

# Annual Report 1997



**Deutsche Bank Polska S.A.**

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# Rada Nadzorcza Supervisory Board

**Georg Krupp**

Przewodniczący  
Członek Zarządu  
*Chairman*  
*Member of the Group Board*  
Deutsche Bank AG  
Frankfurt/Main

**Michael Endres**

Członek Zarządu  
*Member of the Group Board*  
Deutsche Bank AG  
Frankfurt/Main  
(do 28 maja 1997 r.)  
(*until May 28, 1997*)

**Dr. Jürgen Bilstein**

Deutsche Bank AG  
Frankfurt/Main  
(od 28 maja 1997 r.)  
(*from May 28, 1997*)

**Hubert Pandza**

Deutsche Bank AG  
Frankfurt/Main

**Peter Thelen**

Deutsche Bank AG  
Frankfurt/Main

**Edgar Most**

Deutsche Bank AG  
Oddział w Berlinie  
Berlin Branch

**Detlef Bindert**

Deutsche Morgan Grenfell  
London  
(od 28 maja 1997 r.)  
(*from May 28, 1997*)

**Janusz Reiter**

Warsaw

# Zarząd Management Board

Zakres działalności  
*Scope of activity*

**Rainer Müller**

Firmy i instytucje  
Dział Personalny  
Treasury

*Corporates and Institutions  
Personnel  
Treasury*

**Norbert Czypionka**

Klienci prywatni  
Banki  
Rozwój sieci oddziałów

*Private customers  
Banks  
Branch Development*

**Ralf-Otto Gogolinski**

Organizacja i zarządzanie  
Prawo  
Księgowość  
Zarządzanie ryzykiem kredytowym  
Kontrola wewnętrzna  
Działalność powiernicza

*Organisation and management  
Law, Compliance  
Controlling  
Credit Risk Management  
Audit  
Custody*

**Michael Rummel-Grock**  
(od października 1997)  
(from October 12, 1997)

Bankowość Inwestycyjna  
*Investment Banking*

# Summary of the significant accounting policies

## **Maintenance of accounting records**

Deutsche Bank Polska S.A. maintains its accounting records in accordance with the Accounting Act dated 29 September 1994 and the President of The National Bank of Poland Regulation no. 1/95 dated 16 February 1995 which details policies for bank accounting and financial statement disclosure requirements.

The accounting books are maintained at the registered Head Office of the Bank. The accounting books are computerised using the computer system "db-Internet" which is a standard system applied by foreign branches and subsidiaries of the Deutsche Bank AG Group.

The Banks accounting records are kept in the domestic currency, Polish Zloty and Grosz. In addition, the Bank maintains separate ledgers for each foreign currency.

Transactions in foreign currencies are recorded so as to enable identification of the underlying transaction amount in both foreign currency and domestic currency equivalents.

Entries to the accounting books are made on the basis of appropriate supporting documents; entries are made in respect to all transactions into the Banks accounting records on a daily basis.

The accruals concept of accounting is applied in the maintenance of the accounting records and reporting of the result of operations.

At the close of each day the Bank prepares a report showing subsidiary ledgers balances and movements on these accounts. All entries made during a day are reflected in the Banks general ledger and journal. At the end of each month the movements and balances on the accounts are documented on the basis of entries to the general ledger accounts. All subsidiary ledgers' account balances are reported at the day when the accounting books are closed. Selected subsidiary ledgers' accounts balances are also reported at the day when the reconciliation of a balance is carried out.

**Assets and liabilities' valuation**

The assets and liabilities of the Bank are valued applying concepts of: prudence, going concern and true and fair presentations of the Bank's financial results and position. Assets are recorded at cost and decreases in the value of assets is made for changes in the quality of the assets.

The accounting books of Deutsche Bank Polska S.A. and the reported results of operations comply with the provisions of the relevant chapters of the Accounting Act (art. 37, 39, 40, 41, 43). More specifically, prepaid expenses, deferred income and appropriate accruals are reflected in the Bank's financial statements. Income of the Bank includes: accrued interest on receivables classified in the normal loan risk category, accrued discount and other interest due and accrued for the reported period. Overdue interest and interest accrued and overdue on receivables classified other than normal risk categories is not recognised in the income statement but deferred in the balance sheet. Expenses of the Bank include accrued interest payable and interest paid during the reporting period.

