PDTAT631

World Council of Credit Unions, Inc.

WOCCU

FINAL PROJECT REPORT

Strengthening the Polish Credit Union System

September 1992 – September 1999

USAID Project Number 180-023.06
Award Number EPE-G-00-95-00117-00

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By: World Council of Credit Unions, Inc. (WOCCU)

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TABLE OF CONTENTS:

I. GLOSSARY

II. BRIEF PROJECT HISTORY

III. ACTIVITIES DURING FINAL EXTENSION PERIOD:
MARCH 31 – SEPTEMBER 30, 1999

IV. PROJECT GOALS VS. ACHIEVEMENTS

V. CONCLUSIONS AND THE SUCCESS FACTORS

ATTACHMENTS:

ANNEX A: CONSOLIDATED PEARLS REPORT FOR 36 LARGEST CREDIT UNIONS

ANNEX B: NACSCU PROFIT AND LOSS STATEMENTS

ANNEX C: Y2K PREPAREDNESS SURVEY

I. GLOSSARY

ACH	Automated Clearing House
CEE	Central and Eastern Europe
CFF	Central Finance Facility
CU	Credit Union
FPCU	Foundation for Polish Credit Unions
ISO	International Organization for Standardization
NACSCU	National Association of Cooperative Savings and Credit Unions
NBP	National Bank of Poland
PEARLS	WOCCU's Financial Monitoring System (Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, and Signs of Growth)
PLZ	Polish Zloty (zl)
PKO	State Savings Bank
SKOK	Cooperative Savings and Credit Union
USAID	U.S. Agency for International Development
USD	U.S. Dollar ($)
WOCCU	World Council of Credit Unions, Inc.

II. BRIEF PROJECT HISTORY

The history of the Polish Credit Union Movement is relatively short but remarkably successful. After the reestablishment of the Solidarity Trade Movement and Parliamentary elections in 1989, a group of Polish leaders visited the United States to observe credit unions operations in the financial marketplace. This visit encouraged them to pattern their system after the "free market" credit union model, promoted by credit unions in capitalist economies. Subsequently, a group of credit union experts visited Poland in 1990 and evaluated the feasibility of creating a credit union system within Poland. After a very favorable review, a proposal was drafted and approved by the United States Agency for International Development (USAID); the first phase of the USAID-funded project started in September 1992. Several people were hired to promote the organization of credit unions within the business workplace in Poland. The overwhelming interest and support of the development of credit unions resulted in the design of a much larger second phase of the project entitled "Building the Polish Savings and Credit Union System" which started with the arrival of the WOCCU Project Advisor in May 1993.

In September 1995, the project was refocused and extended for two years. In October 1997 USAID extended the project for eighteen more months until March 31, 1999, because of the very impressive results that had been achieved in the Polish credit union system. During this extension period, the focus changed from *building* the credit union system to its *strengthening*. In March 1999, the project was extended for another six months until September 30, 1999, with the objective to further strengthen the system and to ensure high quality of services and adequate supervision of credit unions by (1) completing the certification process for the ISO quality system and (2) providing training for credit union management and volunteers. In total, USAID assistance spanned a seven year period from September 1992 to September 1999.

III. ACTIVITIES COMPLETED DURING THE FINAL EXTENSION PERIOD OF MARCH 30 – SEPTEMBER 30, 1999

A. Certification process for the ISO quality system.

The ISO certification process for the quality system compatible with ISO specifications wa completed. It included:

- ISO 9001 for the National Association;
- ISO 9001 for TUW SKOK, the Cooperative Savings and Credit Union Mutual Insuranc Society;
- ISO 9002 for H&S Ltd., provider of standard operating software packages for cred unions;
- ISO 9001 for the Stefczyk Credit Union.

Completion of the certification process will help ensure high quality of services an adequate supervision of credit unions.

B. Training sessions for credit union management and volunteers.

Ensuring the appropriate level of education of credit union volunteers and employees i crucial for the safety of deposits in credit unions and for further development of the systen Training sessions included various aspects of credit union operations including cred administration, pricing, asset-liability management, and management information systems.

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IV. PROJECT GOALS VS. ACHIEVEMENTS

Considering that prior to 1992 there were no operating credit unions in Poland, it was very optimistic to assume that a Movement could start from nothing and build a large base of self-sufficient, primary level credit unions throughout Poland within seven years. It was bold to state that the project would also create many of the secondary level financial services, and to declare that they would all be self-sustaining by the end of the project. Unbelievable as it seems, that is exactly what has happened.

The following table shows the initial project goals and the status in U.S. Dollars (1 USD = 4 PLZ) as of September 30, 1999:

GOAL AREA	INITIAL GOAL	STATUS 9/30/99	% OF GOAL
Number of Credit Unions Registered	300	180*	60%**
Total Membership	300,000	300,000	100%
Total Savings Deposits Mobilized	$32,000,000	$138,895,066	334.05%
Total SCU Equity Capital	$657,000	$14,660,634	2131.45%
Establish National Association (NACSCU)	Project Yr. #1	Est. 1992	100.00%
Create a Central Finance Facility (CFF)	Project Yr. #1	Est. 1992	100.00%
Create a Stabilization Fund	Project Yr. #1	Est. 1992	100.00%
Create an Insurance Company	Project Yr. #1	Est. 1992	100.00%

