance with PAS the net interest result arising on loans for government central investment projects (i.e. including both interest income and expense) was deferred in the balance sheet within prepayments (interest expense) and deferred income (interest income). These interest amounts are recognised in the income statement when received or paid. In accordance with IAS these interest amounts were recognised in the income statement on an accruals basis. The increased IAS net profit was credited to the reserve capital of the subsidiary banks concerned and resulted in an increase in the amount of negative goodwill recorded in the Group IAS financial statements when those banks were consolidated by the acquisition accounting method in 1996. This difference is reflected above in points 1a), 1 b) and 1 e) concerning shareholders funds and points 2 a) and 2 d) concerning net profit.
- In accordance with PAS amounts may be appropriated from net profit to the employee fund. In accordance with IAS these are charged to overhead costs.
- The reclassification of operating leases to finance leases includes an amount of PLN (14,714) thousand relating to the decrease in shareholders funds at the Group leasing companies in the 1999 opening balance sheet. The amount of PLN (6,460) thousand concerns the net result of the current year. It mainly comprises the reversal of depreciation costs of PLN 109,527 thousand (as a result of the reclassification of fixed assets and their replacement by leasing receivables) and a decrease in other operating income (lease instalments) of PLN (117,121) thousand.
- the change in deferred taxation comprises amounts related to the reclassification from operating to finance leases PLN (11,528) thousand and interest arising from government central investment projects PLN 52,629 thousand.
- under PAS foreign exchange differences on structural positions are included within „accruals and deferred income“ whilst under IAS they increase shareholders funds.
- there is a presentational difference in the treatment of the general risk provision that has an impact on the value of total assets. Under PAS the general risk provision is included within „provisions“ in the liabilities and equity section of the balance sheet whilst under IAS it is shown as a deduction from amounts due from clients and the public sector.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Note 1		
CASH AND BALANCES WITH THE CENTRAL BANK		
1. Current account with the NBP	1,789,828	5,476,450
2. Obligatory reserve	-	-
3. Bank Guarantee Fund	-	-
4. Other	2,824	2,834
Total	1,792,652	5,479,284
CASH AND BALANCES WITH THE CENTRAL BANK BY CURRENCY		
a. In PLN	1,304,136	4,943,565
b. In foreign currencies (in PLN equivalent)	488,516	535,719
Total	1,792,652	5,479,284
Note 2		
AMOUNTS DUE FROM OTHER FINANCIAL INSTITUTIONS		
a) from financial institutions without subsidiaries and associated companies	4,488,001	4,307,933
b) from subsidiaries and associated companies consolidated by equity accounting method	479,358	823,356
c) from non-consolidated subsidiaries and associated companies	76,905	301,790
Total amounts due from other financial institutions	5,044,264	5,433,079
AMOUNTS DUE FROM OTHER FINANCIAL INSTITUTIONS BY TYPE		
1. Current accounts	278,228	247,625
2. Loans and deposits*	4,743,569	5,155,457
3. Purchased receivables	28,756	22,173
4. Realised guarantees	9,641	8,841
5. Other receivables	59,630	47,070
- receivables in transit	59,630	47,070
6. Interest	29,375	45,444
a) accrued	15,480	34,822
b) due, not received	13,895	10,622
Total	5,149,199	5,526,610
7. Provisions for irregular amounts from other financial institutions	(104,935)	(93,531)
Total	5,044,264	5,433,079
Loans and deposit items include a loan of PLN 18 564 ths. granted to Kredyt Bank PBI SA with term of maturity: 29 February 2000.		
AMOUNTS DUE FROM OTHER FINANCIAL INSTITUTIONS BY REMAINING MATURITY AT THE BALANCE DATE		
1. Current accounts	278,228	247,625
2. Term:	4,841,596	5,233,541
a) to 1 month	3,683,689	3,780,549
b) between 1 month to 3 months	132,399	665,143
c) between 3 months to 1 year	377,775	185,667
d) between 1 year to 5 years	462,979	444,223
e) above 5 years	23,384	18,737
f) amounts due but not received	161,370	139,222
3. Interest	29,375	45,444
- accrued	15,480	34,822
- due, not received	13,895	10,622
Total	5,149,199	5,526,610

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
AMOUNTS DUE FROM OTHER FINANCIAL INSTITUTIONS BY CURRENCY		
a. In PLN	1,623,780	1,439,129
b. In foreign currencies (in PLN equivalent)	3,420,484	3,993,950
Total	5,044,264	5,433,079

AMOUNTS DUE FROM OTHER FINANCIAL INSTITUTIONS BY CREDIT RISK CLASSIFICATION (GROSS AMOUNTS)		
1. Amounts classified as normal	4,951,449	5,341,944
2. Amounts classified as watch	7,005	-
3. Irregular amounts, including:	161,370	139,222
- below standard	623	1,752
- doubtful	6,932	-
- lost	153,815	137,470
4. Interest	29,375	45,444
a) receivable	15,480	34,822
b) overdue	13,895	10,622
- from amounts classified as normal and watch	110	420
- from irregular amounts	13,785	10,202
Total	5,149,199	5,526,610

PROVISIONS FOR AMOUNTS DUE FROM OTHER FINANCIAL INSTITUTIONS		
a) classified as normal	112	-
b) watch	260	-
b) irregular	104,563	93,531
- below standard	7	-
- doubtful	3,398	-
- lost	101,158	93,531
Total	104,935	93,531

CHANGE IN PROVISIONS FOR AMOUNTS DUE FROM OTHER FINANCIAL INSTITUTIONS		
Provisions at the beginning of the period	93,531	15,138
a) increase	33,288	109,855
- provisions recorded by companies consolidated for the first time	4,229	
- provisions created	28,068	102,961
- transfers from other balance sheet positions	947	6,892
- foreign exchange differences	44	2
c) decreases	(339)	(3,740)
- transfers to other balance sheet positions	(339)	(3,740)
b) utilised	(1,624)	-
d) released	(19,921)	(27,722)
Total	104,935	93,531

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Note 3		
AMOUNTS DUE FROM CLIENTS AND PUBLIC SECTOR ENTITIES		
1. From clients and public sector entities without subsidiaries and associated companies	26,678,147	21,532,669
2. From subsidiaries and associated companies consolidated by equity accounting method	54,888	0
3. From non-consolidated subsidiaries and associated companies	80,881	224,113
Total	26,813,916	21,756,782
AMOUNTS DUE FROM CLIENTS AND PUBLIC SECTOR ENTITIES BY TYPE		
1. Loans	26,766,848	21,657,955
2. Purchased receivables	397,272	305,683
3. Realised guarantees	62,330	65,216
4. Other amounts due, including:	222,026	106,395
- receivables in transit	222,026	106,395
5. Interest	797,821	699,789
- accrued	128,751	112,349
- due, not received	669,070	587,440
6. State subsidies receivable in relation to preferential loans	14,855	35,549
Total	28,261,152	22,870,587
7. Provisions for irregular amounts from clients and public sector entities	(1,447,236)	(1,113,805)
Total	26,813,916	21,756,782
AMOUNTS DUE FROM CLIENTS AND PUBLIC SECTOR ENTITIES BY REMAINING MATURITY AT THE BALANCE DATE		
1. Current accounts	2,949,475	1,921,186
2. Term	24,513,856	20,249,612
a) to 1 month	2,629,444	1,276,955
b) between 1 month to 3 months	1,659,655	1,285,412
c) between 3 months to 1 year	4,664,889	3,846,778
d) between 1 year to 5 years	7,011,855	6,839,748
e) above 5 years	5,465,879	5,057,032
f) overdue amounts	3,082,134	1,943,687
3. Interest	797,821	699,789
- accrued	128,751	112,349
- due, not received	669,070	587,440
Total	28,261,152	22,870,587
AMOUNTS DUE FROM CLIENTS AND PUBLIC SECTOR ENTITIES BY CURRENCY		
a. In PLN	19,646,479	16,298,870
b. In foreign currencies (in PLN equivalent)	7,167,437	5,457,912
Total	26,813,916	21,756,782
AMOUNTS DUE FROM CLIENTS AND PUBLIC SECTOR ENTITIES BY CREDIT RISK CLASSIFICATION (GROSS AMOUNTS)		
1. Amounts classified as normal	23,794,643	20,227,111
2. Amounts classified as watch	586,554	-
3. Irregular amounts, including:	3,082,134	1,943,687
- below standard	1,210,110	586,233
- doubtful	512,906	191,392
- lost	1,359,118	1,166,062
4. Interest	797,821	699,789
a) receivable accrued	128,751	112,349
b) due, not received	669,070	587,440
- from amounts classified as normal and watch	19,596	25,749
- from irregular amounts	649,474	561,691
Total	28,261,152	22,870,587

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
PROVISIONS FOR AMOUNTS DUE FROM CLIENTS AND PUBLIC SECTOR		
a) classified as normal	33,348	-
b) watch	36,508	-
c) irregular	1,377,380	1,113,805
- below standard	95,341	79,429
- doubtful	129,733	63,663
- lost	1,152,306	970,713
Total	1,447,236	1,113,805

CHANGE IN PROVISIONS FOR IRREGULAR AMOUNTS FROM CLIENTS AND PUBLIC SECTOR ENTITIES

Provisions at the beginning of the period	1,113,805	1,044,719
a) increase	854,232	541,198
- provisions recorded by companies consolidated for the first time	26,212	
- provisions created	783,689	519,514
- transfers from other balance sheet positions	41,315	14,574
- foreign exchange differences	2,558	6,625
- other	458	485
b) utilization:	(57,685)	(50,152)
- amounts written off	(57,685)	(50,152)
c) provisions released	(463,116)	(421,960)
- provisions released	(406,388)	(387,051)
- transfers to other balance sheet positions	(56,728)	(34,909)
Provisions for irregular amounts at the end of the period	1,447,236	1,113,805