Assets and liabilities at the end of reporting period and during the period are valued according to the Accounting Act and regulations providing rules for creating provisions for banking risk.

Assets and liabilities and off balance sheet items denominated in foreign currencies are revalued applying the average exchange rates announced by the President of NBP at the balance sheet date.

## Balance sheet

Assets	Notes	31.12.1996 PLN	31.12.1997 PLN
Cash and amounts due from NBP	(1)	9,816,457.04	29,690,952.32
current		2,773,147.53	25,180,350.52
obligatory reserve		5,446,770.00	1,354,890.00
other		1,596,539.51	3,155,711.80
Securities eligible for rediscounting with the Central Bank		—	—
Due from other financial institutions	(2)	142,404,686.09	349,782,505.59
current		875,300.59	24,307,197.07
term		141,529,385.50	325,475,308.52
Due from clients and the budget sector	(3)	95,780,725.34	229,647,635.06
Debt securities	(4)	72,152,255.11	41,101,475.59
of state issuers		72,152,255.11	41,101,475.59
of other issuers		—	—
Shares, and other securities with non fixed income		—	—
Investments in subsidiaries			
in financial institutions		—	—
in other entities		—	—
Investments in associates	(5)	—	2,200,000.00
in financial institutions		—	2,200,000.00
in other entities		—	—
Other investments with fixed income		—	—
in financial institutions		—	—
in other entities		—	—
Intangible assets	(6)	4,326,103.07	4,512,009.88
start-up expenses or organisational expenses of raising additional capital in a company		54,639.92	42,190.92
goodwill		—	—
other intangibles		4,271,463.15	4,469,818.96
prepayments for intangible assets		—	—
Fixed assets	(7)	13,316,598.11	16,306,422.38
real estate		—	—
other fixed assets		13,316,598.11	14,368,320.22
assets under construction		—	1,938,102.16
prepayments for tangible fixed assets		—	—
Own shares and shares for resale		—	—
Other assets		1,270,290.38	808,412.42
Prepayments		146,151.00	193,117.83
<b>Total assets</b>		<b>339,213,266.14</b>	<b>674,242,531.07</b>

Liabilities and equity	Notes	31.12.1996 PLN	31.12.1997 PLN
Due to the Central Bank		—	—
Due to other financial institutions	(8)	94,626,201.43	288,381,183.12
current		13,183,702.99	3,479,656.67
term		81,442,498.44	284,901,526.45
Due to clients and the budget sector	(9)	109,517,844.98	231,403,841.12
Savings			
current		—	—
term		—	—
Other		109,517,844.98	231,403,841.12
current		25,652,848.83	82,746,785.10
term		83,864,996.15	148,657,056.02
Creditors in respect of securities			
own bonds		—	—
other		—	—
Special funds and other liabilities	(10)	9,647,952.32	20,090,417.76
special funds		14,682.47	36,020.15
other liabilities		9,663,269.85	20,054,397.61
Interperiod settlements and deferred income			1,080,545.06
actuals		—	217,505.86
deferred income		—	863,039.20
Provisions			
deferred tax provision		—	—
other provisions		—	—
Subordinated debt	(11)	26,238,750.38	27,882,675.99
Share capital	(12)	70,000,000.00	70,000,000.00
Outstanding share capital contribution (a negative figure)		—	—
Capital reserve	(13)	40,000,000.00	40,000,000.00
share premium		40,000,000.00	40,000,000.00
statutory reserves		—	—
capital reserves established according to the articles or deed		—	—
other		—	—
Reserves capital			
revaluation reserve		—	—
general banking risk reserve		—	—
other		—	—
Accumulated result from previous years			(10,817,482.97)
profit		—	—
loss		—	(10,817,482.97)
Net result for current financial year			—
profit		—	6,221,350.99
loss		(10,817,482.97)	—
<b>Total liabilities and equity</b>		<b>339,213,266.14</b>	<b>674,242,531.07</b>

### Off balance sheet items

	Note	31.12.1996 PLN	31.12.1997 PLN
Contingencies granted	(23)	82,048,785.00	257,676,891.11
Contingent assets received	(23)	4,605,905.00	229,055,626.00
Currency transactions	(23)	162,950,884.98	1,459,995,211.00