*366 offices/branches
** 122% if measured by number of offices and branches

The following consolidated financial information on the Polish Credit Union Movement as of December 31, 1998, in U.S. Dollars (1 USD = 3.5 PLZ) is also of interest:

ITEM	AMOUNT
Total Assets:	$158,073,027
Total Loans:	$112,949,678
Total CFF-CU Loans:	$8,677,785
Total Gross Income:	$33,168,378
Total Financial Costs:	$20,829,690
Total Operating Costs:	$7,978,117
Total Net Income:	$4,360,571
Average Loan Size:	$437
Average Savings Deposit:	$537
Loan Delinquency:	0.74%

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In addition to the consolidated financial information for the credit unions, the Nationa Association has made significant progress on its road to financial self-sufficiency. NACSCU received financial assistance from USAID until September 1997, when it finally arrived at fu operational self-sufficiency. Since that time, NACSCU has continued to increase its revenues The following table illustrates NACSCU's self-sustaining capacity for 1997 and 1998:

NACSCU Profit and Loss Statements
(in U.S. Dollars, 1 USD = 3.5 PLZ)

Line Items	As of 12/31/97	As of 12/31/98
Total Gross Income	$1,927,249	$3,284,961
Total Financial Costs	$1,247,442	$2,278,758
Total Administrative Costs	$651,950	$955,628
Net Income	$27,857	$50,575

The original project targets have been surpassed, thus enabling WOCCU, NACSCU and USAI personnel to declare this project a success. By October 1999, total SKOK system assets wer 205 million USD. The total cost of the entire seven years of USAID project assistance to Polan was 3.9 million USD. Thus, for every US Dollar that was spent on this project, over 50 USD new assets was generated. Assets of 205 million USD render the Polish credit union syste the fourth largest financial network in Poland. USAID can be proud of the "return" on the investment.

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V. CONCLUSIONS AND THE SUCCESS FACTORS

How did the Polish credit union system grow so fast, and accomplish so much in such a relatively short period of time? As is the case in most successful projects, there are a variety of factors which, when combined together, produce a synergy which yields an output greater than the sum of the individual pieces. In the case of Poland, this synergy is readily apparent:

A. Successful Macro-Economic Reforms

Before 1989, over 80% of all Polish exports were sent to the Communist Bloc countries. After the fall of Communism, the Polish government started to re-orient its exports to Western European countries. This strategy was highly successful and as of 1998, only 7% of all Polish exports were sent to the old Communist Bloc countries. Sound fiscal policy also dramatically reduced inflation from over 800% in 1990 to a mere 8.9% in 1998. In conjunction with these events, the average monthly salary of Polish workers rose from 50 USD in 1990 to 350 USD in 1999. These successful macro-economic reforms created an ideal financial environment in which the credit unions could flourish.

B. Unwavering Political Support

From the very beginning, the Solidarity Trade Union, which gave birth to the Solidarity Political Party, was highly supportive of credit union development. The Solidarity Trade Union openly encouraged its members to either create new credit unions or join existing ones. This free "advertising" created a very favorable image of credit unions amongst the rank and file members of Solidarity, and provided a great boost to the development efforts. Many people were "pre-disposed" to join a credit union because of the unwavering support of Solidarity. More recently Solidarity played a key role in securing the five-year income tax exemption that credit unions currently enjoy.

C. Strong Credit Union Leaders and Competent Employees

The two key architects of the Polish CU Movement are the current Chairman of the Board, Adam Jedliński and the President/CEO, Grzegorz Bierecki. Mr. Jedliński is a very successful businessman, lawyer, and professor. As is the case in many credit union movements, he has donated his time as a volunteer financial/legal advisor, without charging for his professional services. An example of his significant volunteer service was his commentary on the Credit Union Act, which he drafted free of charge, for all credit union personnel to understand and correctly interpret. Mr. Jedliński has been on the Board since NACSCU's inception in 1992 and will continue in his current role as Chairman till 2002. The long-term, ten year continuity of his high-quality, volunteer service continues to play an integral part in development and implementation of a coherent, national credit union development strategy.

Grzegorz Bierecki has likewise played a decisive political and operational role in the establishment of Polish credit unions. At the tender age of 15, Mr. Bierecki became a political activist, and aligned himself with the Solidarity Movement. There was a period of time when Lech Walesa was his boss. Consequently, Mr. Bierecki has many political friends within the Solidarity Movement and at present, enjoys an intimate friendship with two cabinet ministers in the current government. These political connections have been utilized to

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establish some very favorable legislation for credit unions in Poland. Aside from bein politically astute, Mr. Bierecki has surrounded himself with competent, professiona employees who have helped implement the operational aspects of the grand vision. Th strategy to hire young professionals, anxious to "make their mark" has paid rich dividends.

D. Favorable Credit Union Legislation

With the able leadership of Mr. Bierecki, in the short span of seven years, the Polish Cred Union Movement has achieved what many other credit union movements have been unabl to accomplish over a much longer period time. The number of "watershed" legislativ rulings for credit unions is truly amazing. Consider the following legislative victories:

1. Credit Union Act of December, 1995

A separate, stand-alone Credit Union Act was passed in December 1995. The A established a legal framework for the operation and expansion of credit unions in Polan and, at the same time, empowered NACSCU with the sole responsibility of supervisic and regulation of the credit union sector. The Act also established some operation standards and allowed NACSCU to set other standards, as it deemed necessary.