Note 4

AMOUNTS DUE FROM REVERSE REPO TRANSACTIONS

a) from other financial institutions	10,017	44,510
b) from clients and public sector entities	-	-
c) interest	77	320
Total	10,094	44,830

Note 5

DEBT SECURITIES

BY ISSUER

1. Issued by central banks, including:	2,808,738	2,288,400
- foreign currency bonds	64,290	124,874
2. Issued by other banks, including:	298,125	202,356
- denominated in foreign currencies	166,483	103,297
3. Issued by other financial institutions, including:	158,931	234,472
- denominated in foreign currencies	104,043	140,810
4. Issued by non-financial institutions, including:	1,699,907	615,224
- denominated in foreign currencies	976,046	178,866
5. Issued by State Treasury, including:	15,528,720	12,769,409
- denominated in foreign currencies	7,463,811	6,572,121
6. Issued by local authorities, including:	174,356	123,825
- denominated in foreign currencies	6,419	6,296
7. Own debt securities repurchased	-	-
Total	20,668,777	16,233,686

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
DEBT SECURITIES BY TYPE		
1. Issued by State Treasury, including:	15,528,720	12,769,409
a) bonds	12,107,407	10,234,658
b) Treasury bills	3,421,313	2,534,751
2. Issued by associated companies:	45,726	-
a) commercial papers	45,726	
3. Issued by other entities, including:	5,094,331	3,464,277
a) bonds	3,841,650	708,021
b) other (by type):	1,252,681	2,756,256
- commercial papers	656,317	530,084
- NBP bills	532,462	2,163,526
- certificates of deposit	63,339	44,647
- bills of exchange	563	17,999
Total	20,668,777	16,233,686

DEBT SECURITIES BY DESTINATION

a) trading portfolio	1,802,795	1,876,630
b) investment portfolio	18,865,982	14,357,056
Total debt securities	20,668,777	16,233,686

At 31.12.1999 debt securities of 2,332,845 ths. PLN (31.12.1998: 103,177 ths. PLN) represented security for actual or potential liabilities of the bank or were the subject of other third party interests. These comprise:

- Treasury bills of nominal value 50,000 ths. PLN serve as security for potential liabilities to the Bank Guarantee Fund (31.12.1998: 58,080 ths. PLN)
- Treasury bills with nominal value of 5,480 ths. PLN blocked as security in relation to the acquisition of SBL and BS Tuszyn 31.12.1998: 30,480 ths PLN)
- 5 year State Treasury Bonds with a nominal value of 25,000 ths PLN serving as security for a loan received from the Bank Guarantee Fund.
- 6,7,8,9 and 10 year NBP bonds with a total nominal value of 2,160,365 ths. PLN acquired in relation to the lowering of obligatory reserve rates (Resolution No. 36/28/PPK/1999 of the Management Board of the NBP dated 25 June 1999)
- Treasury bills with a nominal value of 92,000 ths. PLN that serve as security for deposits accepted as part of repo transactions
- restructuring bonds of nominal value 11,137 ths. PLN at 31.12.98, serving as security for a World Bank loan
- 2 year State Treasury Bonds with a nominal value of 3,480 ths. PLN at 31.12.1998.

CHANGE IN DEBT SECURITIES

a) Balance at the beginning of the period	16,233,686	15,420,809
b) Increase:	14,093,738	19,636,036
- purchase	12,545,939	19,364,149
- accrued interest	72,990	181,634
- foreign exchange differences	1,194,365	58,939
- amortization of premium	6,956	4,017
- amortization of discount	60,010	-
- bonds acquired	-	19,913
- capitalized interest	129,783	-
- opening balances of companies consolidated for the first time	83,695	-
- bill of exchange acquired	-	7,384
c) Decrease:	(9,658,647)	(18,823,159)
- sale	(1,764,000)	(12,712,442)
- amortization of interest	(27,118)	-
- amortization of discount	-	(87,874)
- redeemed by issuer	(7,712,168)	(6,007,866)
- transfer to other balance sheet positions	-	(5,555)
- other changes	(78,735)	-
- change in provisions	(76,626)	(9,422)
d) Balance at the end of the period	20,668,777	16,233,686

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Note 6		
SHARES IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES		
a) subsidiaries	28,627	175,613
b) associated companies	41,850	27,408
Total	70,477	203,021
SHARES IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES BY INSTITUTION		
a) in banks	-	6,977
b) in other financial institutions	20,054	111,906
c) in non-financial institutions	50,423	84,138
Total	70,477	203,021
SHARES IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES BY DESTINATION		
a) trading portfolio	-	-
b) investment portfolio	70,477	203,021
Total	70,477	203,021
Note 7		
SHARES IN SUBSIDIARIES AND ASSOCIATED COMPANIES CONSOLIDATED BY THE EQUITY ACCOUNTING METHOD		
a) in subsidiaries	27,316	42,786
b) in associated companies	306,216	135,065
Total	333,532	177,851
SHARES IN SUBSIDIARIES AND ASSOCIATED COMPANIES CONSOLIDATED BY THE EQUITY ACCOUNTING METHOD BY INSTITUTION		
a) in banks	106,812	151,046
b) in other financial institutions	176,124	-
c) in non-financial institutions	50,596	26,805
Total	333,532	177,851
SHARES IN SUBSIDIARIES AND ASSOCIATED COMPANIES CONSOLIDATED BY THE EQUITY ACCOUNTING METHOD BY DESTINATION		
a) trading portfolio	-	-
b) investment portfolio	333,532	177,851
Total	333,532	177,851

Note 8

SHARES IN SUBSIDIARIES AND ASSOCIATES AT 31.12.1999 (INVESTMENT PORTFOLIO)

a	b	c	d	e	f	g	h	i	j	k	l
company (with legal form)	registered office	activity	subsidiary/ associated company	consolidation method applied	date of acquisition of control/significant influence	purchase cost of shares	provision created	book value	proportion of share capital held	proportion of votes at a General Meeting of Shareholders	other reasons for classification as subsidiary/ associate
I Bank Pekao SA											
1. Pekao/Alliance PTE S.A.	Warszawa	financial services	subsidiary	equity accounting	1999	8,721	1,744	-	51.00	51.00	none
2. Pekao/Alliance Towarzystwo Funduszy Inwestycyjnych SA *	Warszawa	financial services	subsidiary	equity accounting	1996	17,850	17,850	3,499	51.00	51.00	none
3. Pekao Development Sp. z o.o.	Łódź	real estate management	subsidiary	equity accounting	1996	18,000	18,000	-	100.00	100.00	none
4. Pekao Financial Services Sp. z o.o.	Warszawa	financial services	subsidiary	equity accounting	1998	4,500	4,500	-	100.00	100.00	none
5. Pekao Informatyka Sp. z o.o.	Łódź	IT services	subsidiary	equity accounting	1996	102	-	1,313	100.00	100.00	none
6. Pekao Trading Company (Canada) Ltd.	Toronto, Kanada	dormant	subsidiary	equity accounting	1956	3,034	1,470	6,799	100.00	100.00	none
7. Pekao Trading Corporation	New York, USA	dormant	subsidiary	equity accounting	1948	350	-	15,706	100.00	100.00	none
8. Build Ship Sp. z o.o. (w likwidacji)	Sopot	company in liquidation	subsidiary	not consolidated	1996	4	-	4	100.00	100.00	none
9. Central Poland Fund L.L.C.	Delaware, USA	financial services	subsidiary	not consolidated	1998	12,103	-	12,777	53.19	53.19	none
10. Drukbank Sp. z o.o.	Zamość	printing	subsidiary	not consolidated	1994	13,319	-	13,319	100.00	100.00	none
11. PK.O. Trading Corporation	New York, USA	dormant company	subsidiary	not consolidated	1955	5	-	8	100.00	100.00	none
12. Pekao/Alliance Capital Management S.A.	Warszawa	financial services	subsidiary	not consolidated	1998	1,887	-	1,887	51.00	51.00	none
13. Pekao Delta Trading Company Pty. Ltd.	Sydney, Australia	company in liquidation	subsidiary	not consolidated	1986	1,165	1,667	-	89.50	89.50	none
14. Pekao Ochrona Sp. z o.o.	Warszawa	security services	subsidiary	not consolidated	1999	500	-	500	100.00	100.00	none
15. PKO Immobilier Sp. z o.o.	Francja	real estate management	subsidiary	not consolidated	1990	23	-	32	100.00	100.00	none
16. SRPBG Sp. z o.o.	Łódź	investment	subsidiary	not consolidated	1997	4,912	4,912	-	95.00	95.00	none
17. Zaslav Sp. z o.o. (w likwidacji)	Zagórz	company in liquidation	subsidiary	not consolidated	1995	5,299	5,299	-	100.00	100.00	none
18. 3 NFI S.A.	Warszawa	investment fund	associate	equity accounting	1999	55,090	-	66,481	32.00	32.00	none
19. XI NFI S.A.	Warszawa	investment fund	associate	equity accounting	1999	55,156	-	93,078	32.00	32.00	none
20. Bank Handlowy International S.A. Luxembourg Societe Anonyme Luxembourg	Luxembourg	banking	associate	equity accounting	1979	19,753	-	33,091	23.20	23.20	none