## Profit and loss statement

	Notes	Period ended 31.12.1996 PLN	Year ended 31.12.1997 PLN
Interest income	(15)	24,366,604.98	78,399,486.31
from financial institutions		13,526,747.24	50,553,207.69
from clients and budget sector		4,297,855.16	18,396,290.14
from securities:		6,542,002.58	9,449,988.48
fixed income		6,542,002.58	9,449,988.48
floating income		—	—
other		—	—
Interest expense	(16)	(7,987,977.93)	(48,450,913.33)
from financial institutions		(4,372,507.53)	(26,354,334.61)
from clients and the budget sector		(3,615,470.40)	(21,073,628.68)
other		—	(1,022,950.06)
<b>Net interest income</b>	<b>(17)</b>	<b>16,378,627.05</b>	<b>29,948,572.98</b>
Fee and commission income		1,445,127.71	3,688,434.47
Fee and commission expense		(173,602.84)	(605,439.49)
<b>Net fee and commission expense</b>		<b>1,271,524.87</b>	<b>3,082,994.98</b>
Income from shares, investments and other securities		—	—
from subsidiaries		—	—
from associated entities		—	—
from other entities		—	—
Financial profit/(loss)	(18)	82,698.11	(475,982.86)
Profit/(loss) on foreign exchange position	(19)	(1,234,630.50)	4,138,128.41
<b>Gross banking profit</b>		<b>16,498,219.53</b>	<b>36,693,713.51</b>
Other operating income	(20)	—	1,034,125.62
Other operating expenses	(20)	—	(160,013.32)
General expenses	(22)	(24,287,859.47)	(22,795,224.88)
payroll		(4,395,601.44)	(7,702,827.37)
social security costs and other payroll-related charges		(1,193,023.75)	(3,158,224.67)
other		(18,699,234.28)	(11,934,172.84)
Depreciation of fixed assets and intangible assets		(3,027,843.03)	(3,077,963.03)
Increases of provisions and deficit on revaluation	(21)	—	(238,315.91)
charges to provisions for receivables, contingent liabilities, other items and to general banking risk reserve		—	—
revaluation of financial assets		—	—
Release of provisions and decreases of revaluation		—	95,500.00
for receivables, contingent liabilities and other items of financial assets		—	—
Net provisions increase/decrease and revaluation		—	(142,815.91)
<b>Operating profit/(loss)</b>		<b>(10,817,482.97)</b>	<b>11,551,821.99</b>
Extraordinary profit/loss		—	—
extraordinary gains		—	—
extraordinary losses		—	—
<b>Result before corporate income taxation</b>		<b>(10,817,482.97)</b>	<b>11,551,821.99</b>
<b>profit before tax</b>		<b>—</b>	<b>11,551,821.99</b>
<b>loss before tax</b>		<b>(10,817,482.97)</b>	<b>—</b>
Taxes		—	5,330,470.57
corporate income tax	(14)	—	5,330,470.57
other obligatory appropriations		—	—
<b>Net result after taxation</b>		<b>(10,817,482.97)</b>	<b>6,221,351.42</b>
<b>profit after tax</b>		<b>—</b>	<b>6,221,351.42</b>
<b>loss after tax</b>		<b>(10,817,482.97)</b>	<b>—</b>