2. Tax Exemption

All credit unions, as of 1999, are tax exempt from income taxes for at least a five-ye period. This favorable law will allow the credit unions to build some much neede institutional capital reserves from their net earnings.

3. ATM and Credit Cards

In 1997, the banking law was changed to allow credit unions to offer ATM and cre cards to their membership. This significant piece of legislation will allow the cre unions to continue to provide their membership with high quality financial products ar services.

4. Interest-Bearing Liquidity Reserves

Instead of depositing their liquidity reserves in the National Bank of Poland at 0% retur credit unions are legally required to deposit their liquidity reserves with the Centr Finance Facility of NACSCU where they receive a competitive yield (currently 12%) their liquidity reserves.

5. Exemption from Minimum Capital Requirements

Credit unions are non-profit organizations whose owners are not wealthy. Normally, takes time to build capital reserves. Given this fact, credit unions have been exem from the new minimum capital requirements imposed on banks. This legislation is significant that approximately two hundred small cooperative banks (up to 10,000,0 PLZ) have indicated their desire to convert to credit unions to allow them to continue operate.

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6. Business Loans to Credit Union Members

On November 19, 1999 the Polish Legislature voted in favor of allowing credit unions to offer primary business loans to member entrepreneurs. Credit unions will begin to offer such services in the first quarter of 2000. Polish newspapers predict that this legislative development will double the size of the Polish credit union system. To protect credit unions' safety and soundness, business lending will be limited to a percentage of a credit union's capital rather than a percentage of its total assets.

In addition to the aforementioned items that have already been approved, there are two more items of significance that are pending final approval:

7. Current Account in the National Bank of Poland (NBP)

Previously, credit unions had to use the banking sector to process checks, deposits, wires, etc. The CFF of NACSCU was able to open a direct account with NBP and therefore it acts as a direct clearing-house for monies transferred within the credit union system. This was a major step forward in making credit unions, completely independent of banks in Poland.

Finally, it is important to note that Article 6 of the Credit Union Act specifies that persons desiring to become members of a credit union must have a "common bond" between them. This bonding requirement conceivably limits community-based credit unions from opening their doors to the public in general. Thus, it might be difficult to establish community credit unions in Poland in the future. However, there appears to be a "way around" this regulation. There are two ways in which community credit unions can continue to grow:

(a) Since more than 90% of the Polish population is Catholic, any local residents may join a community credit union if they first belong to the "Catholic Family Association". This Association is the common bond through which a community credit union may organize itself and attract new members. The St. Anthony Credit Union is the first credit union in Poland that was organized outside of company sponsorship. This community credit union has done remarkably well and appears to substantiate Mr. Bierecki's views. It was organized in 1996 and, at the end of 1998, it had over 5,000 members and 2.9 million USD in total assets.

(b) For those who are not Catholic, or who do not wish to join a Catholic-based group, there exists another option. It is possible to join a community-based association entitled "The Association for the Dissemination of Financial Knowledge." The Staszic Credit Union is a community credit union, organized under this type of common bond with 23 branch offices in different regions of the country. They have 13,000 members and 8 million USD in total assets. This credit union is in the process of merging with the Stefczyk Credit Union, and soon, will become the largest credit union in Poland and will have a community-based charter.

E. Starting in the Workplace

According to Mr. Bierecki, there was a considerable debate at the beginning of the project as to whether to start organizing credit unions with existing businesses, or to start in rural areas in a community setting. One of the most important correct decisions ever made was

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to start organizing credit unions in the workplace. There were a variety of immedia economic benefits provided by the employer:

1. free office space;
2. free utilities;
3. free telephone;
4. free legal assistance;
5. payroll deductions;
6. easy access for new and existing members to use services; and
7. abundance of competent volunteers.

While some of these benefits have gradually disappeared as the credit unions have gro and have become able to assume the full burden of their operating expenses, many cre unions, even today, still enjoy subsidized rent and utilities as a continuing contribution their employer's commitment. Had the rural-based credit union development strategy be employed, the results would not have been anywhere near as dramatic, nor as sustainable In light of the limited funding available for this type of project, the employer-bas development strategy, likewise, paid rich dividends.

F. Economic/Social Aspects

One of the most important success factors to be considered were the strong economic a social underpinnings that made this project a success. In a very tangible way, credit unio appealed to the Polish people for a variety of reasons:

1. There is a strong cultural basis towards people helping people. More than 90% of t population are Catholic and approximately 70% go to church. People have strong fam and traditional values, which equates to a high level of honesty and trust in each other.
2. There is a general distrust of banks - many people have been either rejected by banks hurt financially by banks.
3. There is a feeling of safety in a credit union because it is member-owned and controlle Under Communism, everything was guaranteed so people like feeling "safe".
4. Credit unions offer more attractive financial services than the banks. For example, m credit unions pay 3-4% more on savings deposits and charge 1-2% less on loa Credit unions can now offer ATM and credit cards, as well.
5. Credit unions filled a huge void in the consumer lending market. Prior to credit unio banks typically neglected this large market and focused on commercial lending. credit unions offered consumer-based loans, people were attracted to them in lar numbers, not only because of the favorable rates and terms, but also because of t types of loans offered.