SHARES IN SUBSIDIARIES AND ASSOCIATES AT 31.12.1999 (INVESTMENT PORTFOLIO)

a	b	c	d	e	f	g	h	i	j	k	l
company (with legal form)	registered office	activity	subsidiary/ associated company	consolidation method applied	date of acquisition of control/significant influence	purchase cost of shares	provision created	book value	proportion of share capital held	proportion of votes at a General Meeting of Shareholders	other reasons for classification as subsidiary/ associate
21. BDK-Daewoo Leasing Sp. z o.o.	Lublin	leasing	associate	equity accounting	1997	6,225	-	13,066	50.00	50.00	none
22. Centrozap S.A.	Katowice	trading	associate	equity accounting	1995	10,259	-	24,199	25.23	25.23	none
23. MHB Mitteleuropaische Handelsbank Aktiengesellschaft, nad Menem, Deutsch-Polnische Bank Nierncy	Frankfurt	banking	associate	equity accounting	1973	44,752	-	73,721	29.99	29.99	none
24. Trinity Management Sp. z o.o.	Warszawa	financial services	associate	equity accounting	1995	2,089	-	2,579	50.00	50.00	none
25. CPF Management	Bryljskie Wyspy Dziewicze	fund management - company has not yet commenced operations	associate	not consolidated	1998	-	-	0	40.00	40.00	none
26. Grupa Inwestycyjna NYWIG S.A.	Warszawa	financial services	associate	not consolidated	1990	369	-	369	24.60	24.60	none
27. Grupa Inwestycyjna Wratislavia Sp. z o.o.	Wroclaw	financial services	associate	not consolidated	1999	1,258	-	1,258	39.30	39.30	none
28. Krajowa Izba Rozliczeniowa S.A.	Warszawa	clearing house	associate	not consolidated	1996	1,250	-	1,250	22.96	22.96	none
29. Lodom Sp. z o.o.	Szczecin	storage	associate	not consolidated	1993	2,526	2,526	-	30.08	30.08	none
30. Odlewnia Żeliwa „Ślem” S.A.	Ślem	foundry	associate	not consolidated	1999	15,436	-	15,436	25.10	25.10	none
31. PoCard S.A.	Warszawa	clearing of non-cash transactions	associate	not consolidated	1996	2,040	-	2,040	29.70	29.70	none
32. Polski Leasing Przemysłowy S.A.	Warszawa	leasing	associate	not consolidated	1997	2,000	-	2,000	24.88	24.88	none
33. SRP Investment Sp. z o.o.	Lublin	financial services	associate	not consolidated	1997	2	2	-	50.00	50.00	none
34. SYRENA International Sp. z o.o.	Warszawa	hotels	associate	not consolidated	1989	302	302	-	35.00	35.00	none
Il Centrainy Dom Maklerski Pekao Spolka Akcyjna											
35. Pracownicze Towarzystwo Emerytalne S.A.	Warszawa	management of company pension schemes	subsidiary	not consolidated	1999	100	-	100	100.00	100.00	none

SHARES IN SUBSIDIARIES AND ASSOCIATES AT 31.12.1999 (INVESTMENT PORTFOLIO)

a	b	c	d	e	f	g	h	i	j	k	l
company (with legal form)	registered office	activity	subsidiary/ associated company	consolidation method applied	date of acquisition of control/significant influence	purchase cost of shares	provision created	book value	proportion of share capital held	proportion of votes at a General Meeting of Shareholders	other reasons for classification as subsidiary/ associate
III Pekao Leasing Sp. z o.o.											
36. LKK Lubeiska Korporacja Komunikacyjna Sp. z o.o.	Lublin	transport	subsidiary	not consolidated	1998	1,027	1,027	-	58.50	58.50	none
IV Pekao Fundusz Kapitałowy Sp. z o.o.											
37. Wywornia Siniaków PZL-Mielec Sp. z o.o.	Mielec	motor industry	associate	not consolidated	1993	2,429	-	2,429	42.87	42.87	none
38. Zwoltex S.A.	Zduńska Wola	production of towels and blankets	associate	not consolidated	1999	3,173	-	3,173	41.30	41.30	none
39. ZPC Świdnik Sp. z o.o.	Świdnik	motor industry	associate	not consolidated	1999	408	-	408	26.81	35.97	none
40. Fabryka Sprzętu Okrętowego „Meblomor” S.A.	Czarnków	shipbuilding	associate	not consolidated	1999	1,340	-	1,340	23.81	23.81	none
41. Tomtex S.A.	Tomaszów Maz.	textiles	associate	not consolidated	1999	335	-	335	21.55	21.55	none
42. Włókna Sp. z o.o.	Zduńska Wola	textiles	associate	not consolidated	1999	601	-	601	33.00	33.00	none
43. Rynex Sp. z o.o.	Płock	trading	associate	not consolidated	1997	2,668	-	2,668	25.57	25.57	none
44. Lannen Polska Sp. z o.o.	Tolkicko	fruit and vegetable processing	associate	not consolidated	1999	8,496	-	8,496	50.00	50.00	none
V Przedsiębiorstwo Zarządzania Nieruchomościami Sp. z o.o.											
45. Agencja Inwestycyjna CORP S.A.	Warszawa	investment	associate	not consolidated	1999	47	-	47	36.15	36.15	none

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Note 9		
SHARES IN OTHER ENTITIES		
a) in banks	32,892	25,781
b) in other financial institutions	58,248	165,806
c) in non-financial institutions	154,198	160,106
Total shares in other entities	245,338	351,693
SHARES IN OTHER ENTITIES BY DESTINATION		
a) trading portfolio	152,746	48,764
b) investment portfolio	92,592	302,929
Total	245,338	351,693

SHARES IN OTHER EQUITIES (INVESTMENT PORTFOLIO) AS AT 31.12.1999

a	b	c	d	e	f	g	h
company (with legal form)	registered office	activity	book value	proportion of share capital held	proportion of total voting rights at General Meeting of Shareholders	value of shares not paid up by the Group	dividends received or due for the last year
Bank Pekao SA							
1. IX NFI Kwiatkowskiego S.A.	Warszawa	investment fund	29,999	15.35	15.35	-	-
2. XV NFI Helman S.A.	Warszawa	investment fund	41	3.76	3.76	-	-
3. Bank Handlowy S.A.	Warszawa	banking	22,420	0.63	0.63	-	-
4. Biuro Informacji Kredytowej S.A.	Warszawa	credit information bureau	2,325	14.95	14.95	-	-
5. BOTRANS	Francja	trading	-	13.00	13.00	-	-
6. Centralna Tabela Ofert S.A.*	Warszawa	financial services	62	6.61	6.73	-	-
7. Cera S.A.	Warszawa	financial services	323	12.88	12.88	-	-
8. Dolina Łąk Sp. z o.o.	Małaszewicze	food products	182	1.22	1.22	-	-
9. Elektromontaż S.A.	Warszawa	construction	2,703	9.61	5.24	-	-
10. Giełda Papierów Wartościowych S.A.*	Warszawa	financial services	48	0.16	0.16	-	-
11. Huta Kara S.A.	Piotrków Trybunalski	glass foundry	-	7.68	7.68	-	-
12. Huta Ostrowiec S.A.	Ostrowiec	steelworks	3,543	4.17	4.17	-	-
13. Międzynarodowa Szkoła Bankowości i Finansów Sp. z o.o.	Katowice	education	-	11.13	11.13	-	-
14. Polska Giełda Finansowa S.A.	Warszawa	financial services	300	9.16	9.16	-	-
15. SWIFT	Belgia	international system of banking communication	702	0.16	0.16	-	-
16. Teibank S.A.	Warszawa	telecommunication	6,887	6.74	6.74	-	-
17. Uniprom S.A.	Warszawa	printing and publishing	5,000	10.64	10.64	-	-
18. VISPOL	Francja	trading	127	1.40	1.40	-	-
Centralny Dom Maklerski Pekao Spółka Akcyjna							
19. Pollena Ewa	Łódź	cosmetics	6,570	15.90	10.18	-	-

SHARES IN OTHER EQUITIES (INVESTMENT PORTFOLIO) AS AT 31.12.1999

a	b	c	d	e	f	g	h
company (with legal form)	registered office	activity	book value	proportion of share capital held	proportion of total voting rights at General Meeting of Shareholders	value of shares not paid up by the Group	dividends received or due for the last year
Pekao Fundusz Kapitałowy Sp. z o.o.							
20. Masters S.A.	Legnica	clothing manufacture	1,874	15.55	15.55	-	-
21. Zamojskie Fabryki Mebli S.A.	Zamość	furniture production	427	9.32	9.32	-	-
22. Białskie Fabryki Mebli S.A.	Biała Podlaska	furniture production	733	16.89	16.89	-	-
23. Huta Stalowa Wola S.A.	Stalowa Wola	steelworks	3,612	5.21	5.21	-	-
24. Anica System S.A.	Lublin	IT services	3,030	25.78	9.92	-	-
25. PHZ Baltona S.A.	Gdynia	trading	818	5.80	-	-	-
26. WSK-PZL Kalisz S.A.	Kalisz	machinery production	152	7.03	-	-	-
27. HSW Fabryka Maszyn Sp. z o.o.	Janów Lubelski	machinery production	673	12.70	12.70	-	-
Other			41				

* shares held together with CDM Pekao SA

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Note 10		
OTHER SECURITIES BY TYPE		
a) participation units in trust fund	15,500	12,000
b) Mass Privatisation Certificates (PŚU)	-	2,302
Total	15,500	14,302
OTHER SECURITIES BY DESTINATION		
a) trading portfolio	3,500	-
b) investment portfolio	12,000	14,302
Total	15,500	14,302
Note 11		
DEBT SECURITIES, SHARES AND OTHER SECURITIES BY DESTINATION		
a) trading portfolio	1,959,041	1,925,394
b) investment portfolio	19,374,583	15,055,159
Total	21,333,624	16,980,553
DEBT SECURITIES, SHARES AND OTHER SECURITIES BY CURRENCY		
a. in PLN	12,408,597	9,684,995
b. in foreign currencies (in PLN equivalent)	8,925,027	7,295,558
Total	21,333,624	16,980,553
CHANGE IN DEBT SECURITIES, SHARES AND OTHER SECURITIES		
At the beginning of the period	16,980,553	16,115,760
a) increases	14,580,954	19,840,124
– purchase	12,945,266	19,481,761
– accrued interest	72,990	181,634
– foreign exchange differences	1,198,366	50,001
– amortisation of premium and discount	66,966	4,017
– capitalized interest	129,783	-
– held by companies consolidated for the first time	156,293	-
– transfer from other balance sheet positions	-	3,312
– bonds acquired from the Brokerage House	-	19,913
– bill of exchange acquired	-	7,384
– increase in net assets	4,118	19,157
– change in provisions	7,148	60,409
– contribution in kind	-	7,975
– change in provisions	24	4,561
b) decreases	(10,227,883)	(18,975,331)
– sale	(2,187,061)	(12,873,917)
– interest	(27,118)	-
– amortisation of premium and discount	-	(87,874)
– redemption by issuer	(7,712,168)	(6,007,866)
– transfer to other balance sheet positions	(69,216)	(5,674)
– shareholdings in companies consolidated for the first time	(41,826)	-
– change in provisions	(107,074)	-
– other changes	(83,420)	-
At the end of the period	21,333,624	16,980,553

