

ADDITIONAL EXPLANATORY NOTES

1. Concentration of exposure

Exposure limits

The Banking Act of 29 August 1997 (Journal of Laws of 2002 No. 71, item 665, as later amended) and its executive regulations issued by the Commission for Banking Supervision define maximum exposure limits for a bank. Under article 71 paragraph 1 of the Act, which came into force as of 1 January 2002, total balance sheet and off-balance sheet exposure from one or more capital and organisationally related entities cannot exceed 20% of the Bank's equity when one of the entities is a parent entity or subsidiary undertaking of the Bank or is a subsidiary undertaking to a parent entity of the Bank or cannot exceed 25% of the Bank's equity when there is no such relationship between the Bank and the borrower. Pursuant to provisions of the Resolution No. 5/2001 of the Commission for Banking Supervision dated 12 December 2001 regarding specific rules for calculating capital requirements for banking risk categories, including capital requirement for exposure exceeding concentration limits, method and detailed rules for calculation of the bank solvency ratio (...) (NBP Official Journal No. 22, item 43) the Bank is allowed to maintain exposure exceeding concentration limits, as defined in article 71 paragraph 1 of the Banking Act, on condition that the excess exposure relates only to transactions classified to trading portfolio. Equity for the purpose of setting concentration limits specified in the Banking Act, has been established in accordance with resolution No. 6/2001 of the Commission for Banking Supervision dated 12 December 2001 regarding specific rules for calculating equity for banks (...) (NBP Official Journal No. 22, item 44).

As of 31 December 2003, the Bank had an exposure to a related party from the banking sector exceeding the statutory debt concentration limits. The excess exposure arose by virtue of derivative transactions. As a consequence, an additional capital requirement for excess exposure was factored into the calculation of the Bank's capital adequacy ratio as of 31 December 2003.

The Bank sets out to limit its exposure to individual clients. In the presented periods the Bank's exposure did not exceed the regulatory limits in respect of banking portfolio exposure to a single entity or a group of entities related by equity or organisationally and did not exceed other concentration limits set by the Banking Law. As of 31 December 2003, the Bank's exposure in banking portfolio transactions with customers, which exceeded 10% of the Bank's equity, amounted to PLN 762,565 thousand i.e. 16.6% of these funds (31 December 2002: PLN 935,499 thousand i.e. 18.9%).

Concentration of exposure in individual industry sectors

To avoid excessive concentration of credit risk, the Bank monitors its exposure in individual industry sectors, defining the areas where the Bank's exposure should grow and the areas where chances for development are poor, and where the exposure should be reduced. In the case of large corporate customers and financial institutions, the divisions of the Bank responsible for its policy concerning exposures to particular sectors are those of Corporate and Commercial Banking while the SME Banking Division exercises a similar function with respect to small and medium-sized enterprises.

The Bank's policy regarding exposures to large corporate customers active in particular sectors is developed through an identification of target markets. A key component in this identification of markets is an assessment of sectoral risk. To this end, specialists in particular industries carry out sectoral analyses. Within the framework of the target markets specified, lending programmes are drawn up with documented requirements for approving the risk involved in specific kinds of business. The higher the sectoral risk, the tighter the criteria for risk approval. The assessment made of the financial condition of a given industry and its development prospects is a major element in the internal rating assigned to a customer.

In terms of small and medium enterprises, the Bank's policy on exposures consists of identifying a target market by negative selecting particular industries. This involves eliminating from the target market those industries where the risk of doing business is considered unacceptable.

The Bank's policy distinguishes the following criteria as the basis for negative selection:

A/ industries excluded in view of their incompatibility with the characteristics of small and medium enterprises,

B/ industries excluded in view of their sensitivity to market factors and earnings volatility,

C/ industries excluded in view of their declining trends in performance.

The target market is then defined as all other industries that have not received an adverse assessment. A selective approach is admissible in relation to specific industries excluded due to sensitivity and volatility factors or to downward performance trends, whereby those customers with the highest internal ratings in those industries are retained.

Given there is a large diversity of customers representing the individual industries, the table below shows aggregated data for the Bank's exposure to the 20 largest industries in particular reporting periods.

<i>Sector of the economy according to Polish Classification of Economic Activity (PKD)</i>	<i>31 December 2003 in %</i>	<i>31 December 2002 in %</i>
Wholesale trade and sales on commission excluding motor vehicles and motorcycles	20.84	21.17
Financial intermediary excluding insurance and pension funds	7.41	8.79
Production of food and beverages	7.25	6.26
Generation and distribution of electrical energy, gas, steam, and hot water	6.80	6.46
Construction	4.07	5.55
Production of chemicals	3.80	3.34
Manufacture of machines and equipment not classified elsewhere	3.67	3.83
Sale, service, and repair of mechanical vehicles and motorcycles, retail sale of fuel for motor vehicles	3.61	2.94
Production of the remaining means of transport	3.29	1.59
Post office and telecommunications	3.03	2.85
Top 10 business sectors	63.77	62.78

<i>Industry branch by PKD</i>	<i>31 December 2003 in %</i>	<i>31 December 2002 in %</i>
Other services related to economic activities	2.39	2.99
Production of electronic machines and equipment not classified elsewhere	2.36	2.36
Production of rubber and plastic products	2.36	1.97
Retail sale excluding mechanical vehicles and motorcycles; repair of household items and consumer products	2.23	1.60
Manufacture of products from non-metal raw materials	1.75	2.13
Manufacture of metal finished products except for machines and equipment	1.75	1.75
Production of furniture manufacturing activities not classified elsewhere	1.70	1.77
Production of radio, television, and communication hardware and equipment	1.70	1.51
Production of coke and refining products of crude oil and nuclear fuels	1.64	1.10
<i>Top 20 business sectors</i>	<i>81.65</i>	<i>79.96</i>
Other sectors	<i>18.35</i>	<i>20.04</i>
<i>Total Bank</i>	<i>100.00</i>	<i>100.00</i>

2. Sources and uses of funds

Source of funds	in PLN thousand	
	31 December 2003	31 December 2002
Funds from banks	1,868,837	2,072,447
Funds of customers and public sector	20,502,794	18,196,940
Other external funds	4,949,989	5,943,111
Own funds and net profit	5,946,967	5,969,109
Total source of funds	33,268,587	32,181,607

Use of funds	in PLN thousand	
	31 December 2003	31 December 2002
Bank placements*	7,283,176	3,948,642
Amounts due from customers and public sector	14,388,879	14,747,583
Securities, shares, and other financial assets	7,445,864	9,318,440
Other use	4,150,668	4,166,942
Total use of funds	33,268,587	32,181,607

* including one-day deposits like: 'overnight', 'tom/next', 'spot/next'.

Set out below are consolidated amounts due to and from customers and public sector as at 31 December 2003 related to operations carried out by the Bank branches, presented by region within which the branches are grouped.

in PLN thousand		
Name of region / Geographic operating area by province/district	Amounts due to customers and public sector	Amounts due from customers and public sector
<u>Bydgoszcz Region</u>	825,853	1,619,226
provinces:		
Kujawsko – Pomorskie, Pomorskie, Warmińsko – Mazurskie and districts of the Zachodnio – Pomorskie province: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin.		
<u>Katowice Region</u>	840,373	1,186,376
provinces:		
Śląskie, Opolskie, and districts of the Małopolskie province: chrzanowski, oświęcimski.		
<u>Kraków Region</u>	557,055	897,936
provinces:		
Podkarpackie, Świętokrzyskie, Małopolskie without districts allocated to Katowice Region		
<u>Poznań Region</u>	1,195,108	2,001,309
provinces:		
Lubuskie, Wielkopolskie, Zachodnio – Pomorskie without districts allocated to Bydgoszcz Region		
<u>Warszawa Region</u>	10,613,343	6,756,397
The city of Warsaw, provinces:		
Mazowieckie, Lubelskie, Łódzkie, Podlaskie.		
<u>Wrocław Region</u>	418,867	594,558
province:		
Dolnośląskie.		
Consumer Bank – CITIBANK HANDLOWY	6,052,195	1,333,077
<u>Total</u>	20,502,794	14,388,879

Set out below are consolidated amounts due to and from customers and public sector as at 31 December 2003 related to Bank branches operations, presented by region within which the branches are grouped.

in PLN thousand		
Name of region / Geographic operating area by province/district	Amounts due to customers and public sector	Amounts due from customers and public sector
<u>Bydgoszcz Region</u>	685,087	1,674,596
provinces:		
Kujawsko – Pomorskie, Pomorskie, Warmińsko – Mazurskie and districts of the Zachodnio – Pomorskie province: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin.		
<u>Katowice Region</u>	886,872	1,351,368
provinces:		
Śląskie, Opolskie, and districts of the Małopolskie province: chrzanowski, oświęcimski.		
<u>Kraków Region</u>	601,081	934,399
provinces:		
Podkarpackie, Świętokrzyskie, Małopolskie without districts allocated to the Katowice Region		
<u>Poznań Region</u>	868,273	1,773,216
provinces:		
Lubuskie, Wielkopolskie, Zachodnio – Pomorskie without districts allocated to the Bydgoszcz Region		
<u>Warszawa Region</u>	8,911,762	7,196,096
The city of Warsaw, provinces:		
Mazowieckie, Lubelskie, Łódzkie, Podlaskie.		
<u>Wrocław Region</u>	154,494	645,661
province:		
Dolnośląskie.		
Consumer Bank – CITIBANK HANDLOWY	6,089,371	1,172,247
<u>Total</u>	18,196,940	14,747,583

3. Contributions to foreign branches

The Bank does not conduct any operations through foreign branches.