G. Successful Technical Assistance and Partnership Agreements

With USAID support, WOCCU was able to link NACSCU with the huge international credit uni network, contract competent consultants, and arrange volunteer liaisons between the Poli credit unions and the U.S., Canadian, and Irish Credit Union Movements. This vast netw provided the Polish Credit Union leadership with valuable contacts and expertise in a variety different technical areas. As a result of these contacts, there exists a permanent twinni agreement between Poland and the Georgia Credit Union League of the United States. T voluntary, not-for-profit nature of these liaisons provided some valuable assistance to NACSC which was only made possible by the WOCCU/NACSCU/USAID project.

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ANNEX A

CONSOLIDATED PEARLS REPORT
FOR 36 LARGEST CREDIT UNIONS

Poland Consolidated Report

P-E-A-R-L-S RATIOS	GOALS	12/31/96	12/31/97	11/30/98	**********	**********
P *PROTECTION*						
1. Allowance for Loan Losses / Delinq. >12 Mo.	100%	NA	NA	NA	NA	N
2. Net Allowance for Loan Losses / Delinq. 1-12 Mo.	35%	NA	NA	NA	NA	N
3. Complete Loan Charge-Off of Delinquency > 12 Mo.	Yes or No	NA	NA	NA	NA	NA
4. Annual Loan Charge-offs / Average Loan Portfolio	0%	NA	0.00%	0.00%	NA	N
5. Accum. Charge-Offs Recovered/ Accum Charge-Offs	100%	0.00%	0.00%	0.00%	NA	N
E *EFFECTIVE FINANCIAL STRUCTURE*						
1. Net Loans / Total Assets	Between 70 - 80%	73.80%	71.73%	69.64%	NA	N
2. Liquid Assets / Total Assets	Max 20%	15.98%	19.83%	23.10%	NA	N
3. Financial Investments / Total Assets	Max 10%	8.86%	4.60%	3.22%	NA	N
4. Non-Financial Investments / Total Assets	0%	0.00%	0.00%	0.00%	NA	N
5. Savings Deposits / Total Assets	Between 70 - 80%	89.57%	88.00%	88.22%	NA	N
6. External Credit / Total Assets	0%	3.98%	5.71%	4.86%	NA	N
7. Member Share Capital / Total Assets	Between 10 - 20%	2.25%	1.74%	2.43%	NA	N
8. Institutional Capital / Total Assets	Min 10%	1.74%	1.26%	1.20%	NA	N
A *ASSET QUALITY*						
1. Total Delinquency / Total Loan Portfolio	< 5%	0.26%	0.48%	0.78%	NA	N
2. Non-Earning Assets / Total Assets	< 5%	5.96%	8.33%	12.60%	NA	N
3. Zero Cost Funds / Non-earning. Assets	> = 100%	70.59%	54.60%	35.67%	NA	N
R *RATES OF RETURN AND COSTS*						
1. Net Loan Income / Average Net Loan Portfolio	Market Rates	23.07%	29.77%	38.16%	NA	N
2. Liquid Assets Income /Avg. Liquid Assets	Market Rates	0.00%	0.00%	0.00%	NA	N
3. Fin. Investment Income / Avg. Fin. Investments	Market Rates	0.00%	0.00%	0.00%	NA	N
4. Non-Fin. Inv. Income / Avg. Non-Fin. Investmnts	> = R1	0.00%	0.00%	0.00%	NA	N
5. Fin Costs: Savings Deposits / Avg. Savings Deposits	Market Rates	0.00%	0.00%	0.00%	NA	N
6. Fin Costs: External Credit / Avg. External Credit	< = R5	0.00%	0.00%	0.00%	NA	N
7. Fin Costs: Member Shares / Avg. Member Shares	> = R5	0.00%	0.00%	0.00%	NA	N
8. Gross Margin / Average Assets	Cover R9, R10 Increase Capital	6.90%	8.61%	9.32%	NA	N
9. Operating Expenses / Average Assets	Between 3 - 10%	6.25%	8.05%	6.28%	NA	N
10 Provisions for Risk Assets / Average Assets	Suficient for Estimated Losses	0.00%	0.00%	0.00%	NA	N
11 Other Income or Expense / Average Assets		0.00%	0.00%	0.00%	NA	N
12 Net Income / Average Assets	Enough to reach the goal for E8	0.65%	0.56%	3.04%	NA	N
L *LIQUIDITY*						
1. Liquid Assets - ST Payables / Total Deposits	Minimum 15%	17.84%	22.53%	26.19%	NA	N
2. Liquidity Reserves / Total Savings Deposits	10%	0.00%	0.00%	5.18%	NA	N
3. Non-Earning Liquid Assets / Total Assets	< 1%	4.60%	4.49%	8.57%	NA	N
4 Deposits in CFF / Total Available Liquidity		37.20%	41.38%	61.28%	NA	N
S *SIGNS OF GROWTH (Annual Growth Rates)*						
1. Total Assets	More than Inflation	NA	63.05%	48.19%	NA	N
2. Loans	Sufficient to achieve goal in E1	NA	58.59%	44.06%	NA	N
3. Savings Deposits	Sufficient to achieve goal in E5	NA	60.19%	48.56%	NA	N
4. External Credit	Minimum to achieve goal in E5	NA	134.23%	25.98%	NA	N
5. Share Capital	Sufficient to achieve goal in E7	NA	26.33%	106.77%	NA	N
6. Institutional Capital	Sufficient to achieve goal in E8	NA	17.67%	41.29%	NA	N
7. Membership	Min 5%	NA	21.68%	25.07%	NA	N
INFLATION		NA	NA	NA	NA	N