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
DEBT SECURITIES, SHARES AND PARTICIPATION UNITS		
- TRADING PORTFOLIO (BY MARKETABILITY)		
A. Unlimited marketability, listed on stock exchange (book value)		
a) shares (book value):	141,613	47,615
- market value	160,814	48,020
- purchase cost	177,486	93,399
b) bonds (book value):	94,545	123,581
- market value	94,647	124,701
- purchase cost	93,275	122,876
c) other (by type) (book value):	-	-
B. Unlimited marketability, listed on a regulated over-the-counter market (book value)		
a) shares (book value):	1,444	1,149
- market value	1,589	1,161
- purchase cost	1,594	1,303
b) bonds (book value):	3,702	3,916
- market value	3,702	3,934
- purchase cost	3,719	3,867
c) other (by type) (book value):	-	-
C. Unlimited marketability, not listed on a stock exchange or regulated over-the-counter market (book value)		
a) shares (book value):	6,318	-
- market value	6,318	-
- purchase cost	7,415	500
b) bonds (book value):	65,428	3,156
- market value	65,428	3,156
- purchase cost	64,835	2,951
c) other (by type) (book value):	-	-
c1) Treasury bills (book value)	953,888	1,203,402
- market value	953,888	1,203,402
- purchase cost	951,596	1,203,402
c2) commercial papers (book value)	685,232	524,613
- market value	687,078	524,613
- purchase cost	686,690	524,613
c3) Eurofundusz (wartość bilansowa)	3,500	-
- market value	3,649	-
- purchase cost	3,500	-
c4) bills of exchange (book value)	-	17,962
- market value	-	17,962
- purchase cost	-	16,924
D. Limited marketability (book value)		
a) shares (book value):	3,371	-
- estimated market value	3,371	-
- purchase cost	9,782	-
b) bonds (book value):	-	-
- estimated market value	-	-
- purchase cost	-	-
c) other (by type) (book value):	-	-
Total purchase cost	1,999,892	1,969,335
Total adjustments to value	(40,851)	(43,941)
Total market value/estimated market value	1,980,484	1,926,949
Total book value	1,959,041	1,925,394

**DEBT SECURITIES, SHARES AND PARTICIPATION UNITS
- INVESTMENT PORTFOLIO (BY MARKETABILITY)**

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
A. Unlimited marketability, listed on stock exchanges (book value)		
a) shares (book value)	247,366	228,401
- adjustments (net)	(17,819)	(9,631)
- purchase cost	265,185	238,032
b) bonds (book value):	6,878,688	2,360,509
- adjustments (net)	256,487	144,700
- purchase cost	6,622,201	2,215,809
c) other (book value)		
c1) Mass Privatisation Certificates (book value):	-	2,302
- adjustments (net)	-	-
- purchase cost	-	2,302
B. Unlimited marketability, listed on a regulated over-the-counter market (book value):		
a) shares (book value)	427	-
- adjustments (net)	-	-
- purchase cost	427	-
b) bonds (book value):	539	238,155
- adjustments (net)	(441)	10,182
- purchase cost	980	227,973
c) other by type (book value):	-	-
- adjustments (net)	-	-
- purchase cost	-	-
C. Unlimited marketability, not listed on a stock exchange or regulated over-the-counter market (book value)		
a) shares (book value)	4,738	28,180
- adjustments (net)	(26)	(1,426)
- purchase cost	4,764	29,606
b) bonds (book value):	1,222,513	3,602,053
- adjustments (net)	23,375	137,779
- purchase cost	1,199,138	3,464,274
c) other - by category (book value):		
c1) Eurofundusz book value):	12,000	12,000
- adjustments (net)	-	-
- purchase cost	12,000	12,000
c2) treasury bills (book value):	2,417,936	1,279,150
- adjustments (net)	137,926	(209)
- purchase cost	2,280,010	1,279,359
c3) NBP bills (book value):	532,462	2,163,526
- adjustments (net)	594	169
- purchase cost	531,868	2,163,357
c4) commercial papers (book value):	15,161	5,471
- adjustments (net)	(55,923)	(104)
- purchase cost	71,084	5,575
c5) depositary receipts (book value):	63,340	-
- adjustments (net)	1,123	-
- purchase cost	62,217	-

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
D. Limited marketability (book value)		
a) shares (book value)	244,069	427,220
- adjustments (net)	5,097	(241,492)
- purchase cost	238,972	668,712
b) bonds (book value):	7,683,642	4,611,309
- adjustments (net)	3,389,243	3,178,817
- purchase cost	4,294,399	1,432,492
c) other - by category (book value):		
c1) depositary receipt (book value):	-	44,647
- adjustments (net)	-	1,741
- purchase cost	-	42,906
c2) treasury bills (book value):	49,489	52,199
- adjustments (net)	480	4,056
- purchase cost	49,009	48,143
c3) bills of exchange (book value):	563	37
- adjustments (net)	(7,995)	-
- purchase cost	8,558	37
c4) ` commercial papers (book value):	1,650	-
- adjustments (net)	840	-
- purchase cost	810	-
Total purchase cost	15,641,622	11,830,577
Total adjustments to value	3,732,961	3,224,582
Total book value	19,374,583	15,055,159

Note 12

INTANGIBLE ASSETS

a) organisation cost incurred on start-up or expansion of joint stock company	189	245
b) research and developments costs	-	-
c) goodwill	10,113	21,272
d) concessions, patents, licenses and similar items	16,575	11,695
e) computer software	35,765	28,130
f) rights to perpetual usufruct of land	41,848	40,295
g) other intangible assets	35,487	24,779
h) prepayments for intangible assets	2,461	887
Total intangible assets	142,438	127,303

MOVEMENTS OF INTANGIBLE FIXED ASSETS BY TYPE

	a	b	a	b	c	d	e	f	g
	organisation costs incurred on start-up or expansion of a joint stock company	research and development costs	organisation costs incurred on start-up or expansion of a joint - stock company	research and development costs	goodwill	concessions, patents, licences and similar items	computer software	rights to perpetual usufruct of land	other intangible assets
a) gross value of intangible fixed assets at the beginning of the period	295	-	60,451	18,155	65,927	40,681	31,903	887	218,299
increase due to companies consolidated for the first time	-	-	-	13	3,975	6,421	197	1,066	11,672
b) additions:	3	-	123	14,056	27,119	822	14,780	1,385	58,288
- purchase	3	-	49	7,870	7,508	174	8,969	1,194	25,767
- transfer from capital work in progress	-	-	-	3,543	13,792	8	3,565	-	20,908
- other	-	-	74	2,643	5,819	640	2,246	191	11,613
c) disposals:	-	-	-	(1,554)	(4,501)	(835)	(715)	(877)	(8,482)
- sale	-	-	-	-	(40)	(21)	-	-	(61)
- other	-	-	-	(1,554)	(4,461)	(814)	(715)	(877)	(8,421)
d) gross value of intangible fixed assets at the end of the period	298	-	60,574	30,670	92,520	47,089	46,165	2,461	279,777
e) accumulated amortisation at the beginning of the period	50	-	39,179	6,460	37,797	386	7,124	-	90,996
increase due to companies consolidated for the first time	0	-	0	10	1,787	590	52	-	2,439
f) change during the period:	60	-	11,282	7,625	17,171	4,265	3,501	-	43,904
- amortisation for the period	60	-	11,282	6,782	20,725	4,241	3,364	-	46,454
- other additions	-	-	-	893	751	24	196	-	1,864
- other disposals	-	-	-	(50)	(4,305)	-	(59)	-	(4,414)
g) accumulated amortisation at the end of the period	110	-	50,461	14,095	56,755	5,241	10,677	-	137,339
h) net value of intangible fixed assets at the end of the period	189	-	10,113	16,575	35,765	41,848	35,487	2,461	142,438

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Note 13		
TANGIBLE FIXED ASSETS		
Tangible fixed assets		
a) fixed assets, including:	1,877,334	1,390,414
- land and buildings used by the Bank for its primary business activities	979,979	803,026
- other land and buildings	3,810	37,295
- equipment	508,646	288,882
- motor vehicles	145,357	31,855
- other fixed assets	239,542	229,356
b) capital work in progress	232,363	188,559
c) prepayments for capital work in progress	6,944	3,617
Total tangible fixed assets	2,116,641	1,582,590