4. Financial instruments

4.1. Financial instruments by categories of financial assets and liabilities

	in PLN thousand	
	31 December 2003	31 December 2002
Financial assets for trading purposes	4,561,122	6,080,900
Financial liabilities for trading purposes	3,362,332	4,182,578
Loans granted and own receivables	13,813,988	14,163,390
Financial assets held until maturity	70,159	305,707
Financial assets available for sale	2,458,648	2,520,153
Total financial instruments	24,266,249	27,252,728

4.1.1. Financial assets for trading purposes

Financial assets for trading purposes by particular group of assets:

	in PLN thousand	
	31 December 2003	31 December 2002
Debt securities	936,685	1,557,450
Amounts receivable from revaluation of derivative instruments	3,624,437	4,523,450
Total financial assets for trading purposes	4,561,122	6,080,900

Change of financial assets for trading purposes:

	in PLN thousand	
	2003	2002
Opening balance	6,080,900	3,612,461
increases (resulting from)	103,638,171	62,445,747
- purchases	103,604,492	61,268,042
- revaluation	5,189	1,169,064
- other (settlement of discount, premium, interest)	28,490	8,641
decreases (resulting from)	(105,157,949)	(59,977,308)
- sale	(104,227,593)	(59,976,765)
- revaluation	(899,662)	-
- other (settlement of discount, premium, interest)	(30,694)	(543)
Balance of financial assets for trading purposes as of the end of the period	4,561,122	6,080,900

Debt securities for trading purposes

Debt securities for trading purposes include securities purchased in order to benefit from short-term price fluctuations. Debt securities for trading purposes are accounted for at their fair value, and the result of the valuation is recognised in the financial revenues or expenses. Interest, discount or premiums on these securities are accrued to the profit and loss account on a straight line basis.

Amounts receivable from valuation of derivative instruments

Amounts receivable from valuation of derivative instruments represent positive revaluation of derivative instruments, i.e. forward FX transactions, interest rate products and options.

The Bank, in the normal course of business, enters into various transactions with financial derivatives for speculation purposes and to manage its own risks arising from movements in currency and interest rates. The settlement date of open positions in derivative instruments depends mainly on the nature of the instrument. In case of these transactions the floating interest rate is based on interbank interest rates prevailing at the beginning of the interest period and the fixed interest rate depends on the nature of instrument and the objective of particular transaction.

As of 31 December 2003, the Bank placed deposits at other institutions as collateral against derivative transactions amounting to PLN 8,117 thousand (31 December 2002: PLN 149,789 thousand), and for derivative transactions, the Bank received collateral totalling PLN 4,270 thousand (31 December 2002: 1,225 thousand).

Forward and swap FX contracts

Forward foreign exchange contracts are agreements to exchange specific amounts of currency at a specified exchange rate, with settlement date falling two working days after the transaction date. Foreign currency swaps are combinations of spot (settlement on the second working day following transaction date) and forward foreign exchange contracts whereby a specific amount of currency is exchanged at the current rate for spot date, and then exchanged back at a forward rate and date. The nominal value of foreign exchange contracts expresses the amount of foreign currency purchased or sold under the contracts and does not represent the actual market or credit risk associated with these contracts.

Forward and swap FX contracts are used for closing daily open foreign currency positions and for speculative purposes. Foreign currency swaps are used for managing the Bank's liquidity and position on nostro accounts.

Forward and swap FX contracts are valued and accounted for in the profit and loss account at their market value. A discounted cash flow model is applied to assess forward and swap FX contracts. Unrealised profits and losses from revaluation of forward and swap FX contracts are recognised in the balance sheet in 'Other securities and other financial assets' or in 'Other liabilities arising on financial instruments' gross, i.e. without netting.

Currency option contracts

The subject of FX option contracts is the sale or purchase by the Bank of the right to exchange at a specified date one currency to another at a fixed exchange rate. Exercise of an option may be done by physical exchange of currencies or by settlement of the difference between contract rate and market reference rate prevailing at the exercise date. There are two types of options: call options that give their owner the right to buy a contracted amount of foreign currency at the exercise price amount of domestic currency or other foreign currency, and put options that give their owner the right to sell a contracted amount of foreign currency at the exercise price amount of domestic currency or other foreign currency. The buyer of an option pays to its drawer a premium for the purchased right to buy or sell currency.

FX options are valued and recognised in the profit and loss account at their market value and are calculated using the Garman-Kohlhagen valuation model. Unrealised revaluation gains and losses are recognised in

‘Other securities and other financial assets’ or ‘Other liabilities arising from financial instruments’ in their gross value, i.e. without netting. Premiums received on written options are presented in ‘Other liabilities arising from financial instruments’ and premiums paid on purchased options are presented in ‘Other securities and other financial assets’. Premiums are recognised in the profit and loss account at the close of the respective contract.

Interest rate contracts

The Bank’s interest rate transactions included interest rate swaps (IRS), currency interest rate swaps (CIRS), and forward rate agreements (FRA).

Interest rate swaps are agreements to exchange periodic interest payment obligations. On the interest payment date the Bank and its counterparts are obliged to exchange periodic fixed and floating rate interest payments defined in a contract. The objective of cross-currency interest rate swaps, which are concluded in two different currencies, is the exchange of a counterparty’s obligation expressed in one currency into its obligation in other currency. As a result, on interest payment date the Bank and its counterparts are obliged to exchange interest payments defined in a CIRS contract. Additionally, counterparties may also exchange notional amounts of contracts. The Bank concludes IRS and CIRS contracts on the interbank market and with its customers.

The objective of FRA contracts is to fix interest rate levels for counterparty receivables, which arise or will arise on set dates in future or to fix interest rate levels for counterparty payables, which arise or will arise on set dates in future. The Bank concludes FRA contracts on the interbank market and with its customers.

Interest rate contracts are accounted for and recognised at their market value in the profit and loss account. They are calculated using the discounted cash flow valuation model. Unrealised revaluation gains and losses are recognised in the balance sheet in ‘Other securities and other financial assets’ or in ‘Other liabilities arising on financial instruments’ in their gross value, i.e. without netting.

Interest rate option contracts

The objective of an interest rate option contract is the right to receive at specified moments in the future the compensation payments whose amount depends on the future interest rates levels. There are two types of interest rate options: cap option – where the seller agrees to pay the buyer a difference between the reference rate (usually 3M or 6M LIBOR) and agreed exercise rate – when the reference rate exceeds exercise rate, and floor option – where the seller agrees to pay the buyer a difference between the reference rate and the agreed exercise rate – when the exercise rate exceeds the reference rate. In both cases the seller receives a premium paid in advance.

The interest rate option contracts are accounted for and recognised at their market value in the profit and loss account. Unrealised revaluation gains and losses are recognised in the balance sheet in „Other securities and other financial assets” or in „Other liabilities arising from financial instruments” at their gross value, i.e. without netting. Premiums received on written options are included in ‘Other liabilities arising from financial instruments’ and premiums paid on purchased options are included in ‘Other securities and other financial assets’. Premiums are recognised in the profit and loss account at the close of the respective contract.

Securities contracts

The Bank concludes purchase and sale contracts in debt securities at a fixed price where the settlement occurs later than two days following the spot date (forward contracts).

The contracts are accounted for at their market value and unrealised revaluation gains and losses are recognised in the balance sheet in ‘Other securities and other financial assets’ or in ‘Other liabilities arising on financial instruments’.

Share options

Share options give the buyer the right to receive a difference between a share price or share index value defined an option contract and the value of these instruments at an exercise date depending whether it is a call or put option, for increase or decrease of the base instrument price respectively. The buyer of an option pays to its drawer a premium for the purchased rights.

The contracts are accounted for at their market value and unrealised revaluation gains and losses are recognised in the balance sheet in 'Other securities and other financial assets' or in 'Other liabilities arising on financial instruments' in their gross value, i.e. without netting. Premiums received on written options are included in 'Other liabilities arising on financial instruments' and premiums paid on purchased options are included in 'Other securities and other financial assets'. Both categories are recognised in the profit and loss account at the close of the respective contract.

Characteristics of derivative instruments

INSTRUMENT	FX forward	FX swap	Currency option contracts	IRS	CIRS	FRA	Securities contracts	Share options	Interest rate options
Instrument description	Sale/purchase of a currency at a specified date at the exchange rate fixed for the date of transaction.	Concurrent and immediate purchase / sale of the currency and its forward repurchase/ resale at a forward rate fixed at the spot date.	Purchase by the option contract purchaser of a right (but not an obligation) to buy or sell the currency at a fixed rate at a specified date.	Exchange of interest payments in the same currency, based on different interest rates.	Exchange of interest payments in different currencies. This instrument can also encompass the spot and/or forward currency exchange.	Depositing / acceptance of a hypothetical deposit contract for a specific date in the future. Settled by the amount of the discounted difference between the interest accrued for the contract period on the basis of the contract rate and the interest accrued on the basis of so-called reference rate which is most often the interbank money market rate.	Forward sale or purchase of securities at the price fixed for the transaction date.	Purchase by the option contract purchaser of a right (but not an obligation) to receive the difference between the share price fixed in the contract and the value of the instrument as of the date of exercise of the option.	Purchase by the option contract purchaser of a right (but not an obligation) to exchange the amount of interest accrued on the transaction basis of the reference rate
Valuation methods applied	discounted cash flow model	discounted cash flow model	option valuation model (Garman - Kohlhagen)	discounted cash flow model	discounted cash flow model	discounted cash flow model	discounted cash flow model	option valuation model (Black Scholes)	option valuation model (Black 76)
Purpose of contract	for trade	for trade	for trade	for trade	for trade	for trade	for trade	for trade	for trade
Number of transactions before maturity	1,638	348	6,790	1,485	70	256	49	76	12
Future revenue/ payments	variable	variable	variable	variable	variable	variable	variable	variable	variable
Maturity	2004.01.02 – 2007.09.28	2004.01.02 – 2006.07.17	2004.01.06 – 2005.08.01	2004.01.12 - 2018.09.04	2004.01.21 – 2013.05.27	2004.01.02 – 2004.12.27	2004.01.02 – 2004.01.15	2004.01.22 – 2008.10.16	2005.02.28 – 2006.06.01
Possibility to exchange to another asset / liability	none	none	none	none	none	none	none	none	none