## Cash flow statement

	For the period 21.06.1995 to 31.12.1996 PLN	Year ended 31.12.1997 PLN
<b>Cash flow from operating activities</b>		
Net profit	—	6,221,350.99
Net loss	(10,817,482.97)	—
<b>Adjusted for:</b>		
Depreciation	3,027,843.03	3,077,963.03
Foreign exchange gain/loss	—	1,589,000.00
Interest and dividends received and paid	—	629,274.07
Debtors-related provisions	—	42,815.91
Other provisions	—	100,000.00
Corporate income tax charge	—	5,330,471.00
Corporate income tax paid	—	(3,038,394.00)
Gain/loss on sales related to investment activity item	—	—
(Increase)/decrease in debt securities	(72,152,255.11)	31,050,779.52
(Increase)/decrease in receivables from other financial institutions	(141,529,385.50)	(183,945,923.02)
(Increase)/decrease in receivables from clients and the budget sector	(95,780,725.34)	(133,909,725.63)
(Increase)/decrease in shares and other securities with a variable yield	—	—
Increase/(decrease) in liabilities to financial institutions	94,626,201.43	193,754,981.69
Increase/(decrease) in liabilities to clients and budget sector	109,517,844.98	121,885,996.14
Increase/(decrease) in security related liabilities	—	—
Increase/(decrease) in other creditors	9,647,952.32	8,512,266.40
Increase/(decrease) in interperiod settlements	—	170,539.03
Increase/(decrease) in deferred income	—	863,039.20
Other items	(1,416,441.38)	—
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(104,876,448.54)</b>	<b>52,334,434.33</b>
<b>Cash flow from investment activities</b>		
Purchase/Sale of intangible assets	(4,736,648.83)	(828,867.07)
Purchase/Sale of fixed assets	(15,933,895.38)	(5,424,827.04)
Purchase/Sale of shares in subsidiaries	—	—
Purchase/Sale of shares in associated entities	—	—
Purchase/Sale of other shares and securities	—	(2,200,000.00)
Other	—	—
<b>Net cash outflow from investment activities</b>	<b>(20,670,544.21)</b>	<b>(8,453,694.11)</b>
<b>Cash flow from financial activities</b>		
Long term loans repaid to banks	—	—
Bonds of other securities redeemed in relation to other financial institutions	—	—
Increase/decrease in subordinated creditors	26,238,750.38	54,925.61
Payments of dividends and other payments to owners	—	—
Payments of liabilities related to lease agreements	—	—
Inflow from issue of own shares and additional capital payments	110,000,000.00	—
Other items	—	(629,274.07)
<b>Net cash inflow from financial activities</b>	<b>136,238,750.38</b>	<b>(574,348.46)</b>
<b>Net cash inflow</b>	<b>10,691,757.63</b>	<b>43,306,391.76</b>
<b>Cash at the beginning of the period</b>	<b>—</b>	<b>10,691,757.63</b>
<b>Cash at the end of the period</b>	<b>10,691,757.63</b>	<b>53,998,149.39</b>

## Notes to the financial statements

### 1. Cash and amounts due from NBP

	31.12.1996 PLN	31.12.1997 PLN
Current	2,773,147.53	25,180,350.52
Obligatory reserve	5,446,770.00	1,354,890.00
Other	1,596,539.51	3,155,711.80
<b>Total</b>	<b>9,816,457.04</b>	<b>29,690,952.32</b>

Current amounts due from the NBP represent a balance of a current account with the NBP, excluding the obligatory reserve held on that account which is disclosed separately. Other represents cash balances held in the Bank's vault.

Position *current* includes amount of PLN 19,730.39 thousand being minimum amount required for obligatory reserve.

### 2. Due from other financial institutions

	31.12.1996 PLN	31.12.1997 PLN
Current	875,300.59	24,307,197.07
Term		
less than 3 months	139,915,464.01	322,929,378.25
more than 3 months but less than 1 year	1,000,000.00	—
more than 1 but less than 5 years	—	—
more than 5 years	—	—
overdue	—	—
Accrued interest	613,921.49	2,545,930.27
<b>Total</b>	<b>142,404,686.09</b>	<b>349,782,505.59</b>

### 3. Due from clients and the budget sector

	31.12.1996 PLN	31.12.1997 PLN
Due from clients net		
Due from clients and the budget sector, gross	95,780,725.34	229,690,450.97
Less: Specific provisions	—	(42,815.91)
<b>Total net</b>	<b>95,780,725.34</b>	<b>229,647,635.06</b>

The majority of the granted loans are in the Warsaw region.

Extended guarantees granted amounted to PLN 689,310.20 as at 31.12.1997.

Due from clients and the budget sector by currency exposure	31.12.1996 PLN	31.12.1997 PLN
In PLN	33,215,090.59	117,627,932.63
In convertible currencies	62,565,634.75	112,062,518.34
<b>Total net</b>	<b>95,780,725.34</b>	<b>229,690,450.97</b>

Due from clients and the budget sector shown in split for principal and accrued interest	31.12.1996 PLN	31.12.1997 PLN
Principal due	95,630,147.38	228,921,949.55
Accrued interest receivable	150,577.96	768,501.42
<b>Total net</b>	<b>95,780,725.34</b>	<b>229,690,450.97</b>