MOVEMENTS IN TANGIBLE FIXED ASSETS BY TYPE

	land and buildings used by the Bank for primary business activities	other land and buildings	equipment	motor vehicles	other fixed assets
a) gross value at the beginning of the period	943,161	40,835	504,707	62,373	457,862
opening balance	70,194	5,706	186,678	135,509	27,918
b) increase (by type)	192,706	13,079	253,446	89,840	98,549
- seized assets	13	0	179	325	64
- transfer from capital work in progress	50,098	923	55,190	3,623	22,922
- purchase	15,933	627	147,342	74,474	31,814
- other	126,662	11,529	50,735	11,418	43,749
c) decrease (by type)	(58,158)	(49,887)	(38,691)	(35,953)	(63,976)
- sale	(472)	(93)	(17,884)	(23,661)	(4,548)
- liquidation	(14,197)	-	(5,236)	(2,663)	(7,612)
- other	(43,489)	(49,794)	(15,571)	(9,629)	(51,816)
d) gross value at the end of the year	1,147,903	9,733	906,140	251,769	520,353
e) accumulated depreciation at the beginning of the year	140,135	3,540	215,825	30,517	228,508
opening balance	2,675	157	51,101	39,773	8,858
f) change during the period	25,114	2,226	130,568	36,122	43,445
- depreciation charge for the period	33,388	1,222	149,315	60,868	56,430
- increases	19,890	3,737	9,089	5,324	7,728
- decreases	(28,164)	(2,733)	(27,836)	(30,070)	(20,713)
g) accumulated depreciation at the end of the year	167,924	5,923	397,494	106,412	280,811
h) net value at the end of the year	979,979	3,810	508,646	145,357	239,542

Unplanned depreciation of 365 ths PLN relates to liquidated fixed assets

FIXED ASSETS (OWNERSHIP STRUCTURE)

a) own	2,108,890	1,578,972
b) used under rental, lease or other agreements, including :	807	-
Total	2,109,697	1,578,972

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
OFF-BALANCE FIXED ASSETS		
used under rental, lease or other similar agreement , of which:	70,829	87,904
- value of land used under perpetual usufruct (leasehold) agreements	15,809	27,205
Total	70,829	87,904

Nota 14

OTHER ASSETS

1. Seized assets held for sale	44,349	44,963
2. Others, including:	448,164	739,276
- interbranch clearing accounts	6,310	317,355
- settlement of sales of securities	9,946	124,326
- loans to employees granted from the Employee Social Fund	58,239	49,167
- taxation receivables from the State Treasury	45,153	31,753
- settlements with other companies	63,622	28,655
- payment card balances	53,535	31,026
Total	492,513	784,239

Note 15

OTHER PREPAYMENTS AND ACCRUED INCOME

a) prepayments and accrued income, including:	20,428	16,717
- amounts paid in advance	13,014	14,308
- deferred costs	7,387	
- amortisation of fixtures and fittings acquired before 1 January 1995	27	2,409
b) other prepayments and accrued income, including:	2,259,974	2,386,540
- capitalised interest expense on refinancing loan	2,254,917	2,384,082
- other	5,057	2,458
Total	2,280,402	2,403,257

Note 16

AMOUNTS DUE TO OTHER FINANCIAL INSTITUTIONS

a) amounts due to financial institutions without subsidiaries and associated companies	1,476,476	1,678,559
b) amounts due to companies consolidated by equity accounting method	167,561	68,935
c) amounts due to non-consolidated subsidiaries and associated companies	6,052	13,434
Total	1,650,089	1,760,928

AMOUNTS DUE TO OTHER FINANCIAL INSTITUTIONS BY TYPE

1. Current accounts and deposits	1,594,813	1,474,121
2. Loans	37,723	30,665
3. Other liabilities	10,106	251,334
- liabilities in transit	10,106	251,334
4. Interest	7,447	4,808
Total	1,650,089	1,760,928

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
AMOUNTS DUE TO OTHER FINANCIAL INSTITUTIONS BY REMAINING MATURITY AT THE BALANCE DATE		
1. Current	247,024	277,869
2. Term:	1,395,618	1,478,251
a) up to 1 month	990,523	1,305,162
b) between 1 to 3 months	364,766	113,620
c) between 3 months to 1 year	6,291	20,947
d) between 1 to 5 year	18,024	6,110
e) above 5 years	16,014	32,412
f) overdue amounts	-	-
3. Interest	7,447	4,808
Total	1,650,089	1,760,928

AMOUNTS DUE TO OTHER FINANCIAL INSTITUTIONS BY CURRENCY

a. in PLN	564,864	985,132
b. in foreign currencies (in PLN equivalent)	1,085,225	775,796
Total	1,650,089	1,760,928

Note 17

AMOUNTS DUE TO CLIENTS AND PUBLIC SECTOR ENTITIES

a) amounts due to client and public sector entities without subsidiaries and associated companies	44,959,102	38,921,947
b) amounts due to companies consolidated by equity accounting method	11,275	13,074
c) amounts due to non-consolidated subsidiaries and associated companies	7,901	16,663
Total	44,978,278	38,951,684

AMOUNTS DUE TO CLIENTS AND PUBLIC SECTOR ENTITIES BY TYPE

1. Current accounts and deposits	44,336,159	38,247,628
2. Other liabilities	79,939	76,686
- liabilities in transit	79,939	76,686
3. Interest	562,180	627,370
Total	44,978,278	38,951,684

**AMOUNTS DUE TO CLIENTS AND PUBLIC SECTOR ENTITIES - SAVINGS ACCOUNTS
BY REMAINING MATURITY AT THE BALANCE DATE**

1. Current	687	697
2. Term:	2,559	3,475
a) up to 1 month	526	690
b) between 1 to 3 months	797	1,009
c) between 3 months to 1 year	1,001	1,765
d) between 1 to 5 year	235	11
e) above 5 years	-	-
f) overdue amounts	-	-
3. Interest	99	189
Total	3,345	4,361

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
AMOUNTS DUE TO CLIENTS AND PUBLIC SECTOR ENTITIES - OTHERS BY REMAINING MATURITY AT THE BALANCE DATE		
1. Current	14,128,207	12,433,355
2. Term:	30,284,645	25,886,787
a) up to 1 month	11,605,074	8,431,422
b) between 1 to 3 months	7,788,758	6,884,774
c) between 3 months to 1 year	9,990,189	9,384,254
d) between 1 to 5 year	899,706	1,186,045
e) above 5 years	918	292
f) overdue amounts	-	-
3. Interest	562,081	627,181
Total	44,974,933	38,947,323

AMOUNTS DUE TO CLIENTS AND PUBLIC SECTOR ENTITIES BY CURRENCY

a. in PLN	26,819,734	23,011,131
b. in foreign currencies (and PLN equivalent)	18,158,544	15,940,553
Total	44,978,278	38,951,684

Note 18

LIABILITIES ARISING FROM REPO TRANSACTIONS WITH SECURITIES

a) financial institutions	92,000	-
b) clients and public sector entities	-	-
c) interest	551	-
Total	92,551	-

Note 19

LIABILITIES ARISING FROM THE ISSUE OF OWN SECURITIES

1. Bonds	-	-
2. Certificates	4,800	4,799
3. Others:	46,539	12,274
- bill of exchange	3,274	9,000
- bill of exchange of subsidiaries	43,265	3,274
3. Interest	-	-
Total	51,339	17,073

CHANGE IN LIABILITIES ARISING FROM THE ISSUE OF OWN SECURITIES

Balance at the beginning of the period	17,073	37,101
a) increase	207,066	-
- liabilities of companies consolidated for the first time in 1999	33,400	-
- purchase	173,665	-
- foreign exchange differences	1	-
- issue of certificates of deposit	-	-
b) decrease	(172,800)	(20,028)
- redemption of bills of exchange	(9,000)	(4,000)
- redemption of certificates of deposit	-	(16,001)
- redemption of Pekao S.A. bills	-	(27)
- redemption of commercial papers	(163,800)	-
Balance at the end of the period	51,339	17,073

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Nota 20		
SPECIAL FUNDS AND OTHER LIABILITIES		
1. Special funds, including:	59,916	49,552
- Employee social fund	59,916	49,552
2. Other liabilities, including:	371,138	1,104,418
- liabilities to clients relating to the acceptance of cheques and similar documents	2,355	6,283
- interbank and interbranch clearing accounts	172,068	757,269
- liabilities towards brokerage houses	-	110,779
- fiscal liabilities	62,988	78,766
- other	133,727	151,321
Total special funds and other liabilities	431,054	1,153,970

Note 21

ACCRUALS AND DEFERRED INCOME

a) accruals, including:	252,344	152,778
- provisions for payments to employees	219,861	114,550
- amounts related to SWAP transactions	2,996	4,718
- other	29,487	33,510
b) deferred income, including:	2,935,072	3,067,757
- capitalized interest on bank loans for government central investment projects	2,740,774	2,905,177
- unrealized foreign exchange differences	122,263	96,555
- income received in advance	56,896	52,089
- other	15,139	13,936
c) suspended income	773,698	649,618
- suspended interest	753,786	637,646
- other suspended income	19,912	11,972
Total	3,961,114	3,870,153

Note 22

PROVISIONS

1. Provision for deferred tax	45,453	58,611
2. Other provisions, including:	303,438	149,484
- off-balance sheet commitments	15,952	32,937
- amounts in dispute	25,353	12,674
- general risk	128,596	82,252
- general credit risk	112,438	21,621
- financial instruments hedging the securities portfolio	1,593	-
- for diminution in the value of shares	9,114	-
- carrying value of fixed assets	10,392	-
Total	348,891	208,095

The 8,000 ths PLN provision for carrying value of fixed assets relates to a owned by PZN. This provision which was created at the level of the consolidated financial statements is not recognised in the entity financial statements of PZN.