INSTRUMENT	FX forward	FX swap	Currency options	IRS	CIRS	FRA	Securities contracts	Share options	Interest rate options
Fixed rates / amounts of revenue and payment dates	variable	variable	variable	variable	variable	variable	variable	variable	variable
Other conditions	none	none	none	none	none	none	none	none	none
Type of risk	currency, liquidity, contractor and interest rate	interest rate, currency, liquidity, contractor	currency, liquidity, price variability (vega), contractor – for bought options	interest rate, contractor, currency for fx transactions	currency, interest rate, liquidity, contractor	interest rate, contractor, currency for fx transactions	interest rate, liquidity, contractor	interest rate, issuer, market price, price variability (vega)	interest rate, liquidity, contractor, price variability (vega)

In the majority of cases it is possible to close the executed derivatives earlier, in accordance with their market value.

All derivative transactions executed with non-banking customers are executed on the basis of the assigned individual transaction limits. In certain cases, presentation of security is required for the purpose of assignment of the limit. The most often used types of security are guarantee deposit, promissory note, assignment, declaration of submittal to debt enforcement.

Times to maturity of derivative instruments as of 31 December 2003

in PLN thousand

Instrument type	Nominal value											
	As of 31.12.2003									As of 31.12.2002		
	Time to maturity								Total			Total
	Up to 3 months		3 months - 1 year		1 - 5 years		Above 5 years					
	Banks	Other	Banks	Other	Banks	Other	Banks	Other		Banks	Other	
Interest rate instruments	20,428,221	70,280	36,856,764	236,858	53,558,751	3,950,005	8,292,182	480,581	123,873,642	66,594,443	4,716,338	71,310,781
- FRA – purchase	7,879,000	70,280	13,305,000	-	-	-	-	-	21,254,280	8,550,000	-	8,550,000
- FRA – sale	7,469,000	-	13,300,000	-	-	-	-	-	20,769,000	8,455,000	-	8,455,000
- interest rate swaps (IRS)	4,326,700	-	9,908,051	32,835	50,239,376	1,057,625	8,054,460	480,581	74,099,628	44,906,448	1,128,910	46,035,358
- currency-interest rate swaps (CIRS)	753,521	-	343,713	204,023	2,295,503	1,888,508	237,722	-	5,722,990	2,947,398	1,851,831	4,799,229
- interest rate options purchased	-	-	-	-	690,000	323,872	-	-	1,013,872	1,184,030	551,567	1,735,597
- interest rate options sold	-	-	-	-	333,872	680,000	-	-	1,013,872	551,567	1,184,030	1,735,597
Currency instruments	25,394,812	3,492,911	9,638,631	2,497,548	277,462	729,140	-	-	42,030,504	39,655,149	4,693,767	44,348,916
- FX forward	1,215,811	1,242,565	499,992	1,125,049	28,414	456,275	-	-	4,568,106	2,048,884	1,853,474	3,902,358
- FX swap	22,463,261	1,011,003	7,357,194	18,823	12,600	20,820	-	-	30,883,701	33,408,729	853,570	34,262,299
- currency options purchased	879,561	593,195	946,686	609,494	236,224	236	-	-	3,265,396	1,957,920	1,102,838	3,060,758
- currency options sold	836,179	646,148	832,325	741,748	224	251,809	-	-	3,308,433	2,239,616	883,885	3,123,501
- other	-	-	2,434	2,434	-	-	-	-	4,868	-	-	-

Instrument type	Nominal value											
	As of 31.12.2003									As of 31.12.2002		
	Maturity								Total			Total
	Up to 3 months		3 months - 1 year		1 - 5 years		Above 5 years					
	Banks	Other	Banks	Other	Banks	Other	Banks	Other		Banks	Other	
Securities contracts	651,954	559,397	99,062	99,062	192,572	192,572	-	-	1,794,619	440,525	631,919	1,072,444
- share options purchased	61,694	32,114	98,498	564	191,517	1,055	-	-	385,442	377,963	2,986	380,949
- share options sold	32,114	61,694	564	98,498	1,055	191,517	-	-	385,442	2,986	377,963	380,949
- securities purchased pending delivery	148,275	464,109	-	-	-	-	-	-	612,384	4,560	236,989	241,549
- securities sold pending delivery	409,871	1,480	-	-	-	-	-	-	411,351	55,016	13,981	68,997
Total derivative instruments	46,474,987	4,122,588	46,594,457	2,833,468	54,028,785	4,871,717	8,292,182	480,581	167,698,765	106,690,117	10,042,024	116,732,141

Market values of derivative instruments before maturity as of 31 December 2003 are as follows:

in PLN thousand

Instrument type	Positive market value			Negative market value			Credit equivalents **		
	As of 31.12.2003		As of 31.12.2002	As of 31.12.2003		As of 31.12.2002	As of 31.12.2003		As of 31.12.2002
	Banks	Other		Banks	Other		Banks	Other	
Interest rate instruments	2,493,376	215,088	3,279,661	2 334 362	175,127	2,963,059	937,852	238,540	542,577
- FRA	38,636	-	15,199	34 958	162	16,501	27,351	176	5,150
- interest rate swaps (IRS)	2,279,670	171,451	3,069,553	2,144,182	40,644	2,676,837	824,516	115,519	338,243
- currency-interest rate swaps (CIRS)	175,057	37,926	182,227	150,108	134,321	258,369	84,569	117,454	186,980
- interest rate options purchased	13	5,304	12,007	297	-	565	1,416	5,391	12,204
- interest rate options sold	-	407	675	4,817	-	10,787	-	-	-
Currency instruments	90,806	779,949	1,192,589	339,286	462,818	1,142,039	223,962	121,567	152,886
- FX forward	49,096	53,907	39,097	103,772	13,413	80,362	63,804	24,478	54,308
- FX swap	326	654,502	1,071,876	146,803	434,327	1,002,607	143,353	54,995	78,560
- currency options purchased*	36,193	69,470	59 191	8,677	466	8,668	16,708	42,094	20,018
- currency options sold*	5,191	1,893	22 425	79,857	14,612	50,402	-	-	-
- other	-	177	-	177	-	-	97	-	-

Instrument type	Positive market value			Negative market value			Credit equivalents **		
	As of 31.12.2003		As of 31.12.2002	As of 31.12.2003		As of 31.12.2002	As of 31.12.2003		As of 31.12.2002
	Banks	Other		Banks	Other		Banks	Other	
Securities contracts	1,609	10,880	12,758	10,803	1,527	12,658	14,671	701	6,167
- share options purchased *	1,512	-	-	10,729	-	12,583	14,671	701	6,167
- share options sold *	-	10,729	12,583	-	1,512	-	-	-	-
-terminal transactions	97	151	175	74	15	75	-	-	-
Total derivative instruments	2,585,791	1,005,917	4,485,008	2,684,451	639,472	4,117,756	1,176,485	360,808	701,630

* the valuation does not include premiums received and paid for the options issued and purchased.

** the column of off-balance sheet equivalents presents the value of so-called credit equivalents of derivatives calculated in accordance with the rules stated in the Resolution No. 5/2001 of the Banking Supervision Commission dated 12 December 2001 concerning the specific principles for calculation of capital requirements for particular types of risk, including excesses of debt concentration limits, method and principles for calculation of solvency ratio of the bank, (...) (Official Journal of NBP No 22, item 43). Credit equivalents are used as a measure of derivatives contractor risk in capital adequacy and debt concentration accounting.

4.1.2. Financial liabilities for trading purposes

Financial liabilities available for trading purposes by category:

	in PLN thousand	
	31 December 2003	31 December 2002
Liabilities arising on valuation of derivative transactions	3,362,332	4,182,578
Total financial liabilities available for trading purposes	3,362,332	4,182,578

Change in financial liabilities available for trading purposes:

	in PLN thousand	
	2003	2002
Opening balance	4,182,578	3,175,314
increases (resulting from)	-	1,007,264
- revaluation	-	1,007,264
decreases (resulting from)	(820,246)	-
- revaluation	(820,246)	-
Closing balance	3,362,332	4,182,578

The item 'Liabilities arising on valuation of derivative transactions' represents negative valuation of derivative instruments.

Range of derivative transactions concluded by the Bank and their revaluation principles were presented in par. 4.1.1.