Due from clients and the budget sector shown by maturities	31.12.1996 PLN	31.12.1997 PLN
Less than 3 months	20,381,748.53	187,682,916.23
More than 3 months but less than 1 year	68,399,251.51	24,979,290.19
More than 1 but less than 5 years	4,122,434.53	13,738,640.14
More than 5 years	2,726,712.75	2,379,412.22
Overdue principal	—	141,690.77
Accrued interest	150,578.02	768,501.42
<b>Total</b>	<b>95,780,725.34</b>	<b>229,690,450.97</b>

Due from clients and the budget sector shown by type of clients	31.12.1996 PLN	31.12.1997 PLN
Private individuals	976,821.29	3,749,384.51
Corporate customers	94,653,326.03	225,172,565.04
Accrued interest	150,578.02	768,501.42
<b>Total</b>	<b>95,780,725.34</b>	<b>229,690,450.97</b>

#### 4. Debt securities

	31.12.1996 PLN	31.12.1997 PLN
Treasury bills	63,329,195.53	33,433,805.83
Accrued discount on Treasury bills	3,605,872.08	2,417,269.76
Treasury bonds	5,000,000.00	5,000,000.00
Accrued interest on Treasury bonds	217,187.50	250,400.00
<b>Total</b>	<b>72,152,255.11</b>	<b>41,101,475.59</b>

The balance of debt securities include treasury bonds with a nominal value of PLN 700 thousand held to secure future contributions to the Bank Guarantee Fund (Fundusz Ochrony Środków Gwarantowanych Bankowego Funduszu Gwarancyjnego) as required by the resolution no 1/96 of the Board of Bank Guarantee Fund dated 5 December 1996.

All securities are held by the Bank in its trading portfolio.

### 5. Investments in associates

	31.12.1996 PLN	31.12.1997 PLN
Shares	—	2,200,000.00
	<b>—</b>	<b>2,200,000.00</b>

Shares stated on Investments in associates at 31.12.1997 were sold in March 1998.

### 6. Intangible assets

At cost:

	Cost at 01.01.1997 PLN	Increase PLN	Decrease PLN	Cost at 31.12.1997 PLN
Formation costs	62,245.00	—	—	62,245.00
Licenses	4,660,952.60	667,171.75	—	5,328,124.35
Software	13,451.23	46,741.30	1,520.59	58,671.94
<b>Total at cost</b>	<b>4,736,648.83</b>	<b>713,913.05</b>	<b>1,520.59</b>	<b>5,449,041.29</b>

Accumulated depreciation	Accumulated depreciation at 01.01.1997 PLN	Increase PLN	Decrease PLN	Accumulated depreciation at 31.12.1997 PLN
Formation costs	7,605.08	12,449.00	—	20,054.08
Licenses	399,524.25	509,846.56	—	909,370.81
Software	3,416.43	4,240.77	50.68	7,606.52
<b>Total accumulated depreciation</b>	<b>410,545.76</b>	<b>526,536.33</b>	<b>50.68</b>	<b>937,031.41</b>

	Net book value at 01.01.97 PLN	Net book value at 31.12.97 PLN
<b>Intangible assets, net</b>	<b>4,326,103.07</b>	<b>4,512,009.88</b>

## 7. Tangible fixed assets

	Cost at 01.01.1997 PLN	Increase PLN	Decrease PLN	Cost at 31.12.1997 PLN
Equipment	2,264,411.58	1,271,516.29	181,538.98	3,354,388.89
Motor vehicles	414,192.16	235,814.74	—	650,006.90
Other fixed assets	1,414,094.55	257,443.8	2,995.48	1,668,542.87
Low value items	2,041,109.74	797,836.71	—	2,838,946.45
Leasehold improvements	9,800,087.35	1,110,705.08	2,057.25	10,908,735.18
Assets under construction	—	1,938,102.16	—	1,938,102.16
<b>Tangible fixed assets at cost</b>	<b>15,933,895.38</b>	<b>5,611,418.78</b>	<b>186,591.71</b>	<b>21,358,722.45</b>

	Accumulated depreciation at 01.01.1997 PLN	Increase PLN	Decrease PLN	Accumulated depreciation at 31.12.1997 PLN
Equipment	720,277.54	723,465.36	2,377.72	1,441,365.18
Motor vehicles	67,581.00	77,148.38	—	144,729.38
Other fixed assets	266,969.24	243,820.11	42.44	510,746.91
Low value items	397,913.59	395,504.01	—	793,417.60
Leasehold improvements	1,164,555.90	997,502.24	17.14	2,162,041.00
Assets under construction	—	—	—	—
<b>Total accumulated depreciation</b>	<b>2,617,297.27</b>	<b>2,437,440.10</b>	<b>2,437.30</b>	<b>5,052,300.07</b>