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
CHANGE IN PROVISION FOR DEFERRED TAX		
Provision for deferred tax at the beginning of the period	58,611	84,972
a) increases	(69,377)	350,382
- accrued interest income	(94,670)	337,975
- investment reliefs	4,334	12,203
- net foreign exchange losses	20,958	204
b) decreases	(56,219)	(376,743)
- accrued interest costs	(135,187)	(300,329)
- provisions for loans, and other provisions	78,968	(76,414)
Provision for deferred tax at the end of the period	45,453	58,611

CHANGE IN OTHER PROVISIONS

Balance at the beginning of the period	149,484	83,234
a) increase	252,548	160,740
- recorded by companies consolidated for the first time	4,453	-
- creation of provisions	196,960	138,426
- transfers from other balance sheet positions	40,505	21,944
- foreign exchange differences	4,816	370
- negative net assets of companies consolidated by the equity accounting method	5,814	-
b) utilisation	(20,276)	(50,987)
- amounts written-off	(132)	(28,245)
- transfers to other balance sheet positions	(20,144)	(22,742)
c) release	(78,318)	(43,503)
- provisions released	(78,318)	(43,503)
Balance at the end of the period	303,438	149,484

Note 23

NEGATIVE GOODWILL

a) negative goodwill - subsidiaries	-	642,268
b) negative goodwill - associated companies	46,118	3,799
Total negative goodwill	46,118	646,067

CHANGE IN NEGATIVE GOODWILL - SUBSIDIARIES

a) Gross value at the beginning of the period	1,169,561	1,169,561
b) Increase	-	-
c) Decrease	-	-
d) Gross value at the end of the period	1,169,561	1,169,561
e) accumulated amortisation of negative goodwill at the beginning of the period	(527,293)	(293,741)
f) change in accumulated amortisation of negative goodwill	(642,268)	(233,552)
- transfer to consolidated shareholders equity on merger of the Group banks	(642,268)	(233,552)
g) accumulated amortisation of negative goodwill at the end of the period	(1,169,561)	(527,293)
h) Net value at the end of the period	-	642,268

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
CHANGE IN NEGATIVE GOODWILL - ASSOCIATED COMPANIES		
a) Gross value at the beginning of the period	9,497	9,497
b) Increase	50,773	-
- negative goodwill for the year	50,773	-
c) Decrease	-	-
d) Gross value at the end of the period	60,270	9,497
e) accumulated amortisation of negative goodwill at the beginning of the period	(5,698)	(3,798)
f) change in accumulated amortisation of negative goodwill	(8,454)	(1,900)
- amortisation of negative goodwill for the period	(8,454)	(1,900)
g) accumulated amortisation of negative goodwill at the end of the period	(14,152)	(5,698)
h) Net value at the end of the period	46,118	3,799

Negative goodwill - subsidiaries	PBG S.A.	BDK S.A.	PBKS S.A.
Negative goodwill calculated on acquisition of control on 01.10.1996	403,652	470,634	329,376
Correction of negative goodwill at 01.01.1997	(14,330)	(9,664)	(10,107)
Negative goodwill after correction	389,322	460,970	319,269
Accumulated amortisation on 31.12.1998	(175,610)	(207,716)	(143,967)
Negative goodwill transferred to equity after merger on 01.01.1999	(213,712)	(253,254)	(175,302)
Net value at 31.12.1999	-	-	-

Negative goodwill - associated companies

Centrozap SA

Purchase cost of shares in Centrozap Sp. z o.o. at 31.12.1995	10,259
Net assets of company at date of acquisition of shares	76,045
Bank Pekao SA shareholding in Centrozap Sp. z o.o.	25.98%
Bank Pekao SA share of net assets	19,756
Negative goodwill at 31.12.1995	9,497
Net value at 31.12.1999	1,899

III Narodowy Fundusz Inwestycyjny

	31.12.1998	30.06.1999
Purchase cost of shares on acquisition	60,518	14,077
Net assets of company at date of acquisition of shares	295,860	216,525
Bank Pekao SA shareholding.	21.80%	10.20%
Bank Pekao SA share of net assets	64,498	22,086
Negative goodwill on acquisition	3,980	8,009
Net value at 31.12.1999	10,659	

XI Narodowy Fundusz Inwestycyjny

	31.03.1999	30.06.1999
Purchase of shares on acquisition	51,745	8,850
Net assets of company at date of acquisition of shares	314,657	295,943
Bank Pekao SA shareholding.	25.00%	7.00%
Bank Pekao SA share of net assets	78,664	20,716
Negative goodwill on acquisition	26,919	11,866
Net value at 31.12.1999	33,560	

Note 24

SHARE CAPITAL

Nominal value of 1 share = 1.00 PLN

Series/Issue	Type of share	Nature of privileges	Number of shares	Nominal value of issue	Paid up	Date of registration	Rights to dividends (from)
A	ordinary bearer	none	137,650,000	137,650	in full	21.12.97	1.01.98
B	ordinary bearer	none	7,690,000	7,690	in full	6.10.98	1.01.98
Total shares			145,340,000				
Total shares capital (ths. PLN)				145,340			

Note 25

SUPPLEMENTARY CAPITAL

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
a) share premium	338,360	338,360
b) statutory supplementary capital	48,000	45,900
c) supplementary capital created in excess of statutory requirements	120,605	31,015
d) additional capital contributions by shareholders	-	-
e) other	-	-
Total supplementary capital	506,965	415,275

Note 26

OTHER RESERVE CAPITAL BY DESIGNATION

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
- general banking risk fund	256,664	210,320
- brokerage activity fund	-	-
- equity accounting consolidation reserve	49,556	41,751
- reserve fund	2,278,302	1,643,555
Total other reserve capital	2,584,522	1,895,626

Note 27

UNAPPROPRIATED PROFITS (UNCOVERED LOSS) FROM PREVIOUS YEARS

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
a) retained profit (positive)	297,828	-
b) uncovered loss (negative)	-	-
Unappropriated profits (uncovered loss) from previous years	297,828	-

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Note 28		
CALCULATION OF NET BOOK VALUE PER SHARE		
Equity:		
Share capital	145,340	145,340
Supplementary capital	506,965	415,275
Reserve capital	2,278,302	1,643,555
General banking risk reserve	256,664	210,320
Revaluation reserve	158,651	92,180
Foreign exchange differences on foreign branches	(964)	(1,015)
Equity accounting consolidation reserve	49,556	41,751
Retained earnings from previous years	297,828	-
Net profit	171,515	520,298
Total equity:	3,863,857	3,067,704
Negative goodwill	46,118	646,067
Book value	3,909,975	3,713,771
Number of shares (in '000)	145,340	145,340
Net book value per share (in PLN)	26.90	25.55

Note 29

OFF-BALANCE SHEET LIABILITIES

Guarantees granted on behalf of:

a) subsidiaries	-	-
b) associated companies	-	21,457
c) parent entity	-	-
d) other entities	782,510	670,637
Total guarantees	782,510	692,094

7. NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

	from 01.01.99 to 31.12.99 PLN '000	from 01.01.98 to 31.12.98 PLN '000
Note 30		
INTEREST INCOME		
1. From financial institutions	342,832	513,652
2. From clients and public sector entities	2,984,306	3,121,603
3. From securities, including:	1,818,011	1,948,779
4. Other	209,543	325,059
Total	5,354,692	5,909,093
Note 31		
INTEREST EXPENSE		
1. From operations with financial institutions	598,748	832,729
2. From operations with clients and public sector entities	2,693,118	3,134,137
3. Other	19,229	8,730
Total	3,311,095	3,975,596
Note 32		
COMMISSION INCOME		
1. Commissions from banking operations	757,263	536,346
2. Commissions from brokerage activities	176,775	227,298
Total	934,038	763,644
Note 33		
INCOME ON SHARES AND OTHER SECURITIES		
1. Subsidiaries	598	14,867
2. Associated companies	3,768	14,897
3. Other entities	904	3,205
Total	5,270	32,969
Note 34		
RESULT ON FINANCIAL OPERATIONS		
1. Result on securities operations	17,352	36,630
a) income on securities operations	679,476	516,650
b) cost of securities operations	662,124	480,020
2. Result on other financial operations	3,567	6,528
Total	20,919	43,158
Note 35		
OTHER OPERATING INCOME		
a) asset management on behalf of third parties	11,229	2,771
b) proceeds from the sale or liquidation of fixed assets and other assets for sale	8,274	9,068
c) recovery of doubtful receivables	7,845	7,800
d) compensation and damages received	6,318	238
e) donations/grants received	204	13,468
f) other:	271,453	67,618
including: rent, advertising and sundry income	21,451	20,362
income from the lease of fixed assets	166,851	-
Total	305,323	100,963

	from 01.01.99 to 31.12.99 PLN '000	from 01.01.98 to 31.12.98 PLN '000
Note 36		
OTHER OPERATING COSTS		
a) costs attributable to income from asset management on behalf of third parties	20,993	23,722
b) book value of sold or liquidated fixed assets (and other assets for sale)	10,896	7,730
c) amounts written off	2,814	943
d) compensation, penalties and fines paid	958	5,880
e) donations made	2,978	5,176
f) unplanned amortization	365	900
g) other:	39,427	37,412
including depreciation of fixtures and fittings acquired before 1.01.1995	2,382	8,931
Total	78,431	81,763

Note 37

OVERHEAD COSTS

1. Salaries	1,089,607	739,562
2. Statutory employment costs *	220,679	347,562
3. Non-personnel costs	615,395	630,731
4. Taxes and charges**	104,004	19,409
5. Contributions and payments to Bank Guarantee Fund	23,122	24,662
Total	2,052,807	1,761,926

* including social security of 199 670 PLN '000 (1998 - 318 982 PLN '000)

** this item primarily represents irrecoverable VAT, which until the end of 1998 was included in „non-personnel costs“ (Bank Pekao SA only)

Note 38

PROVISIONS CREATED

1. Provisions created	1,067,011	767,244
- receivables classified as normal	47,060	-
- receivables classified as watch	39,395	-
- irregular loans	725,302	622,475
- off-balance sheet liabilities	148,715	30,737
- general banking risk	46,344	93,052
- other assets	43,906	6,343
- other	16,289	14,637
2. Revaluation:	141,486	38,002
- revaluation of financial assets	141,486	38,002
Total	1,208,497	805,246