4.1.3. Loans granted and own receivables

Loans granted and own receivables by category:

	in PLN thousand	
	31 December 2003	31 December 2002
Loans and advances	14,421,371	14,599,260
Purchased receivables	267,456	463,310
Drawn guarantees	74,646	20,973
Interest receivable	671,501	596,700
Total loans granted and own receivables – gross	15,434,974	15,680,243
Provision created	(1,620,986)	(1,516,853)
Total loans granted and own receivables – net	13,813,988	14,163,390

Change in loans granted and own receivables:

	in PLN thousand	
	2003	2002
Opening balance	15,680,243	16,496,744
increases (resulting from)	28,064,959	27,927,377
- new contracts *	27,990,158	27,730,803
- interest receivable	74,801	196,574
decreases (resulting from)	(28,310,228)	(28,743,878)
- repayment *	(28,310,228)	(28,743,878)
Closing balance – gross	15,434,974	15,680,243

* including short term revolving loans

Change in provision for loans and own receivables:

	in PLN thousand	
	2003	2002
Opening balance	1,516,853	1,230,372
increases (resulting from)	824,084	784,793
- charges to provision	824,001	763,159
- FX differences	83	6,152
- reclassification from other category of assets	-	15,482
decreases (resulting from)	(719,951)	(498,312)
- release of provision	(659,906)	(435,308)
- write-offs against provision	(54,755)	(46,170)
- reclassification from other category of assets	(5,233)	(12,120)
- FX differences	(57)	(4,714)
Closing balance	1,620,986	1,516,853

Consumer loans and loans related to credit cards issued to individuals are accounted for at amortised cost using effective interest rates net of specific provisions created.

Amounts due from financial institutions, non-financial sector and government sector are presented in the balance sheet as a difference between the sum of their nominal value and interest accrued, and the value of specific provisions created for credit risk.

4.1.4. Financial assets held until maturity

Financial assets held until maturity – by category:

	in PLN thousand	
	31 December 2003	31 December 2002
Debt securities	70,159	305,707
Total financial assets held until maturity	70,159	305,707

Change in financial assets held until maturity:

	in PLN thousand	
	2003	2002
Opening balance	305,707	717,618
increases (resulting from)	10,364	259,486
- purchases	-	238,575
- FX differences	10,364	9,374
- revaluation	-	11,402
- other	-	135
decreases (resulting from)	(245,912)	(671,397)
- sale	(244,443)	(657,648)
- revaluation	-	(6,807)
- other (settlement of discount, premium, interest)	(1,469)	(6,942)
Closing balance	70,159	305,707

Debt securities held until maturity are accounted for at cost net of provision for permanent diminution in value. Interest and discount on these securities is accrued to profit and loss account on a straight line basis.

As of 31 December 2002, included within debt securities held until maturity are bonds issued by the NBP which were purchased as a result of the decrease in the obligatory reserve requirement.

Pursuant to Resolution No. 1/9/OK/2003 of the Management Board of the National Bank of Poland of 4 March 2003 on early redemption of bonds issued by NBP for banks following a decrease in the obligatory reserve rate on 3 April 2003, the National Bank of Poland made an early redemption of bonds in the Bank's portfolio for the total amount of PLN 244,443 thousand.

4.1.5. Financial assets available for sale

Financial assets available for sale – by category:

	in PLN thousand	
	31 December 2003	31 December 2002
Debt securities	2 435 021	2 493 036
Shares in non-subordinated entities	23 627	23 117
Units in investment funds	-	4 000
Total financial assets available for sale	2 458 648	2 520 153

Change in financial assets available for sale:

	in PLN thousand	
	2003	2002
Opening balance	2,520,153	1,565,507
- change in adopted accounting principles	-	25,913
Opening balance, after restatement to conform with current year presentation	2,520,153	1,591,420
increases (resulting from)	19,910,619	21,489,900
- purchases	19,729,484	21,463,278
- FX differences	96,021	5,419
- revaluation	2,879	-
- settlement of discount, premium and interest	74,394	21,193
- other	7,841	10
decreases (resulting from)	(19,972,124)	(20,561,167)
- sale	(19,834,551)	(20,553,617)
- revaluation	(47,467)	(5,368)
- settlement of discount, premium and interest	(89,815)	(2,174)
- other	(291)	(8)
Closing balance	2,458,648	2,520,153

Debt securities available for sale consist of debt securities not classified as 'for trading purposes' or 'held until maturity'. Debt securities available for sale are accounted for at fair value. Changes in fair value of debt securities are recognised in the revaluation reserve.

Interests in non-subordinated entities and owned by Bank in 2002 units in investment funds are classified to financial assets available for sale. They are recognised in balance sheet at cost net of provision for permanent diminution in value.

4.1.6. Interest income from debt financial instruments, loans granted and own receivables

		in PLN thousand	
Categories of assets / interest income		31 December 2003	31 December 2002
Loans granted and own receivables			
	accrued realized interest	1 033 308	1 373 396
	accrued unrealized interest, of which:	671 501	596 700
	interest receivable	175 049	66 552
	interest overdue	496 452	530 148
Financial assets for trading purposes*			
	accrued realized interest	86 099	49 216
	accrued unrealized interest	5 884	5 683
Financial assets held until maturity*			
	accrued realized interest	2 724	14 511
	accrued unrealized interest		1 469
Financial assets available for sale*			
	accrued realized interest	176 248	185 240
	accrued unrealized interest	48 079	46 493

* Debt securities

4.1.7. Risk management**Market risk management**

Market risk management in the Bank is based on principles and procedures approved by the Assets and Liabilities Committee (ALCO) and the Management Board and which reflect requirements set by Polish supervisory bodies as well as meeting recommendations applied within Citigroup.

Market risk management encompasses two key risk areas: liquidity risk and pricing risk.

Liquidity risk is defined as the Bank's potential inability to repay its financial liabilities to customers and counterparties when due.

Pricing risk is defined as a risk that change in market interest rates, FX rates, share prices or in parameters affecting the rates and prices may adversely affect the Bank's results.

*Liquidity risk management*Measurement and setting limits for liquidity risk

The fundamental measure for liquidity risk of the Bank is the Market Access Report ('MAR') which shows the gap in cash flows in particular maturities that identifies potential exposure of the Bank for additional funding needs. The MAR report includes all cash flows related to balance sheet and off-balance sheet transactions. Liquidity management encompasses all liabilities and receivables of the Bank. The report is prepared on a daily basis and includes the total balance sheet of the Bank (universal currency) and balance sheets in PLN, USD, EUR and CHF. Gap limits decided by the Assets and Liabilities Committee approved by the Regional Risk Manager and Citigroup Treasury Risk Manager are set for the following maturities: O/N, 2-7 days, 8-15 days, 1 month, 2 months, 3 months, 6 months, and 1 year. The liquidity gap above one year is not limited but monitored. Statistical research related to inter alia the stability of the deposit base and the assumptions

concerning the share of individual product groups in the Bank's balance sheet, are used for calculating the gap. The Bank conducts stress tests on a daily basis, including potential risks resulting for example from a crisis in the banking system and the related limitation of market liquidity. Additionally, in order to assess liquidity risk, the Market Risk department monitors the balance sheet structure of the Bank and analyses its changes over time.

Pricing risk management

Scope of risk

Pricing risk management refers to all portfolios, where their profitability is at risk of adverse impact of changing market conditions such as interest rates, FX rates, prices of goods and parameters affecting the rates and prices. In order to manage pricing risk the Bank separates trading and non-trading portfolios. Trading portfolios include transactions in financial instruments (balance sheet and off-balance sheet), with the objective of earning profits due to gains on changes in market parameters in a short period of time. Trading portfolios are marked-to-market. The Treasury Department manages trading portfolios encompassing interest rate risk and FX risk. Trading activity related to portfolios including shares and share derivative instruments is conducted by Dom Maklerski Banku Handlowego S.A. ('DM BH'). Bank portfolios include all other balance and off-balance sheet items not included in trading portfolios. The objective of such transactions is realisation of the result in the whole contractual life of the transaction. Treasury manages interest rate risk arising from bank portfolios of the Corporate and Investment Banking, Consumer Banking, leasing subsidiaries, and DM BH. The management of interest rate risk is based on the fund pricing system. The result of bank portfolios is calculated on accrual basis of interest accumulation.

Measurement of pricing risk of bank portfolios

The Bank utilises two methods of pricing risk measurement for bank portfolios:

- Interest Rate Exposure method
- Value at Close method

Risk limits are imposed with a potential change of interest income following movement of interest rate curves by 100 base points for the basic currencies (PLN, USD, EUR) used for denomination of assets and liabilities of the Bank within 1, 5, and 10 year spans. The use of limits is monitored daily. Changes of costs of closing open interest positions are also monitored daily. The Bank sets thresholds for the changes which, if exceeded, result in notification to senior management and the need of development of a further action plan by the management.

Pricing risk measurement for trading portfolios

The fundamental method for pricing risk for trading portfolios at the organisational unit level and the Bank level, is the ratio of sensitivity of financial result changes to market risk factor changes (interest rates, exchange rates, share prices, credit risk margins of debt securities). With the application of sensitivity ratios and adoption of a risk factor change unit (change of the general level of interest rates and credit risk margin by 1 base point, change of exchange rates and share prices by 1 per cent), the Bank sets limits for risk positions broken down by currencies and organisational units. For interest rate risk, additional thresholds for risk limits on individual curve sections of interest rates and base risk, are applied. Risk limits are set for positions at the end of the day and monitored daily.

The Value-at-Risk method is applied at the Bank level, with the assumed time horizon of position closing of 1 day and confidentiality coefficient of 99%. Value-at-Risk limits are set for exchange rate and interest rate risk separately, as well as for the combined risk.

The Bank analyses stress test scenarios daily with assumed changes of risk factors higher than for the Value-at-Risk measurement and without historical correlations between the factors. The Bank measures the risk in stress conditions for three basic scenarios:

- the most probable, based on the historical changeability of risk factors,
- financial crisis and
- very severe economic crisis.