	Net book value at 01.01.97 PLN	Net book value at 31.12.97 PLN
<b>Tangible assets, net</b>	<b>13,316,598.11</b>	<b>16,306,422.38</b>

The Bank performed a physical stock count of fixed assets at 31.12.97. No shortages or surpluses were identified.

## 8. Due to other financial institutions

	31.12.1996 PLN	31.12.1997 PLN
Current	13,183,702.99	3,479,656.67
Term		
less than 3 months	76,567,287.92	188,335,550.00
more than 3 months but less than 1 year	645,323.17	81,005,700.00
more than 1 but less than 5 years	3,182,000.00	11,539,162.28
more than 5 years	—	—
Accrued interest	1,047,887.35	4,021,114.17
<b>Total</b>	<b>94,626,201.43</b>	<b>288,381,183.12</b>

Due to other financial institutions includes balances due to Deutsche Bank A.G. of PLN 88,209,666.84.

### 9. Due to customers and the budget sector

The majority of the Bank's customers come from the Warsaw region.

Due to customers and the budget sector shown by type of customers	31.12.1996 PLN	31.12.1997 PLN
Private individuals	20,495,041.11	62,850,802.66
Other non financial customers	89,022,803.87	168,553,038.46
Budget sector	—	—
<b>Total</b>	<b>109,517,844.98</b>	<b>231,403,841.12</b>

Due to customers and the budget sector shown by currencies	31.12.1996 PLN	31.12.1997 PLN
In PLN	40,150,372.58	90,613,983.84
In convertible/foreign currencies	69,367,472.40	140,789,857.28
<b>Total</b>	<b>109,517,844.98</b>	<b>231,403,841.12</b>

Due to customers and the budget sector shown by maturities	31.12.1996 PLN	31.12.1997 PLN
Current	25,652,848.83	82,746,785.10
Term		
less than 3 months	78,194,292.80	142,249,974.52
more than 3 months but less than 1 year	5,217,017.61	5,518,351.88
more than 1 but less than 5 years	80,311.00	354,537.12
more than 5 years	—	—
Accrued interest	373,374.74	534,192.50
<b>Total</b>	<b>109,517,844.98</b>	<b>231,403,841.12</b>

## 10. Special funds and other liabilities

	31.12.1996 PLN	31.12.1997 PLN
Inter bank settlements	9,224,415.75	16,117,374.47
Money transfers to be allocated to the customers accounts	132,234.81	95,128.48
Social Fund	14,682.47	36,020.15
Other	276,619.29	3,841,894.66
<b>Total</b>	<b>9,647,952.32</b>	<b>20,090,417.76</b>

The largest amounts at 31.12.1997 that make up the balance of Other include: settlements with budget (PLN 2,872.61 thousand), settlements with associates (PLN 688.42 thousand) and settlements with suppliers (PLN 174.84 thousand).

## 11. Subordinated borrowings

On 28 August 1996 Deutsche Bank Polska S.A. received from Deutsche Bank Luxembourg S.A. a long term loan amounting to 14,000,000 DEM. The interest rate is equal to 6 months of LIBOR rate for DEM plus a margin 0.7%. The loan is repayable on 26 February 2002. Interest is paid semi annually. According to an NBP decision the Bank may include a part of the loan as tier III capital (that part is equal to the PLN equivalent of the loan translated at a rate of PLN/DEM 1.8425).

The amount presented in the financial statements includes the amount of interest payable and equals the PLN equivalent of the loan at NBP mid rate PLN/DEM at the balance sheet date.

## 12. Share capital

Changes in the share capital of the Bank since incorporation were as follows:

Date	Description	Change in the share capital PLN 000's	Cumulative share capital PLN 000's
21.07.1995	Establishment of the Bank	20,000.00	20,000.00
20.11.1995	Increase of share capital	10,000.00	30,000.00
<b>21.08.1996</b>	<b>Increase of share capital</b>	<b>40,000.00</b>	<b>70,000.00</b>

The sole shareholder of the Bank is Deutsche Bank AG. As a result of the share capital increases Deutsche Bank AG holds 70 shares with a nominal value per share of PLN 1,000 thousand. Deutsche Bank AG holds 100% voting power on the General Assembly.