Note 39

RELEASE OF PROVISIONS

1. Release of provisions:	510,805	470,884
- receivables classified as normal	29,823	-
- receivables classified as watch	9,806	-
- irregular loans	386,680	414,773
- off-balance sheet liabilities	62,572	32,703
- general banking risk	15,746	10,800
- other assets	6,178	11,787
- other	-	821
2. Release of other provisions	47,432	48,214
- revaluation of financial assets	47,432	48,214
Total	558,237	519,098

	from 01.01.99 to 31.12.99 PLN '000	from 01.01.98 to 31.12.98 PLN '000
Note 40		
1. Consolidated gross profit	413,681	965,222
2. Consolidation adjustments	(55,930)	(221,070)
3. Permanent differences between gross profit and taxable income	(36,596)	(16,192)
4. Temporary differences between gross profit and taxable income	227,967	217,320
5. Other differences between gross profit and taxable income, including:	13,328	358,931
- losses from previous years	(46)	-
6. Taxable income	562,450	1,304,211
7. Corporate income tax at 34% (36% in 1998)	191,968	469,516
8. Tax reliefs/deductions	(10,830)	5,927
9. Corporate income tax borne	181,138	463,589
10. Provision for deferred tax		
- balance at the beginning of the period	58,611	84,972
- increases	69,377	350,382
- decreases	56,219	376,743
- balance at the end of the period	45,453	58,611
11. Other income taxes (foreign branches and withholding tax)	6,257	4,823
12. Taxation charge presented in profit and loss account	188,287	442,051

Information about the main differences between the taxation charge presented in the profit and loss account and corporate income tax arising on taxable income.

	31.12.1999	31.12.1998
1. Main items resulting in a decrease of corporate income tax:		
a) Tax exempt income	90,627	73,209
b) Deductions from taxable income:		
- investment relief	59,159	63,417
- investment relief premium	31,709	17,250
c) Donations	1,918	4,023
d) Deduction from corporate income tax - withholding tax on domestic dividends and foreign income	10,830	5,927
	PLN '000	% rate
2. Main components of deferred tax provision of PLN 45 453 thousand:		
a) Accrued interest income	2,417,503	30,28,24,22
b) Accrued interest cost	(1,472,117)	30,28,24,22
c) Net unrealised foreign exchange gains	27,556	30
d) Provisions for lost loans	(380,718)	30
e) Other provisions	(459,873)	30
f) Net investment relief	198,297	30
g) Other	(39,220)	30

The corporate tax rates used are those expected to apply when the related timing differences are realised.

3. The consolidated taxation charge is 188.287 ths PLN including:	
a) Parent company	167,458
b) domestic subsidiary companies	18,071
- CDM SA	26,003
- Pekao - Leasing Sp. z oo	(9,080)
- PBG - Leasing Sp. z oo	986
- Pekao - Fundusz Kapitałowy Sp. z oo	2,041
- Pekao - Faktoring Sp. z oo	(2,467)
- PZN Sp. z oo	588

c/ foreign subsidiary companies	2,758
- Bank Depozytowe-Kredytowy Ukraina LTD	2,668
- Bank Pekao Tel-Aviv LTD	90

4. The deferred tax provision has decreased by PLN 13,158 thousand in comparison to 1998. This comprises a decrease of PLN 14,050 thousand arising as a result of the consolidation of several companies for the first time in 1999 and an increase of PLN 892 thousand reflected in the deferred tax charge for 1999.

The deferred tax charge of PLN 892 thousand arose in the following companies:

- Parent company	9,335
- Subsidiary companies:	(8,443)
- CDM SA	8,807
- Pekao - Leasing Sp. z oo	(11,367)
- PBG - Leasing Sp. z oo	(2,376)
- Pekao - Faktoring Sp. z oo	(2,476)
- PZN Sp. z oo	(1,031)

The deferred tax charge of the parent company after taking into consideration losses at the New York branch is 1,740 ths. PLN. The difference (tax credit) of 7,615 ths. PLN is included within „deduction from corporate income tax - withholding tax on dividends and foreign income“

	from 01.01.99 to 31.12.99 PLN '000	from 01.01.98 to 31.12.98 PLN '000
Note 41		
DATA FOR CALCULATION OF EARNINGS PER SHARE		
Net profit for the last 12 months ('000 PLN)	171,515	520,298
Weighted average number of shares	145,340,000	141,495,000
Net profit per share (in PLN)	1.18	3.68

NET PROFIT (LOSS)

a) net profit of the parent entity (after consolidation adjustments)	185,135	275,155
b) net profit (loss) of subsidiaries (after consolidation adjustments)	520	238,284
c) net profit (loss) of associated companies (after consolidation adjustments)	(14,140)	6,859
Total net profit (loss)	171,515	520,298

Segmental analysis of net profit of the Group

Banking	201,306	457,173
Brokerage services	57,244	60,169
Other	(87,035)	2,956
Total	171,515	520,298

Note 42

INFORMATION NEEDED FOR CALCULATION OF CAPITAL ADEQUACY RATIO

1) Risk weighted assets	27,024,560	25,678,896
2) Own funds	3,340,163	2,925,746
a) Core funds	3,138,200	3,148,351
b) "Supplementary" funds	180,551	280,574
c) Deductions from own funds	21,412	(503,179)

8. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW

	31.12.1999	31.12.1998
Cash and cash equivalents comprise:		
Cash in hand	1,170,034	1,255,336
Current account in the Central Bank	619,794	4,221,114
Other	2,824	2,834
Current amounts due from financial institutions	278,228	247,625
Total	2,070,880	5,726,909
"Other" positions in the cash flow statement comprise:		
a) "Other adjustments" from operating activity - foreign exchange gains:	325,371	44,025
- foreign exchange gains	325,371	268,468
- change in shares and other securities - investment portfolio	-	(224,443)
b) "Other proceeds" from investing activities - dividends received	3,277	2,114
c) "Other proceeds" from financing activities - appropriation of profit for employee bonuses	-	(89,824)

Explanation of the division of the Bank's activities between operating, investing and financing applied in the preparation of the cash flow statement. Operating activity comprise the Group's basic activities that are not included in investing and financing activities. Investing activities include the purchase and sale of tangible and intangible fixed assets, shares in subsidiaries, associated companies, other entities, other securities and debt securities (including trading debt securities). Proceeds from financing activities indicate the Group's sources of long term finance. These include the issue of shares by the parent company. Expenditures related to financing activities include the realisation of obligations to shareholders (payment of dividends), remuneration of members of the Management and Supervisory Boards and annual bonus payments (paid out of net profit) to employees.

9. NOTES TO THE FINANCIAL STATEMENTS

1. Structure of the Group's lending exposure to individual borrowers, groups of companies and industrial sectors

The Banking Law dated 29 August 1997 established maximum exposure limits for Banks. In accordance with article 71.1 of this Law a Bank's total exposure arising from loans, purchased bonds and other securities (apart from shares), guarantees, letters of credit and other receivables in relation to one borrower or group of related borrowers may not exceed 25% of the Bank's own funds. In addition article 71.4 of the Law also sets a total exposure limit of 800% of own funds in relation to individual exposures exceeding 10% of own funds.

At 31 December 1999 the Bank only had one exposure that exceeded the limit specified in article 71.1. Of this exposure 99.4% represented loans to finance a government central investment project and 0.6% represented standard commercial loans. Loans granted to finance government central investment projects are guaranteed by the State Treasury. The structure of the Bank's lending exposure is presented in the following tables:

a) Concentration by individual borrowers: % of loan portfolio

Exposure to 10 largest clients

Client 1	14.09
Client 2	2.06
Client 3	1.15
Client 4	1.06
Client 5	1.04
Client 6	0.99
Client 7	0.97
Client 8	0.86
Client 9	0.86
Client 10	0.82

Total exposure to 10 largest clients 23.90

The receivables from the 10 largest clients are classified as "regular" and "watch" receivables.

b) Concentration by Groups of related companies:

Exposure to 5 largest groups of related companies

	% of loan portfolio
Group 1	14.09
Group 2	2.06
Group 3	1.88
Group 4	1.76
Group 5	1.49

Total exposure to 5 largest capital groups 21.28

c) Concentration by sector:

In order to minimise sector risk the Group has developed a mechanism to monitor the sector structure of its credit exposure. The system involves the setting of concentration limits for particular sectors, monitoring of the loan portfolio and the establishment of appropriate information gathering mechanisms. The system uses the classifications applied by the European Classification of Economic Activities (EKD). Concentration limits are based on assessments of investment risk, quality of the Banks lending exposure to a particular sector, current economic trends, the Banks shareholders funds and the total assets of particular sectors.

A monthly analysis of the Bank's exposure to particular sectors with the current limits for those sectors permits the timely identification of those sectors which may give rise to an exposure risk.

If such a situation is identified an analysis of the economic situation of that sector is performed taking into account current and predicted trends and the quality of the current exposure to that sector. These measures enable the Bank to develop policies that reduce sector risk and permit a timely reaction to changing circumstances.

Sector	% of loan portfolio
Wholesale and retail trade, repair of motor vehicles and motorbikes, articles for personal use and household goods	14.42
Production of food, beverages and tobacco products	6.01
Production of transport equipment	4.39
Transport, communication and storage	6.66
Production of chemicals and synthetic fibres	2.48
Utilities	21.21
Construction	4.47
Production of other machinery and equipment	1.58
Agriculture, hunting, forestry and fisheries	1.59
Brokerage, financial intermediation	8.74
Production of metals and processed metal products	3.63
Property management, rental and other business services	3.91
Paper industry	1.48
Hotels and restaurants	0.82
Rubber industry	1.53
Mining	2.61
Textile industry	1.35
Other	13.12
Total	100.00

2. Financial instruments

As at 31 December 1999, the Group was involved in the following transactions:

a) Asset swap - these hedge against interest rate risk arising on the purchase of fixed income securities. The transactions comprise the purchase of securities and the conclusion of an IRS (Interest Rate SWAP) and are entered into with the intention of holding the security until maturity. The purchase of fixed income securities is financed with variable interest funds drawn from the market. The characteristics of these asset swap transactions are:

- the price of the instrument is determined when the transaction is entered into
- maturity is determined when the transaction is entered into and matches the maturity of the underlying security
- the investor has the possibility of early settlement as the instrument is tradable
- the realisation price of the instrument equals the market price
- coupons are paid quarterly, half yearly or annually.