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Poland Consolidated Report

	12/31/96	12/31/97	11/30/98	**********	**********	ANNUAL GOAL **********
Number of Credit Unions Represented in this report	36	36	36	0	0	0
NUMBER OF MEMBERS & USERS						
Men (Members)	0	0	0	0	0	0
Women (Members)	0	0	0	0	0	0
Gender Not Reported (Members)	88,785	108,033	135,113	0	0	0
TOTAL NUMBER OF MEMBERS	*88,785*	*108,033*	*135,113*	*0*	*0*	*0*
Youth	0	0	0	0	0	0
Third Parties/Groups	0	0	0	0	0	0
TOTAL NUMBER OF USERS	88,785	108,033	135,113	0	0	0

BALANCE SHEET						
I. EARNING ASSETS						
A. Loans to Members						
Short-Term Loans (<=1 Year)	0	0	0	0	0	0
Medium-Term Loans (> 1 <= 3 Years)	0	0	0	0	0	0
Long-Term Loans (>3 Years)	0	0	0	0	0	0
Other Special Loans	119,882,542	190,119,253	273,881,702	0	0	0
Allowance for Loan Losses	(109,693)	(316,113)	(813,906)	0	0	0
Total Net Loans	*119,772,849*	*189,803,140*	*273,067,796*	*0*	*0*	*0*
B. Liquid Assets						
Liquidity Reserves - CFF	0	0	17,911,645	0	0	0
Deposits - CFF	9,645,826	21,710,992	37,608,115	0	0	0
Savings Deposits - Banks etc.	8,212,147	18,886,530	10,979	0	0	0
Securities & Investments	607,904	0	0	0	0	0
Other Miscellaneous Investments	0	0	1,469,826	0	0	0
Total Liquid Assets	*18,465,877*	*40,597,522*	*57,000,565*	*0*	*0*	*0*
C. Financial Investments						
Shares - League/Affiliation	0	0	0	0	0	0
Deposits - CFF	0	0	0	0	0	0
Savings Deposits - Banks, etc.	14,374,885	12,164,094	6,082,817	0	0	0
Securities & Investments	0	0	5,818,683	0	0	0
Other Miscellaneous Investments	0	0	738,434	0	0	0
Total Financial Investments	*14,374,885*	*12,164,094*	*12,639,934*	*0*	*0*	*0*
D. Non-Financial Investments						
Various	0	0	0	0	0	0
TOTAL EARNING ASSETS	152,613,611	242,564,756	342,708,295	0	0	0

ADDITIONAL LOAN PORTFOLIO INFORMATION

I. DELINQUENCY CALCULATION METHOD	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
II. DELINQUENCY						
1 to 12 Months	*313,408*	*903,172*	*2,125,442*	*0*	*0*	*0*
More Than 12 Months	*0*	*0*	*0*	*0*	*0*	*0*
TOTAL DELINQUENCY	*313,408*	*903,172*	*2,125,442*	*0*	*0*	*0*
III. LOAN PORTFOLIO	*119,882,542*	*190,119,253*	*273,881,702*	*0*	*0*	*0*
IV ACCUMULATED CHARGE-OFFS	*0*	*0*	*0*	*0*	*0*	*0*
V. RECOVERY OF CHARGE-OFFS	*0*	*0*	*0*	*0*	*0*	*0*

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	12/31/96	12/31/97	11/30/98	**********	**********	ANNUAL GOAL **********
II. NON-EARNING ASSETS						
A. Liquid Assets						
Cash & Equivalents	7,463,385	11,875,222	33,593,453	0	0	0
Current (Checking) Accounts	0	0	0	0	0	0
Foreign Currency	0	0	0	0	0	0
Liquidity Reserves	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total Liquid Assets	***7,463,385***	***11,875,222***	***33,593,453***	***0***	***0***	***0***
B. Accounts Receivable						
Debtors	0	0	0	0	0	0
Interest Receivable	0	0	0	0	0	0
Notes Receivable	0	0	0	0	0	0
Payroll Deductions Receivable	0	0	0	0	0	0
Other Accounts Receivable	0	0	0	0	0	0
Allowance for Receivable Losses	0	0	0	0	0	0
Total Accounts Receivable	***0***	***0***	***0***	***0***	***0***	***0***
C. Fixed Assets						
Land	0	3,028,414	4,594,567	0	0	0
Buildings (Cost)	0	0	0	0	0	0
Leasehold Improvements (Cost)	0	0	0	0	0	0
Furniture & Equipment (Cost)	2,210,715	7,137,986	11,211,821	0	0	0
Accumulated Depreciation	0	0	0	0	0	0
Net Fixed Assets	***2,210,715***	***10,166,400***	***15,806,388***	***0***	***0***	***0***
D. Other Assets						
Assets in Liquidation	0	0	0	0	0	0
Organization Expenses	0	0	0	0	0	0
Prepaid Expenses	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0
Accumulated Amortization	0	0	0	0	0	0
Total Other Assets	***0***	***0***	***0***	***0***	***0***	***0***
E. Problem Assets						
Doubtful Assets	0	0	0	0	0	0
Accounting Discrepancy - Assets	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total Problem Assets	***0***	***0***	***0***	***0***	***0***	***0***
TOTAL NON-EARNING ASSETS	**9,674,100**	**22,041,622**	**49,399,841**	**0**	**0**	**0**
TOTAL ASSETS	**162,287,711**	**264,606,378**	**392,108,136**	**0**	**0**	**0**