### 13. Spare capital

The reserve capital was built up due to the issue of shares with a premium. The changes in reserve capital account since the Banks incorporation were as follows:

Date	Description	Change in spare capital PLN 000's	Cumulative spare capital PLN 000's
21 July 1995	First issue of shares	5,000.00	5,000.00
20 November 1995	Second issue of shares	10,000.00	15,000.00
<b>21 August 1996</b>	<b>Third issue of shares</b>	<b>25,000.00</b>	<b>40,000.00</b>

### 14. Corporate income tax

Calculation of corporate income tax	Year ended 31.12.1996 PLN	Year ended 31.12.1997 PLN
Revenues reported by the Bank	27,116,286.09	83,477,339.32
Decreased by:		
accrued interest receivable	4,532,916.90	5,982,078.16
Increased by:		
interest accrued in 1996	—	4,587,559.09
Revenues for tax	22,583,369.19	82,082,820.25
Expenses reported by the Bank	31,063,004.37	71,925,517.26
Decreased by:		
accrued interest payable	1,716,055.66	4,948,982.63
unrealised foreign exchange losses	2,962,327.12	1,181,815.39
depreciation of items over 10,000 ECU	39,563.98	70,802.12
other items	98,066.02	2,210,857.12
Increased by:		
accrued interest receivable	—	1,759,615.03
other	—	452,684.86
Expenses for tax	26,246,991.59	65,725,359.89
Taxable loss	3,663,622.40	—
<b>Taxable income</b>	<b>—</b>	<b>16,357,460.36</b>
Profit deductions	—	2,329,906.24
tax loss from previous period	—	2,177,466.24
donations	—	152,440.00
Income subject to tax	—	14,027,554.12
<b>Tax charge for 1997 (38%)</b>	<b>—</b>	<b>5,330,471.00</b>

**15. Interest income**

	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Received from:		
Financial institutions	13,526,747.24	50,553,207.69
Clients and the budget sector	4,297,855.16	18,396,290.14
Securities:	6,542,002.58	9,449,988.48
fixed income	6,542,002.58	9,449,988.48
floating income	—	—
<b>Total</b>	<b>24,366,604.98</b>	<b>78,399,486.31</b>

**16. Interest expense**

	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Paid to:		
Financial institutions	4,372,507.53	26,354,334.61
Clients and the budget sector	3,615,470.40	21,073,628.66
Other	—	1,022,950.06
<b>Total</b>	<b>7,987,977.93</b>	<b>48,450,913.33</b>

**17. Fee and commission income**

	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Fee and commission income on banking operations	1,445,127.71	3,688,434.47
Fee and commission income on brokerage operations	—	—
<b>Total</b>	<b>1,445,127.71</b>	<b>3,688,434.47</b>

**18. Income on financial transactions**

	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Net profit/(loss) on trading securities	82,698.11	(475,982.86)
Other	—	—
<b>Total</b>	<b>82,698.11</b>	<b>(475,982.86)</b>

**19. Income/(loss) on foreign exchange position**

	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Income on foreign exchange position	4,830,988.85	5,722,573.05
Loss on foreign exchange position	(6,065,619.35)	(1,584,444.64)
<b>Net income/(loss) on foreign exchange position</b>	<b>(1,234,630.50)</b>	<b>4,138,128.41</b>

**20. Other operating income and expenses**

	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Other operating income	—	1,034,125.62
	<b>—</b>	<b>1,034,125.62</b>

	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Other operating expenses	—	(160,013.32)
	<b>—</b>	<b>(160,013.32)</b>

Other operating income includes income on sale of services and tangible assets by Deutsche Bank Polska S. A.. Other operating expenses includes donations.

**21. Charge and release of provisions**

	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Charges for provisions	—	(238,315.91)
Provisions release	—	95,500.00
<b>Net charge to provisions</b>	<b>—</b>	<b>(142,815.91)</b>

Provisions include provisions for T-Bonds in amount of PLN 95.5 thousand receivables.