The first two aforementioned methods of risk monitoring are complemented with limitations on:

- the threshold portfolio loss accumulated within one month,
- aggregate contracts limit,
- max tenor,
- concentration limits for debt and owner's securities.

Credit risk management

The Credit Policy Committee of the Bank defined the main principles for credit risk management that are documented in the Credit Policy Manual.

Additional regulations are included in the Credit Manuals for Banks and Financial Institutions and in numerous Credit Programmes.

The key elements of credit risk management are presented below:

- while managers are responsible for risk management in their areas of responsibility, the Bank additionally has a system of controls that includes:
 - independent position of risk manager;
 - each credit decision has to be taken by at least two authorised persons. Larger loans, carrying higher risk, require approval from more senior persons of authority;
 - Independent Audit Department checking all activities related to risk management;
- each borrower is assigned an appropriate risk scale, with its own rating, based both on financial and quality criteria. Risk ratings help the Bank to ensure that the credit portfolio overall is at an acceptable risk level;
- each customer of the Bank is assigned to a control unit that manages the relationship with the customer. In case of customers being a part of a capital group the risk is managed on a group basis to avoid exceeding concentration limits;
- the Credit Policy Committee assigns individuals to approve loans based on their experience and skills;
- the Bank has to reduce concentration in order to maintain differentiated risk bearing assets as well as to meet capital requirements for the portfolio. Credit risk includes limitations for customers, sectors and regions;
- the Bank defined principles for periodic monitoring of customers' results from their activities and identification of negative changes in their standing which require immediate communication to upper level management. This also includes opinions of specialised restructuring units;
- in the first quarter of 2003, SME Risk became officially subordinated to Risk Management and simultaneously reports to the SME Risk Head and Region Managers. The SME Risk Head currently reports to the Country Risk Head. In addition, Regional Risk Manager positions were created in the SME Department and managers were appointed for the regions of Warsaw, Poznań, Bydgoszcz, Katowice, and Kraków.

Operational risk management

Operational risk includes risk of losses resulting from operational errors and data processing errors arising from mistakes made by Bank employees, incorrect operations of IT systems, and impact of external events. Particular aspects of operational risk are losses resulting from frauds.

The detailed analysis of risk, including operational risk, is an inherent part of each product programme, which includes, *inter alia*, description of controls implemented in order to minimise identified risks. Important control functions included in particular product programmes and in operational procedures are reflected on control lists in particular organisational units of the Bank. All organisational units of the Bank perform initial, current and subsequent control functions on a daily, weekly, monthly, quarterly, half-yearly, or yearly basis, depending on requirements. Performing of control functions is confirmed by appropriate documentation or by signatures on

control functions lists. Control functions in the field of operational risk are performed by specialised control units of the Bank.

A self-assessment system is a substantial component of the operational risk management process. Self-assessment is aimed at regular verification of quality and adequacy of control processes, risk identification and monitoring, and monitoring of repair plans implemented in high risk areas. The process of quarterly self-assessment is supervised by a Committee comprised of members of the Bank's Management Board.

The Bank implemented procedures defining the principles and methods of addressing operational losses, which describe in detail the authorisation process, accounting treatment and reporting of operational losses.

The Bank reduces operational risk by control processes, emergency plans, insurance, and risk transfer.

4.1.8. Hedge accounting

Up to date, the Bank has not applied hedge accounting.

5. Data on subscription option contracts or ordinary shares sale contracts

As of 31 December 2003 and 31 December 2002, the Bank did not enter into any subscription option contracts or ordinary share sales contracts.

6. Assets being used as a pledge against the Group's own obligations or third party obligations

Assets being used as a pledge against the Bank's own obligations or third party obligations as of 31 December 2003 and 31 December 2002 are shown in explanatory notes to balance sheet no. 1, 2, and 6.

7. Information on repurchase transactions not included in the balance sheet

As of 31 December 2003, repurchase transactions not included in the balance sheet are as presented in the tables below:

Sell-buy-back transactions by maturity

in PLN thousand

Type of security	up to 3 months	3 months - 1 year	1 year – 5 years	above 5 years	Total
Treasury bonds	(283,020)	-	-	-	(283,020)
Corporate bonds	(183,430)	-	-	-	(183,430)
Total	(466,450)	-	-	-	(466,450)

Buy-sell-back transactions by maturity

in PLN thousand

Type of security	up to 3 months	3 months - 1 year	1 year – 5 years	above 5 years	Total
Treasury bonds	(283,020)	-	-	-	(283,020)
Total	(283,020)	-	-	-	(283,020)

As of 31 December 2002, repurchase transactions not included in the balance sheet are as presented in the tables below:

Sell-buy-back transactions by maturity**in PLN thousand**

Type of security	up to 3 months	3 months - 1 year	1 year – 5 years	above 5 years	Total
Treasury bonds	22,816	43,018	-	-	63,834
Corporate bonds	176,090	-	-	-	176,090
Commercial papers	3,040	-	-	-	3,040
Total	201,946	43,018	-	-	244,964

Buy-sell-back transactions by maturity**in PLN thousand**

Type of security	up to 3 months	3 months - 1 year	1 year – 5 years	above 5 years	Total
Treasury bonds	(5,000)	-	-	-	(5,000)
Corporate bonds	(14,000)	-	-	-	(14,000)
Commercial papers	-	-	-	-	-
Total	(19,000)	-	-	-	(19,000)

8. Financial commitments granted

Financial commitments granted include undrawn credit lines, open import L/Cs and commitments arising on concluded deposit contracts (placements given pending delivery), for which realisation date depends only on the time necessary for the technical preparation of the funds transfer, and other off-balance sheet financial commitments. Data related to financial commitments granted as of 31 December 2003 and 31 December 2002 is shown in Additional Explanatory Note no. 9.

The Bank's financial commitments granted are irrevocable, except for credit lines which constitute commitments amounting to PLN 38,013 thousand as of 31 December 2003.

9. Off-balance sheet commitments**9.1. Off-balance sheet commitments granted**

Off-balance sheet commitments granted, by individual off-balance sheet categories, were as follows:

	in PLN thousand	
	31 December 2003	31 December 2002
L/Cs	177,306	199,130
including to related parties	4,620	12,265
Guarantees granted	3,020,936	2,738,719
including to related parties	60,987	84,553
Credit lines granted	8,034,233	6,662,409
including to related parties	130,217	255,972
Deposits to be issued	3,179,425	0
Other financial liabilities	646,991	0
Total commitments granted	15,058,891	9,600,258

Letters of credit by categories were as follows:

	in PLN thousand	
	31 December 2003	31 December 2002
Import L/Cs issued	160,337	187,117
including to related parties	4,620	12,265
Export L/Cs confirmed	16,969	12,013
Total L/Cs	177,306	199,130

Guarantees issued include credit principal repayment guarantees, other repayment guarantees, guarantees to advance repayment guarantees, performance guarantees, tender guarantees, and bills of exchange.

The Bank makes specific provisions for off-balance sheet commitments pursuant to the Regulation of the Minister of Finance dated 10 December 2001 on the principles of creating provisions for the risks related to the operations of banks. As of 31 December 2003 the specific provisions created for off-balance commitments amounted to PLN 145,019 thousand including provisions for off-balance sheet commitments granted to related parties amounting to PLN 8,496 thousand (31 December 2002: PLN 145,307 thousand including off-balance sheet commitments to subordinated entities PLN 21,405 thousand).

9.2. *Contingent liabilities received*

As of 31 December 2003, total contingent liabilities received amounted to PLN 3,297,354 thousand of which 2,817,354 thousand was related to guarantee contingencies (31 December 2002: PLN 2,757,436 thousand including PLN 2,213,436 thousand of guarantee contingencies). As of 31 December 2003, the Bank reported guarantee contingent liabilities received from its subsidiaries amounting to PLN 13,484 thousand (31 December 2002: PLN 10,855 thousand).

9.3. Issues underwritten by the Bank

The underwriting agreements entered into by the Bank, in force as of 31 December 2003, are shown in the table below:

							in PLN thousand
Name of Issuer and location	Type of agreement	Term of agreement	Bank's remuneration	Type of security	Negotiability of the security	Average original amount promised to be underwritten by the Bank	Guarantee commitment by the Bank existing as of 31.12.2003
Can Pack SA - Kraków	purchase of bonds	10.07.2002-10.10.2004	commission	Bonds	on secondary market, private placement	30,000	30,000
Urtica Finanse SA - Wrocław	issue of bonds under the Securitisation Programme	23.01.2001-23.01.2004	commission	Bonds	on secondary market, private placement	10,000	10,000
Total							40,000

The underwriting agreements entered into by the Bank, in force as of 31 December 2002, are shown in the table below.

							in PLN thousand
Name of Issuer and location	Type of agreement	Term of agreement	Bank's remuneration	Type of security	Negotiability of the security	Average original amount promised to be underwritten by the Bank	Guarantee commitment by the Bank existing as of 31.12.2002
Can Pack SA - Kraków	purchase of bonds	10.07.2002-10.07.2003	discount or f/x gains, commission	bonds	on secondary market, private placement	30,000	7,000
Polski Koncern Naftowy Orlen SA – Płock	purchase of bonds	06.07.2001-21.11.2003	discount or f/x gains, dealership commission	bonds	on secondary market, private placement	50,000	30,310
Urtica Finanse SA – Wrocław	issue of bonds under the Securitisation Programme	25.08.2002-24.08.2003	interest coupon, commission	bond	on secondary market, private placement	10,000	3,800
City of Gdańsk	agency	31.10.1996-26.06.2003	interest coupon	municipal bonds	on secondary market, private placement	33,100	-
Total							41 110

10. Dividend payment

On 23 March 2004, the Bank's Management Board adopted a resolution concerning the proposed distribution of profit for 2003. The Bank's Management Board proposed to allocate for the dividend payment the amount of PLN 241,720,260.00. According to the above proposal, the dividend per one share is 1 zlotys 85 groszy. The Bank's Management Board proposed as the date of determination of the right to the dividend 26 July 2004 and as the date of dividend payment 1 September 2004. The above proposal of the Bank's Management Board was submitted for review to the Supervisory Board, and then to the General Meeting of Shareholders for approval.