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Poland Consolidated Report

	12/31/96	12/31/97	11/30/98	**********	**********	ANNUAL GOAL **********
III. INTEREST BEARING LIABILITIES						
A. Savings Deposits						
Regular Savings Deposits	145,360,915	232,852,408	345,924,011	0	0	
Fixed Savings Deposits	0	0	0	0	0	
Youth Savings Deposits	0	0	0	0	0	
Special Savings Deposits	0	0	0	0	0	
Pledged Savings Deposits	0	0	0	0	0	
Total Savings Deposits	**145,360,915**	**232,852,408**	**345,924,011**	**0**	**0**	
B. External Credit						
Short -Term Loans - CFF <=1 yr.	0	0	0	0	0	
Long-Term Loans - CFF >1 yr.	0	0	0	0	0	
Loans - Banks	0	0	0	0	0	
Loans - Other External Institutions	6,453,205	15,115,455	19,041,924	0	0	
Total External Credit	***6,453,205***	***15,115,455***	***19,041,924***	***0***	***0***	
TOTAL INTEREST BEARING LIABILITIES	**151,814,120**	**247,967,863**	**364,965,935**	**0**	**0**	
IV. NON-INTEREST BEARING LIABILITIES						
A. Short-Term Accounts Payable (<=30 Days)	0	0	0	0	0	
B. Provisions (e.g. Wages/Benefits)	0	0	0	0	0	
C. Other Liabilities	3,997,378	8,702,351	12,914,554	0	0	
TOTAL NON-INTEREST BEARING LIABILITIES	**3,997,378**	**8,702,351**	**12,914,554**	**0**	**0**	
TOTAL LIABILITIES	**155,811,498**	**256,670,214**	**377,880,489**	**0**	**0**	
V. CAPITAL						
A. Member Share Capital						
Obligatory Shares	3,644,525	4,604,201	9,519,939	0	0	
Voluntary Shares	0	0	0	0	0	
Total Member Share Capital	***3,644,525***	***4,604,201***	***9,519,939***	***0***	***0***	
B. Non-Institutional Capital						
Asset Appreciation Over Cost	0	0	0	0	0	
Education & Social Reserves	0	0	0	0	0	
Monetary Reserves	0	0	0	0	0	
Other Reserves	0	0	0	0	0	
Undistributed Net Income	0	0	0	0	0	
Total Non-Institutional Capital	***0***	***0***	***0***	***0***	***0***	
C. Institutional Capital						
Statutory & Legal Reserves	1,770,443	2,239,662	4,750,602	0	0	
Retained Earnings	0	0	0	0	0	
Special Asset Reserves	0	0	0	0	0	
Donations / Other Reserves	0	0	0	0	0	
Undistributed Losses	0	0	0	0	0	
YTD Net Income (Loss) Transfers	1,061,245	1,092,301	(42,894)	0	0	
Total Institutional Capital	***2,831,688***	***3,331,963***	***4,707,708***	***0***	***0***	
TOTAL CAPITAL	**6,476,213**	**7,936,164**	**14,227,647**	**0**	**0**	
TOTAL LIABILITIES AND CAPITAL	**162,287,711**	**264,606,378**	**392,108,136**	**0**	**0**	

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Poland Consolidated Report

	12/31/96	12/31/97	11/30/98	**********	**********
INCOME STATEMENT					
I. INCOME					
A. Income - Loans					
1. Interest Income - Loans	27,632,729	46,082,582	88,313,052	0	
2. Penallty Interest Income - Loans	0	0	0	0	
3. Commissions / Fees - Loans	0	0	0	0	
4. (Less) Insurance Premiums - Loans	0	0	0	0	
Net Income - Loans	***27,632,729***	***46,082,582***	***88,313,052***	***0***	
B. Income - Liquid Assets	***0***	***0***	***0***	***0***	
C. Income - Financial Investments	***0***	***0***	***0***	***0***	
D. Income - Non-financial Investments	***0***	***0***	***0***	***0***	
E. Income - Other	***4,259,345***	***10,507,191***	***522,940***	***0***	
GROSS INCOME	**31,892,074**	**56,589,773**	**88,835,992**	**0**	
II. FINANCIAL COSTS					
A. Interest Expense - Savings Deposits	0	0	0	0	
B. Insurance Premiums - Savings Deposits	0	0	0	0	
Financial Costs - Savings Deposits	***0***	***0***	***0***	***0***	
C. Financial Costs - External Credit	0	0	0	0	
D. Dividend Expense - Shares	0	0	0	0	
E. Insurance Premiums - Shares	0	0	0	0	
Financial Costs - Shares	***0***	***0***	***0***	***0***	
F. Financial Costs - Other	20,694,077	38,205,650	58,222,352	0	
TOTAL FINANCIAL COSTS	**20,694,077**	**38,205,650**	**58,222,352**	**0**	
III. **GROSS MARGIN**	**11,197,997**	**18,384,123**	**30,613,640**	**0**	
EXPENSES					
IV. OPERATING EXPENSES					
Personnel	0	0	0	0	
Representation	0	0	0	0	
Administration	10,136,752	17,183,947	20,615,834	0	
Marketing	0	0	0	0	
TOTAL OPERATING EXPENSES	**10,136,752**	**17,183,947**	**20,615,834**	**0**	
V. **PROVISIONS - RISK ASSETS**	0	0	0	0	
VI. **NET INCOME FROM OPERATIONS**	**1,061,245**	**1,200,176**	**9,997,806**	**0**	
VII. OTHER INCOME / EXPENSES					
Extraordinary Items (Net)	0	0	0	0	
Previous Period Adjustments (Net)	0	0	0	0	
VIII. **NET INCOME / LOSS**	**1,061,245**	**1,200,176**	**9,997,806**	**0**	