## 22. General expenses

	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Payroll	4,395,601.44	7,702,827.37
Surcharges on payroll	1,193,023.28	3,158,224.67
Other	18,699,234.28	11,934,172.84
<b>Total</b>	<b>24,287,859.47</b>	<b>22,795,224.88</b>

The number of employees increased from 63 at the beginning of January to 110 at the end of the year 1997.

## 23. Off balance sheet items

Contingencies granted	For the year ended 31.12.1996 PLN	For the year ended 31.12.1997 PLN
Contingent liabilities granted to financial institutions	8,794,704.34	62,665,261.13
Contingent liabilities granted to non financial institutions:		
credit facilities	50,473,520.66	148,588,607.07
letters of credit	4,713,790.00	1,848,368.16
guarantees	18,066,770.00	44,574,654.75
<b>Total contingent liabilities granted</b>	<b>82,048,785.00</b>	<b>257,676,891.11</b>
Contingent assets received		
Contingencies received :	4,605,905.00	229,055,626.00
from financial institutions	4,605,905.00	160,606,388.00
from non financial institutions	—	68,449,238.00
Currency transactions	162,950,884.98	1,459,995,211.00

# Statement by the Board of Managing Directors

The Board of Managing Directors of Deutsche Bank Polska S.A. is responsible for the preparation and presentation of the Annual Financial Statements.

The Annual Financial Statements have been prepared in accordance with principles of the Act on Accountancy dated 29th September 1994 as well as in accordance with the Executive Order of the National Bank of Poland No. 1/95 on the detailed standards for bank accounting and preparing supplementary information. Furthermore, it satisfies the requirements in the individual sections of International Accounting Standards. The information in the Annual Report is consistent with that in the Annual Financial Statements.

The responsibility for correct accounting requires the implementation and maintenance of an efficient internal management and control system and a functioning audit apparatus. Deutsche Bank's internal control system is based on written communication of policies and procedures governing structural and procedural organization, the establishment of time-critical risk controlling for counterparty and market risks as well as the segregation of duties. The internal control system covers all business transactions, assets and records. Deutsche Bank's audit is carried out in accordance with the extensive audit plans covering all divisions of the Group also including compliance with the organizational terms of reference. KPMG Polska Audyt Spółka z o.o. audited the Annual Financial Statements in accordance with the International Standards on Auditing and expressed an unqualified opinion.

We granted KPMG Polska Audyt Sp. z o.o. and the Auditing Department of Deutsche Bank Polska S.A. free access to all documents needed in the course of their audits for an evaluation of the Annual Financial Statements and for an assessment of the appropriateness of the internal control system.

Warsaw, 16.03.1998

Deutsche Bank Polska S.A.



Rainer Müller



Ralf-Otto Gogolinski



Norbert Czypionka



Michael Rummel

# Auditor's Opinion to the Shareholders of Deutsche Bank Polska S.A.

We have carried out the audit of the financial statements of Deutsche Bank Polska S.A. including:

1. the balance sheet as at 31 December 1997 with assets and liabilities amounting to PLN 674,242,531.07;
2. off-balance sheet items of contingencies granted amounting to PLN 257,676,891.11, PLN 229,055,626.00 of contingencies received and currency operations amounting to PLN 1,459,995,211.00;
3. the profit and loss account for the period from 1 January 1997 to 31 December 1997 with a net profit of PLN 6,221,350.99;
4. the cash flow statement for the period from 1 January 1997 to 31 December 1997 with a net inflow in cash of PLN 43,306,391.76;
5. notes to the financial statements.

We have carried out the audit in compliance with:

- 1) chapter 7 of the Accounting Act dated 29 September 1994 (Official Journal. No. 121, item. 591) with further amendments;
- 2) auditing standards issued by the National Council of Chartered Accountants.

We have issued an unqualified audit opinion dated 16 March 1998 on the above mentioned financial statements. In our opinion the summary financial statements on pages from 28 to 43 have been properly extracted from the financial statements which they are based on. In order to have a fuller view of the financial position of the Bank at 31 December 1997 and profit and loss for the year ended 31 December 1997 reference should be made to the full financial statements.

*signed on the Polish originals*

Hanna Fludra

Certified Auditor no. 4979/2575

*signed on the Polish originals*

Richard Cysarz, Proxy

for KPMG Polska Audyt Sp. z o.o.

Warsaw, 30 April 1998