The Bank did not issue preferred shares.

11. Liabilities arising on approved dividend payable

As of 31 December 2003, the Bank did not have any liabilities resulting from the approved dividend payable on the distribution of profit for previous years.

12. Amounts due to the Budget or local authorities

As of 31 December 2003 and 31 December 2002, the Bank had no amounts due to the Budget or local authorities arising from acquisition of ownership of buildings and structures.

13. Abandoned business

In 2003, the Bank did not terminate any form of activity and does not envisage termination of any business segment in 2004.

14. Expense relating to projects in progress, fixed assets and development costs

In 2003 and in 2002, the Bank did not incur any expense relating to projects in progress, fixed assets and development costs.

15. Incurred and planned capital expenditures

Capital expenditures incurred under projects in progress and intangible assets as of 31 December 2003 amounted to PLN 18,489 thousand (31 December 2002: PLN 15,588 thousand). Capital expenditures in the next 12 months are planned at PLN 60,917 thousand and include mainly investments in information technology and expenses on modernisation and fixtures in buildings.

16. Transactions with related parties

16.1. Transactions with shareholders of the Bank holding at least 20% of votes at the General Shareholders Meeting

As of 31 December 2003, there was only one shareholder of the Bank holding, directly or indirectly through subsidiaries, at least 20% of votes at the General Shareholders' Meeting, namely Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., holder of 89.33% of votes at the Bank's General Shareholders Meeting. COIC held 116,717,574 shares, which corresponded to 89.33% of the Bank's authorised share capital. The number of votes resulting from shares held by COIC was 116,717,574, which corresponded to 89.33% of the total number of votes at the General Shareholders Meeting of the Bank.

In 2003, the ownership structure of substantial shareholdings changed. By way of decision dated 16 June 2003, the Court registered an increase in the Bank's authorised share capital from PLN 500,902,400 to PLN 522,638,400 following the conversion by Powszechny Zakład Ubezpieczeń S.A. of subsequent convertible bonds of series I to 5,434,000 shares of the Bank with the nominal value of PLN 4 each and total value of PLN 21,736,000. Following the increase in the authorised share capital, the share of COIC in the authorised share capital of the Bank fell from 93.2% to 89.33% of the total number of shares in the Bank's authorised share capital.

COIC and other entities of Citigroup Inc. enter into a number of transactions with the Bank.

The balances of accounts receivable and payable (excluding interest) and off-balance sheet commitments towards Citigroup Inc. companies are as follows:

	in PLN thousand	
	31 December 2003	31 December 2002
Receivables, including:	5,501,845	2,185,108
Placements	5,485,132	2,183,036
Liabilities, including:	479,118	509,628
Deposits	263,010	292,046
Loans received	216,108	217,582
Off-balance sheet guarantee liabilities granted	3,258,637	50,308
Off-balance sheet guarantee liabilities received	555,471	468,933
Derivative transactions	97,279,361	64,062,560

On 3 June 2003, the subsidiary enterprise Handlowy-Leasing S.A. entered into a long-term loan agreement with Citibank N.A., Bahrain Branch, for the purpose of financing lease transactions. Pursuant to the loan agreement, Citibank N.A., Bahrain Branch made available to the company a loan equivalent to USD 100 million, bearing an interest on the basis of LIBOR 1M for EUR plus 5 basis points per annum. The final loan utilisation deadline is 31 December 2004, and the loan repayment date is 31 December 2006.

On 31 December 2003, the Bank concluded with Citibank N.A., the sole shareholder of Citibank Overseas Investment Corporation, which is a majority shareholder of the Bank, the following agreements:

- CitiDirect service agreement on the basis of which Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) the CitiDirect internet transaction service for the use of the Bank and its customers,
- IT systems service agreement, on the basis of which Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) services related to using by the Bank and its customers several IT systems for handling the Bank's operations;
- Citigroup Inc. incentive schemes participation agreement which specifies the general rules of implementing incentive schemes for the Bank employees and reimbursing by the Bank the cost of the scheme implementation for the benefit of Citigroup, which cost will depend on implementation results.

16.2. Transactions with subordinated undertakings

Balance sheet amounts due from and revenues received from subsidiary, joint ventures and associated undertakings (without interest) as at 30 December 2003 are as follows:

in PLN thousand

	Subsidiary	Joint ventures	Associated	Total
Amounts due from (net):				
<i>financial entities – in respect of:</i>				
-current accounts	637,777	21,274	-	659,051
-loans granted	95,840	-	-	95,840
-subordinated loans	10,000	-	-	10,000
-bonds convertible into shares	70,159	-	-	70,159
<i>other undertakings – in respect of</i>				
-current accounts	-	-	3,694	3,694
-loans granted	-	-	5,323	5,323
Total receivables	813,776	21,274	9,017	844,067
Interest and commission income	24,639	700	2,451	27,790

The total amount of interest and fee income includes PLN 5,441 thousand of interest received from subordinated loans granted to subsidiary undertakings of the Bank.

As of 31 December 2003, the specific provisions for receivables from subsidiaries, joint ventures and associated undertakings amounted to PLN 141,453 thousand.

Amounts due (without interest) and expense paid to subsidiary, joint ventures and associated undertakings as of 31 December 2003 are as follows:

in PLN thousand

	Subsidiary	Joint ventures	Associated	Total
Amounts due to:				
<i>financial institutions – in respect of</i>				
-current accounts	229,187	74	17	229,278
-deposits taken	84,767	-	-	84,767
<i>other undertakings – in respect of</i>				
-current accounts	-	-	9,589	9,589
-deposits taken	-	-	16,207	16,207
Total payable	313,954	74	25,813	339,841
Interest and commission expense	13,219	15	1,603	14,837

The following transactions with subsidiaries were executed in 2003:

- the Bank, together with its subsidiary Handlowy Inwestycje II Sp. z o.o., sold its whole shareholding of its associated undertaking ZO Bytom S.A. having its registered office in Bytom. The shareholding sold represents in total a 27.64% stake (for the Bank -18.46% and for Handlowy Inwestycje II Sp. z o.o. – 9.18%, respectively) in authorised share capital and the same number of votes at the general shareholders meeting of this entity.
- sale of the whole shareholding held in the subsidiary “Bytom Collection” Sp. z o.o. having its registered office in Radzionków, representing a 100% stake in capital and the same number of votes at the general meeting of shareholders of this enterprise;
- sale of the whole shareholding held in the subsidiary Handlowy Leasing S.A. having its registered office in Warsaw within the Bank’s Capital Group, for the subsidiary undertaking Handlowy Inwestycje Sp. z o.o. The shareholding sold by the Bank represented a 0.01% stake in the capital of this undertaking. As a result of this transaction, Handlowy Inwestycje Sp. z o.o. held 100% stake in capital and the same number of votes at the general meeting of shareholders of Handlowy Leasing S.A.;
- claiming by Handlowy Inwestycje Sp. z o.o. shares in the increased authorised share capital of Citileasing Sp. z o.o. The claiming of shares has been covered by a contribution in kind of shares in Handlowy Leasing S.A. As a result of this transaction, Handlowy Inwestycje Sp. z o.o. holds a 2.53% stake in the capital of Citileasing Sp. z o.o. and the same number of votes at the general meeting of shareholders of this enterprise, and Citileasing Sp. z o.o. holds a 100% stake in the capital of Handlowy Leasing S.A. and the same number of votes at the general meeting of shareholders of this enterprise;
- takeover by the Bank the assets of its subsidiary Budowa Centrum Plac Teatralny Sp. z o.o. in liquidation in which the Bank held a 61.25% stake in capital and the same number of votes at the general meeting of shareholders, due to the process of winding up of this subsidiary;
- reimbursement for the Bank of supplementary payment made by the Bank for the subsidiary Handlowy Inwestycje Sp. z o.o., at the total amount of PLN 27,000 thousand, pursuant to the resolution of the Extraordinary General Meeting of Shareholders of Handlowy Inwestycje Sp. z o.o. of 2 April 2003;
- reimbursement for the Bank of supplementary payment made by the Bank for the subsidiary Handlowy Inwestycje II Sp. z o.o., at the total amount of PLN 15,000 thousand, pursuant to the resolution of the Extraordinary General Meeting of Shareholders of Handlowy Inwestycje Sp. z o.o. of 2 April 2003.
- sale of the whole owned shareholding in the joint venture PKO/Handlowy Powszechnie Towarzystwo Emerytalne S.A. having its registered office in Warsaw, in which the Bank held a 50% stake in capital and the same number of votes at the general meeting of shareholders.

Amounts due at their balance sheet value (without interest) and revenues received from subsidiary, joint ventures and associated undertakings as of 31 December 2002 are as follows:

in PLN thousand

	Subsidiary	Joint ventures	Associated	Total
Net due from:				
<i>financial entities – in respect of:</i>				
-current accounts	666,746	9	-	666,755
-loans granted	165,977	-	-	165,977
-subordinated loans	99,572	-	-	99,572
-bonds convertible into shares	59,795	-	-	59,795
<i>other undertakings – in respect of</i>				
-loans granted	2,255	-	24,994	27,249
Total receivables	994,345	9	24,994	1,019,348
Interest and commission income	33,401	250	6,980	40,631

The total amount of interest and commission income includes the amount of PLN 5,418 thousand of received interest on subordinated loans granted to subsidiary undertakings.