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ANNEX B

NACSCU PROFIT AND LOSS STATEMENTS FOR 1997 AND 1998

ASSETS

	1-1-98	12-31-98
A. FIXED ASSETS	**3,763,078.87**	**10,161,268.11**
I. Intangible Assets	16,284.04	146,943.44
1. Organizational costs related to establishment & expansion of a joint-stock	0.00	0.00
2. Costs of development work	0.00	0.00
3. Goodwill	0.00	0.00
4. Other intangible assets	16,284.04	146,943.44
5. Advance payments to intangible assets	0.00	0.00
II. Real Fixed Assets	577,918.72	889,909.35
1. Land	0.00	0.00
2. Buildings & structures	2,892.80	58,845.45
3. Technical equipment & machinery	332,047.21	380,994.69
4. Means of transport	202,068.16	272,755.98
5. Other fixed assets	40,910.55	40,474.94
6. Projects started	0.00	136,838.29
7. Advance payments to projects	0.00	0.00
III. Financial Fixed Assets	2,782,116.11	8,737,655.32
1. Shares & stock	0.00	1,680,600.00
2. Securities	2,697,177.06	7,057,055.32
3. Long-term loans granted	84,939.05	0.00
4. Other financial fixed assets	0.00	0.00
IV. Current Assets	386,760.00	386,760.00
B. CURRENT ASSETS	**37,559,158.05**	**78,728,724.84**
I. Stocks	0.00	0.00
1. Materials	0.00	0.00
2. Semi-finished products & work in progress	0.00	0.00
3. Finished products	0.00	0.00
4. Goods	0.00	0.00
5. Advance payments to deliveries	0.00	0.00
II. Receivables & Claims	27,597,631.34	29,710,500.76
1. On account of deliveries & services	203,192.70	30,546.50
2. On account of taxes, subsidies & social security	150,161.00	287,057.20
3. Internal company receivables	0.00	0.00
4. Other receivables	27,244,277.64	29,392,897.06
5. Receivables enforced in court	0.00	0.00
III. Securities Destined for Circulation	8,236,772.88	29,918,365.41
1. The entity's own shares/stocks to be sold	0.00	0.00
2. Other securities	8,236,772.88	29,918,365.41
IV. Cash	1,724,753.83	19,099,858.67
1. On hand	3,117.96	1,616.08
2. In bank	1,721,635.87	19,098,242.59
3. Other cash	0.00	0.00
C. PRE-PAYMENTS & ACCRUED INCOME	**918,253.06**	**1,087,513.61**
1. Active	59,151.55	29,136.82
2. Other	859,101.51	1,058,3769.79
TOTAL ASSETS	**42,240,489.98**	**89,977,506.56**

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LIABILITIES

	1-1-98	12-31-98
A. CAPITAL (OWNERSHIP FUNDS)	**5,603,182.09**	**8,192,781.19**
I. Basic Capital (fund)	5,352,748.34	7,851,986.01
1. Share fund		0.00
2. Stabilization fund		0.00
II. Shares not brought in	-1,700.00	0.00
III. Reserve Capital (Fund)	154,633.76	163,783.76
1. From sales of shares above par value	0.00	0.00
2. Created by law – reserve fund	154,633.76	163,783.76
3. Created by articles of agreement	0.00	0.00
4. Additional payments by shareholders	0.00	0.00
5. Other	0.00	0.00
IV. Reserve capital from updated valuation	0.00	0.00
V. Other reserve capital (fund)	0.00	0.00
VI. Retained financial result from years preceding	97,499.99	0.00
1. Profit	97,499.99	0.00
2. Loss	0.00	0.00
VIII. Net financial result of the fiscal year	0.00	177,011.42
1. Net profit	0.00	177,011.42
2. Net loss	0.00	0.00
3. Write-offs from financial result of current fiscal year	0.00	0.00
B. RESERVES	**54,843.00**	**161,136.00**
1. Reserves for corporate income tax	54,843.00	161,136.00
2. Other reserves	0.00	0.00
C. LONG-TERM LIABILITIES	**152,402.58**	**0.00**
1. Long-term loans, bonds and other securities	152,402.58	0.00
2. Long-term bank credits	0.00	0.00
3. Other long-term liabilities	0.00	0.00
D. SHORT-TERM LIABILITIES & SPECIAL FUNDS	**36,430,062.31**	**81,623,589.37**
I. Short-term liabilities	36,425,461.93	81,622,810.76
1. Loans, bonds and securities	0.00	0.00
2. Bank credits	1,027,300.00	972,420.00
3. Advance payments to deliveries	0.00	0.00
4. Liabilities on account of deliveries & services	34,848.80	47,487.52
5. Liabilities on account of bills of exchange	0.00	0.00
6. Liabilities on account of taxes, customs duties & social security	69,897.90	1,009.00
7. Liabilities & account of salaries	420.00	0.00
8. Internal company obligations	0.00	0.00
9. Other short-term liabilities	35,293,015.23	80,601,894.24
II. Special funds	4,600.38	778.61
E. ACCRUALS & INCOME DEFERRED	**0.00**	**0.00**
TOTAL LIABILITIES	**42,240,489.98**	**89,977,506.56**