The nominal value of asset swap transactions concluded by the Bank as at 31 December 1999 amounted to PLN 111,310 thousand.

b) IRS transactions - these are performed on the interbank market with the aim of swapping fixed income streams into floating income streams. The value of such transactions at 31.12.1999 was PLN 207,415 thousand.

c) Futures transactions - the sale of standard futures contracts on American and French government bonds to hedge against the interest rate risk associated with the Bank's debt securities portfolio. The value of transactions as at 31 December 1999 amounted to PLN 58,278 thousand.

d) Futures - purchase/sale of foreign currencies at a specified forward exchange rate. The value of transactions as at 31 December 1999 amounted to PLN 12,680 thousand.

e) Foreign exchange operations. These consist of spot transactions performed at a pre determined exchange rate (settlement takes place 2 working days after the transaction is agreed). The value of these transactions as at 31 December 1999 amounted to PLN 479,292 thousand.

f) Currency swap. These consist of a combination of spot and forward foreign currency transactions. A specific amount of currency is exchanged through a spot transaction. At the same time a forward contract is established to re-exchange the same amount of currency at a pre-determined rate on a future date. The value of these transactions as at 31 December 1999 amounted to PLN 376,208 thousand. These transactions are used to manage the Bank's liquidity and nostro accounts.

The nominal value of current foreign currency exchange operations and swap transactions does not reflect the actual market risk associated with these transactions but represents only the amount of currency purchased or sold.

3. Off balance sheet liabilities (by type)	31 December 1999
	PLN '000
1) Granted to financial institutions:	208,191
- financing	160,996
- guarantees	38,761
- confirmed export letters of credit	8,434
2) Granted to non financial institutions:	5,961,441
- financing	5,310,072
- guarantees	646,821
- sureties	2,813
- accepted bills of exchange	1,735
3) Granted to public sector entities:	256,352
- financing	160,524
- guarantees	95,828
Total off balance sheet liabilities granted	6,425,984

Included in the above are amounts of PLN 76,133 thousand granted to subsidiaries and associated companies comprising PLN 5,511 thousand granted to non-consolidated subsidiaries and associated companies and PLN 70,622 thousand granted to subsidiaries and associated companies consolidated using the equity accounting method.

4) At 31 December 1999 the Group was involved in 23 underwritings of the bond and commercial paper issues.

The underwriting activities of the Group were carried out by Bank Pekao SA.

The securities underwritten are freely transferable but are not traded on the Stock Exchange or a regulated OTC market.

At 31 December 1999 the nominal value of underwritten securities held by the Bank amounted to PLN 896,182 thousand.

5) Contingent commitments to the Group at 31 December 1999 amounted to PLN 5,874,819 thousand and mainly comprised guarantees received (PLN 5,868,043 thousand).

4. Income, costs and operating results of activities discontinued during the period or expected to be discontinued in the following period

In 1999, Build Ship Sp. z o.o. discontinued its activities and on 18 October 1999 was put into liquidation by the Gdańsk District Court.

At the date of preparation of these consolidated financial statements it was not possible to estimate the results of that Company's liquidation.

5. Capital expenditure (in PLN thousand)

Capital expenditure incurred in 1999 and planned for 2000 is presented below.

Expenditure	Incurred in 1999	Planned for 2000
Construction	101,673	89,801
Computer hardware	138,157	395,691
Other	43,858	71,126
Total	283,688	556,618

6. Transactions with related parties

Transactions with related parties comprise transactions with non-consolidated subsidiary and associated companies and transactions with subsidiary and associated companies consolidated using the equity method.

In 1999, the Bank concluded transactions with Pekao Informatyka for the purchase of computer hardware and software and related maintenance services. The total value of these transactions amounted to PLN 18,875 thousand.

In 1999 the Group increased the share capital of 3 subsidiary companies, Pekao/Alliance TFI, SRPBG Sp. z o.o. and Pekao/Alliance Capital Management S.A. by a total amount of PLN 9,568 thousand.

The following balances of a lending/deposit taking nature existed at 31.12.1999 with subsidiary and associated companies.

	PLN '000
Receivables:	
From financial institutions	548,209
From non-financial institutions	228,937
Accrued interest	2,099
Overdue interest	11,804
Amounts in transit	9,866
Total gross receivables	800,915
Provisions	(108,883)
Total	692,032
 Liabilities:	
To financial institutions	173,358
To non-financial institutions	15,876
Accrued interest	212
Amounts in transit	3,343
Total	192,789

The following intra group transactions and balances have been eliminated in preparing the consolidated financial statements:

- assets and liabilities and equity were decreased by PLN 1,126,675 thousand,
- off-balance sheet items were decreased by PLN 102,457 thousand,
- interest income and costs were decreased by PLN 83,917 thousand,
- commission income and costs were decreased by PLN 8,471 thousand,
- other income and costs were decreased by PLN 63,957 thousand.

7. Information about average employment

In 1999, the average number of employees was 26,415 including:

a) in the parent company:	24,752
Management Board	9
Employees (including management and professional staff)	22,975
Support staff (including security, technical support)	1,768
b) in subsidiary companies consolidated by the acquisition accounting method:	1,663
Management Boards	27
Employees (including management and professional staff)	1,326
Support staff (including security, technical support)	310

8. Remuneration of the Management and Supervisory Boards of the parent company

a) paid by Bank Pekao SA (PLN '000)	in 1999	in 1998
Management Board of the Bank *	9,202	5,130
Supervisory Board	274	177
Total	9,476	5,307
* including remuneration of Management Board members dismissed by the Supervisory Board in the last quarter of 1999 and in the first quarter of 1998		
b) paid by subsidiary and associated companies (PLN '000)	in 1999	in 1998
Management Board of the Bank	382	253
Supervisory Board	-	-
Total	382	253

9. Loans granted to members of the Management and Supervisory Boards of the parent company (PLN'000)

	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Management Board	34	79
Supervisory Board	180	-
Total	214	79

In addition, off-balance sheet exposure as at 31 December 1999 resulting from unutilised credit lines and credit cards granted to members of the Management Board amounted to PLN 98 ths. These loans and credit cards were granted on normal commercial terms.

At 31 December 1999 no member of the Management or Supervisory Board of the Bank had a loan or guarantee from any of the Bank's subsidiary or associated companies. At 31 December 1999 there were no guarantees issued by the Bank on behalf of members of the Management or Supervisory Boards.

10. Significant events occurring after the balance date

In accordance with the Polish Bank Guarantee Fund Law, Bank Pekao S.A. participates in the obligatory deposit guarantee system relating to non-corporate deposits. Banks involved in the deposit guarantee system are obliged to make predetermined annual payments to the Fund. In the event of a bank being declared insolvent, the Bank Guarantee Fund (BFG) may also call on Banks to make additional one-off payments.

On 11 February 2000, a private bank, Bank Staropolski S.A. was declared bankrupt. At the date of these financial statements, the funds necessary to cover the guaranteed deposits of the bankrupt bank have been estimated. According to the statement of the liquidator, apart from any amounts recoverable from Bank Staropolski S.A. and the amounts which the BFG will allocate to compensating depositors from previously raised contributions, it is estimated that the deficit to be met by the whole banking system will range from circa PLN 650 million to PLN 750 million.

Based on the structure of contributions to BFG it is estimated that the participation of Bank Pekao SA in refunding the guaranteed deposits will amount to 18.5%.

11. Changes in accounting policies in 1999

In previous announcements, the Bank informed that a provision for long-service bonuses and one-off retirement bonuses had been created based on an actuarial valuation of the resulting liability. The Bank anticipated that the required level of the provision would be achieved no later than by the end of 2001. In the second half of the year, a decision was made to increase the provision to the full required level in 1999. The change resulted in an additional charge to provisions of PLN 41,873 thousand.

12. Foreign exchange rates applied in preparation of the consolidated financial statements

- 1) Selected financial data expressed in EUR were translated using the following exchange rates:
 - balance sheet items have been retranslated using the mid rate set by the NBP as at 31 December 1999 (PLN 4.1689 for EUR 1),
 - profit and loss account items have been retranslated using an average of month end mid rates set by the NBP during 1999 (PLN 4.2373 for EUR 1).
- 2) Amounts derived from the financial statements of the foreign branches in Paris and New York have been retranslated as follows:
 - a) balance sheet items have been retranslated using mid rates set by the NBP as at 31 December 1999:
 - PLN 4.1483 to USD 1,
 - PLN 0.6355 to FRF 1.
 - b) profit and loss items have been retranslated using an average of month end mid rates set by the NBP during 1999:
 - PLN 4.0050 to USD 1,
 - PLN 0.6460 to FRF 1.

13. Main items of the balance sheet and the income statement before rounding

- 1) the balance sheet as at 31 December 1999 shows total assets and total liabilities and equity of PLN 60,075,102,445.04;
- 2) total off-balance sheet items amount to PLN 19,930,484,233.71,
- 3) the income statement for the period from 1 January 1999 to 31 December 1999 shows net profit of PLN 171,515,187.20.

Subsidiaries of Bank Polska Kasa Opieki Spółka Akcyjna in Poland

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Layout: Jarosław Klaput, Grapa Graphics
Print: Poligrafus s.c.
Photo: Artur Oleszczuk, Jacek Kucharczyk i Michał Glinicki (p.7,8)

ISSN 1508-2059