As of 31 December 2002, the specific provisions for receivables from subsidiaries, joint ventures and associated undertakings amounted to PLN 77,137 thousand.

Amounts due (without interest) and expense paid to subsidiary, joint ventures and associated undertakings as of 31 December 2002 are as follows:

	in PLN thousand			
	Subsidiary	Joint ventures	Associated	Total
Amounts due to:				
<i>financial institutions – in respect of</i>				
-current accounts	248,141	9,756	21	257,918
-deposits taken	110,399	21	-	110,420
<i>other entities – in respect of</i>				
-current accounts	-	-	7,380	7,380
-deposits taken	-	-	19,254	19,254
Total payable	358,540	9,777	26,655	394,972
Interest and commission expense	19,600	167	2,840	22,607

In 2002, the following transactions with subordinated entities were executed:

- purchasing additional shares in Bank Rozwoju Cukrownictwa S.A. As a result of this transaction, the Bank holds a 100% stake in capital and the same number of votes at the general meeting of shareholders of this enterprise. The purpose of acquisition of this enterprise is solely its resale (liquidation);
- sale of the whole owned shareholding in Cuprum Bank S.A., representing a 55.26% stake in capital and 50.20% share in votes at the general meeting of shareholders of this enterprise;
- sale of the whole owned shareholding in Tower Service Sp. z o.o. in which the Bank held a 50.30% stake in capital and the same number of votes at the general shareholders meeting of this enterprise;
- sale of the whole owned shareholding in Bank Handlowy International S.A. having its registered office in Luxembourg, representing a 73.12% stake in capital and the same number of votes at the general shareholders meeting of this enterprise;
- acquisition of shares in "Bytom Collection" Sp. z o.o. having its registered office in Radzionków due to debt restructuring. As a result of this transaction, the Bank held a 100% stake in capital and the same number of votes at the general shareholders meeting of this enterprise. The purpose of acquisition of this enterprise was solely its resale;
- sale of the whole owned shareholding in Obsługa Funduszy Inwestycyjnych Sp. z o.o. which authorised to a 50.00% stake in capital and the same number of votes at the general assembly of this enterprise;
- sale of the whole owned shareholding in Polska Giełda Finansowa S.A. in which the Bank held a 22.90% stake in capital and the same number of votes at the general assembly of this enterprise;
- sale of the whole owned shareholding in the associated undertaking Hortex Holding S.A. having its registered office in Płońsk in which the Bank held a 31.09% stake in capital and the same number of votes at the general shareholders meeting of this enterprise.

16.3. The Bank did not enter into any material transactions with related entities involving the transfer of rights and obligations with:

- members of the Board and supervisory bodies of the Bank,
- spouses, siblings, or ascendants and descendants, or other relatives of members of the Board and supervisory bodies of the Bank.

16.4. Percentage share of transactions with related parties in individual categories of transactions conducted by the Bank

As of 31 December 2003, the percentage share of transactions with related parties was as in the following table:

in PLN thousand				
Transaction categories	Transactions with Citigroup Inc. companies	Transactions with subordinated undertakings	Total transactions with related parties	Share in %
Receivables	5,501,845	773,908	6,275,753	29.44
Debt securities	-	70,159	70,159	2.04
Liabilities	479,118	339,841	818,959	3.68
Off-balance sheet liabilities granted	3,258,637	195,824	3,454,461	22.94
Off-balance sheet liabilities received	555,471	13,484	568,955	17.25
Derivative transactions	97,279,361	-	97,279,361	57.99

As of 31 December 2002, the percentage share of transactions with related parties was as in the table below:

in PLN thousand				
Transaction categories	Transactions with Citigroup Inc. companies	Transactions with subordinated undertakings	Total transactions with related parties	Share in %
Receivables	2,185,108	959,553	3,144,661	17.05
Debt securities	-	59,795	59,795	1.37
Liabilities	509,628	394,972	904,600	4.51
Off-balance sheet liabilities granted	50,308	352,790	403,098	4.20
Off-balance sheet liabilities received	468,933	10,855	479,788	17.40
Derivative transactions	64,062,560	-	64,062,560	54.86

The Bank's credit exposure to related parties consisted of loans and advances extended to companies of the Bank's Capital Group.

Credit decision-making in respect of borrowers constituting the Capital Group of Bank Handlowy w Warszawie SA follows the rules applicable to external customers.

17. Joint ventures excluded from the consolidation

In 2003 and in 2002 the Bank did not participate in joint ventures with related entities.

18. Income and expenses related to brokerage activity

The Bank does not engage in brokerage activity within its structure. Brokerage activity is carried out via the Bank's wholly owned subsidiary, Dom Maklerski Banku Handlowego S.A.

19. Write-offs of bad debts

As of 31 December 2003, the bad debts written off against the specific provisions amounted to PLN 55,011 thousand (31 December 2002: PLN 46,594 thousand).

20. Provisions for employee payments

As of 31 December 2003, the provision for employees future payments amounted to PLN 98,597 thousand (31 December 2002: PLN 86,749 thousand) including:

- the provision for remunerations and charges to remunerations amounting to PLN 73,597 thousand (31 December 2002: PLN 32,417 thousand),
- the provision for personnel restructuring expense resulting from the merger with Citibank (Poland) S.A. amounting to PLN 29,332 thousand as of 31 December 2002,
- the provision for employees' retirement and jubilee payments amounting to PLN 25,000 thousand (31 December 2002: PLN 25,000 thousand).

21. Financing Employee Pension Plans

The Bank has created an Employee Pension Plan (the Plan) for its employees, with the objective to save and accumulate through investments made by Polski Pracowniczy Fundusz Emerytalny (Polish Employee Pension Fund) DIAMENT ("PPFE") through premiums paid within the Plan, in order to ensure old-age or disability pension payments.

Premiums paid by the Bank for Plan members comprise the basic premium of 3% of the employee's salary and pension allowance, which complements the basic premium to 7% or 8% of the basic salary of the employee.

Each employee who participates in the Plan can also make additional premium contributions to the Plan. The PPFE assets are managed by Polskie Pracownicze Towarzystwo Emerytalne (Polish Employee Pension Company) DIAMENT S.A. ("PPTE")

Total of the premiums paid to PPFE is invested in units of Specjalistyczny Otwarty Fundusz Inwestycyjny Kapitał Handlowy Senior managed by Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. ("TFI BH").

Due to the lack of achieving the three-year strategy adopted for PPTE and considering the future outlook, the Bank's Management Board, in recognition of the interest of the Bank employees participating in the Plan, took a decision to change the employee pension plan by transfer the assets contributed for the participants from PPFE to the Employee Pension Plan in the form of an agreement with CitiSenior SFIO ("PPE CitiSenior") managed by TFI BH.

Pursuant to the Resolution No. 25 of the Ordinary General Meeting of Shareholders of PPTE of 23 June 2003 the decision to wind up the Company was made and its liquidation was open on executed.

22. Custody services for securities

The Bank provides custody services through the Custody Department. The Department operates in compliance with the provisions of the Polish law and international standards for custody services and it is therefore able to meet the requirements of the biggest and the most demanding institutional clients. The Custody Department operates as an integral part of the global Citigroup structure known as *Global Transaction Services*, and provides transactional banking services including securities trading.

The Bank is one of Poland's leading depositories. It offers its services both to foreign investors active on the Polish capital market and to domestic financial institutions, including investment and pension funds.

As part of the statutory activities and pursuant to the permit granted by the Polish Securities and Exchange Commission, the Custody Department operates securities accounts, clears securities transactions, handles dividends and interest payments, asset portfolio valuation, develops individual reports, and arranges representation of clients at general shareholders meetings of public companies. Additionally, the Securities Custody Department maintains a foreign securities register, which includes settlement of transactions concluded by domestic customers depositing securities on foreign markets and international securities management.

The Bank actively supports the improvement of legal regulations related to the securities market by participation in activities of the Depositories Board at the Polish Banking Association. The strong position of the Bank justifies presentation of its own proposals for changes in legal regulations or creation of practices that are in compliance with international standards. Utilising its resources, expertise and experience the Bank's employees co-operate with the Securities and Stock Exchange Commission, the National Depository of Securities (Krajowy Depozyt Papierów Wartościowych S.A.), the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) and the Insurance and Pension Funds Supervision Commission on implementation of new system solution.

In the past year the Bank completed the implementation of a modified process of servicing foreign financial intermediaries. The new transaction settlement process, based on the provisions of Article 34a of the Act on Public Trade in Securities, has contributed to the increase in the security of assets registered by the Bank on securities accounts.

Number of securities accounts

As of 31 December 2003, the Bank maintained 5,287 securities accounts.

Depository for Open-End Pension Funds

- Commercial Union OFE BPH CU WBK
- AIG OFE
- SAMPO OFE
- OFE Pocztylion
- Pekao OFE
- Generali OFE
- ING Nationale Nederlanden Polska OFE

Depository for investment funds

The Bank acts as depository for nineteen investment funds managed by the following investment fund companies:

- SKARBIEC TFI S.A.
- BZ WBK AIB TFI S.A.
- SEB TFI S.A.
- PIONEER PEKAO TFI S.A.
- DWS Polska TFI S.A.