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PROFIT/LOSS

		1-1-98	12-31-98
A.	**REVENUES FROM SALES & EQUIVALENT**	**204,856.48**	**81,426.42**
I.	Revenues from sales of products	157,459.34	111,110.20
II.	Change (increase/decrease) of number of products	47,397.14	-30,014.73
III.	Revenues from sales of goods & materials	0.00	330.95
IV.	Costs of services for the entity's own needs	0.00	0.00
B.	**COSTS OF OPERATING ACTIVITIES**	**2,661,858.08**	**3,451,709.97**
I.	Value of goods & materials sold	0.00	156.00
II.	Consumption of materials & power	151,010.85	202,732.22
III.	Hired Services	473,284.55	698,221.78
IV.	Taxes	28,095.46	186,721.35
V.	Salaries	996,993.76	1,093,276.04
VI.	Employees benefits	378,244.86	539,952.20
VII.	Depreciation	149,936.90	234,269.55
VIII.	Other	484,291.70	496,380.83
C.	**PROFIT/LOSS ON SALES**	**-2,457,001.60**	**-3,370,283.56**
D.	**OTHER OPERATING REVENUES**	**279,447.28**	**371,546.41**
I.	Revenues from sales of fixed assets	10,392.15	4,594.81
II.	Subsidies	85,277.44	46,560.01
III.	Other operating revenues	183,777.69	320,391.59
E.	**OTHER OPERATING COSTS**	**49,428.34**	**49,038.31**
I.	Value of fixed assets sold	13,919.40	2,281.46
II.	Other operating costs	35,508.94	46,756.85
F.	**PROFIT/LOSS ON OPERATING ACTIVITY**	**-2,226,982.66**	**-3,047,775.45**
G.	**FINANCIAL REVENUES**	**6,745,372.39**	**11,497,362.22**
I.	Dividends on shares (and those from subsidiaries & associated entities)	4,900.00	28,515.22
II.	Interest received	6,231,025.44	10,574,347.93
III.	Other	509,446.95	894,499.07
H.	**FINANCIAL COSTS**	**4,366,046.74**	**7,975,654.35**
I.	Write-offs updating the value of financial and fixed assets and short-term securities	0.00	0.00
II.	Interest to be paid SKOKI	4,341,995.26	7,819,240.60
III.	Other	24,051.48	156,413.75
I.	**PROFIT/LOSS ON BUSINESS ACTIVITY**	**152,342.99**	**473,832.42**
J.	**EXTRAORDINARY PROFITS**	**0.00**	**0.00**
K.	**EXTRAORDINARY LOSSES**	**0.00**	**0.00**
L.	**GROSS PROFIT/LOSS**	**152,342.99**	**473,932.42**
M.	**OBLIGATORY ENCUMBRANCE OF FINANCIAL RESULT**	**54,843.00**	**296,921.00**
I.	Corporate income tax	54,843.00	190,628.00
II.	Other obligatory encumbrance	0.00	106,293.00
NET PROFIT/LOSS		**97,499.99**	**177,011.42**

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ANNEX C

Y2K PREPAREDNESS SURVEY

Y2K PREPAREDNESS SURVEY – Response Received on December 27, 1999

1. **What is the status of critical systems?**
   The critical systems are operational and accounting systems (programs). Their providers assure NACSCU that they are Y2K-safe. On December 31, an extra back-up on additional media will be made to provide additional safety to NACSCU systems data. The systems are updated with the so-called patches.

2. **What is the status of contingency planning? Is there cooperation among credit unions?**
   There is a contingency plan for NACSCU. A Task Force was established which will be operational on December 31 and on stand-by January 1-3. Credit unions do maintain direct co-operation re Y2K.

3. **Are there any liquidity concerns related to Y2K?**
   No.

4. **Have communications been sent to members/ do you plan to send communications to members?**
   Yes. Monitoring and Financial Control Department of NACSCU communicated with all the credit unions regarding Y2K, bringing the problem to their attention and recommendations.

5. **Will credit unions be open on December 31, January 1, 2, or 3?**
   NACSCU will be closed December 31 - January 2. NACSCU recommended that the credit unions remain closed as well but they are under no obligation to do so.

6. **Are there plans at the National Association to communicate with credit unions during change-over weekend?**
   No. Each credit union has its own services responsible for the security of their software systems. In addition, the primary software system operator and provider to credit unions - H&S Company, will provide emergency service on December 31.