23. Asset securitisation

As of 31 December 2003 and 31 December 2002, the Bank had no securitised receivables.

24. Employment

In 2003 the average number of employees at the Bank was 4,822, including 44 blue-collar positions (2002: 4,882 positions including 44 blue collar positions).

25. Salaries and awards (in cash and in kind), including bonuses from retained profit of the Management Board and supervisory bodies of the Bank

The total remuneration of members of the Bank's Management Board and Managing Directors in 2003, including the former members of the Bank's Management Board, who did not fulfil the position on 31 December 2003, amounted to PLN 23,542 thousand (in 2002*: PLN 8,598 thousand).

The total remuneration of members of the Bank's Management Board in 2003 included PLN 4,114 thousand in base salaries, PLN 1,368 thousand in awards and bonuses, PLN 577 thousand in insurance premiums paid, and PLN 15,608 thousand in benefits.

Remuneration paid to persons managing the Bank for their positions held in the governing bodies of subsidiaries, joint ventures and associated undertakings of the Bank in 2003 amounted in total to PLN 8 thousand (in 2002*: PLN 11 thousand).

Remuneration paid to members of the Supervisory Board of the Bank in 2003 amounted in total to PLN 426 thousand (in 2002*: PLN 314 thousand). Members of the Bank's Supervisory Board did not obtain any remuneration for holding positions in subsidiary, joint ventures and associated undertakings of the Bank in the these periods.

* Amounts relating 2002 comprises data of the persons who fulfil the positions of the Bank's management and supervisors.

26. Advances, loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank

The Bank's exposures arising from advances, loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank as of 31 December 2003 were as follows:

	in PLN thousand			
	Advances	Guarantees	Bank loans *	Loans granted from the Company Social Fund
Employees	138	1,327	69,126	45,135
Members of the Management Board	-	331	650	-
Members of the Supervisory Board	-	-	-	-
Relatives of the persons managing or supervising the entity	-	-	-	-
Total:	138	1,658	69,776	45,135

* The interest rates and repayment schedules for bank loans are at normal market conditions

As of 31 December 2003, none of the employees, the Management Board and the Supervisory Board members of the Bank or relatives of the persons managing or supervising the Bank benefited from advances, loans and guarantees granted by subsidiaries, joint ventures or associated undertakings of the Bank.

The Bank's exposures arising from advances, loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank as of 31 December 2002 were as follows:

	in PLN thousand			
	Advances	Guarantees	Bank loans *	Loans granted from the Company Social Fund
Employees	1,466	1,780	47,920	47,123
Members of the Management Board	-	677	545	-
Members of the Supervisory Board	-	-	-	-
Relatives of the persons managing or supervising the entity	-	-	-	-
Total:	1,466	2,457	47,465	47,123

* The interest rates and repayment schedules for bank loans are at normal market conditions.

As of 31 December 2002 none of the employees, the Management Board and the Supervisory Board members of the Bank or relatives of the persons managing or supervising the Bank benefited from advances, loans and guarantees granted by subsidiaries, joint ventures or associated undertakings of the Bank.

27. Significant events relating to previous years presented in the financial statements for 2003

In 2003, no significant events occurred, resulting from previous years, which would have a material impact on the 2003 financial statements.

28. Significant post balance sheet events excluded from the financial statements for 2003

After 31 December 2003, no events excluded from the financial statements for 2003 occurred, which would have a material impact on the Bank's results.

29. Significant events related to the current period that have a significant impact on the structure of balance sheet and profit and loss account

The Ordinary GMS of the Bank held on 25 June 2003 passed resolutions including a resolution on distribution of profit for 2002 and on determination of the dividend and dividend payment date. The Ordinary GMS resolved to:

- 1) distribute the 2002 profit of PLN 242,688,826.90 as follows:
 - a) dividend for shareholders and holders of first-issue convertible bonds: PLN 241,720,260, the amount of dividend per share and per bond being PLN 1.85,
 - b) write-off for reserve capital: PLN 968,566.90,
- 2) set the dividend date at 25 July 2003,
- 3) set the dividend payment date at 1 September 2003.

On 2 July 2003 the Bank received a Decision of the District Court for the Capital City of Warsaw, 19th Economic and Registry Division of the National Court Register dated 16 June 2003, file No. WA XIX NS-REJ KRS/8701/3/685, by way of which the District Court for the Capital City of Warsaw, 19th Economic and Registry Division, registered an increase in the Bank's authorised share capital from PLN 500,902,400 to 522,638,400 through issue of 5,434,000 B-series bearer shares with the nominal value of PLN 4 each.

In return for the Bank's first-issue convertible bonds placed by Powszechny Zakład Ubezpieczeń S.A., 5,434,000 B-series bearer shares of the Bank was released at the nominal value of PLN 4 each, to account for 4.15% of the authorised share capital of the Bank and 5,434,000 of the votes at the Bank's General Meeting, i.e. 4.15% of votes at the General Meeting of the Bank. Following the above conversion of bonds, there are no other Bank convertible first-issue bonds in circulation.

As at 30 June 2003, after registration of the authorised share capital increase, shareholders of the Bank were as follows:

	Number of shares	% of authorised share capital
Citibank Overseas Investment Corporation, subsidiary of Citibank N.A.	116,717,574	89.33%
Remaining shares	13,942,026	10.67%
Total number of Bank shares	130,659,600	100%

On 19 and 29 August 2003, subscription agreements were concluded with the European Investment Bank ("EIB") on the claiming of the fifth and sixth tranches of 5-year bonds issued by EIB within the framework of the Bond Issue Programme for the total value of PLN 3b, launched in 2001. Pursuant to the agreements, the bonds have been issued on 29 August (fifth tranche worth PLN 180m) and 15 September (sixth tranche worth PLN 110m). Throughout the term of the Bond Issue Programme, EIB obtained through the Bank medium- and long-term funding for the total amount of PLN 820m.

On 25 September 2003 Bank sold a total shares in Globe Trade Center S.A. located in Warsaw, which represented 7.79% of the authorised capital and the same number of votes at the general shareholders meeting of this enterprise;

On 30 October 2003 the agreement concluded on 11 September 2003 under which the Bank agreed to sell for the benefit of Powszechna Kasa Oszczędności Bank Polski S.A. 13,000 ordinary registered shares with the par value of PLN 10,000.00 each, representing 50% of authorised share capital and the same number of votes at the general assembly of shareholders of PKO/Handlowy Powszechnie Towarzystwo Emerytalne S.A. ("PTE"). The agreement has been implemented as all the suspensory conditions specified in the agreement have been complied with. As a result of implementing that agreement the Bank sold all the PTE shares possessed by it, which represented 50.00% of PTE's authorised share capital and the same number of votes on the General Assembly of Shareholders.

On 31 December 2003, the Bank executed with Citibank N.A., the sole shareholder in Citibank Overseas Investment Corporation, which is a majority shareholder of the Bank, the following agreements:

- CitiDirect service agreement, on the basis of which Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) the CitiDirect internet transaction service for the use of the Bank and its customers;
- IT systems service agreement, on the basis of which Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) services related to using by the Bank and its customers several IT systems for handling the Bank's operations;
- Citigroup Inc. incentive schemes participation agreement which specifies the general rules of implementing incentive schemes for the Bank employees and reimbursing by the Bank the cost of the scheme implementation for the benefit of Citigroup, which cost will depend on implementation results.

30. Information on the Bank's relationship with its legal predecessor

The Bank has no legal predecessor.

31. Basic balance sheet and profit and loss account items adjusted for inflation

The financial data reported in these financial statements has not been adjusted for inflation. Over the twelve months ended 31 December: 2003, 2002 and 2001, the inflation rate as measured using the index of increase in goods and services consumer prices (December to December) did not exceed 100%, running at 1.7%, 0.8% and 3.6% in the respective periods concerned. The above inflation rates have been taken from the Statistical Bulletin published by the Central Statistical Office.

32. Explanation of differences between the information disclosed in these financial statements and the comparable information in the previously prepared and published financial statements

The financial data for 2002 reported in these financial statements has not been transformed and are consistent with the data presented in the financial statements for 2002 that have been published earlier, excluding the changes in data presentation in the following notes of balance sheet and loss account: 12C, 13A, 13B, 14C, 20A, 27F, 37, 38, 43 and 44. These changes were implemented in order to provide consistency in presentation with current reporting period.

The annual financial statements for 2003 include changes as compared to the previously published quarterly report for Q4 2003, in the data entered in the balance sheet, the profit and loss account, and cash flow statement, following verification of the financial data. As a result of the changes, the balance total was decreased by PLN 57,731, equities grew by PLN 7,992 thousand, and the net profit grew by the same amount.

33. Changes in accounting policy in 2003

No changes in the accounting policy were introduced in 2003.

34. Adjustments of fundamental errors

The Bank did not have to adjust any fundamental errors in the annual financial statement for 2003.

35. Going concern assumption

There is no doubt as to the Bank's ability to continue operations.

36. Currency structure of assets and liabilities

The Bank's currency position was calculated in accordance with the principles specified in Resolution No. 5/2001 of the Commission for Banking Supervision dated 12 December 2001 regarding specific rules for calculating capital requirements for banking risk categories, including capital requirement for exposure exceeding concentration limits, method and detailed rules for calculation of the bank solvency ratio, (...) (NBP Official Journal No. 22, item 43).

The currency position for core currencies as of 31 December 2003 was as follows:

in PLN thousand							
Country	Currency	Assets	Liabilities	Off-balance sheet assets	Off-balance sheet liabilities	Indexed assets/liabilities	Long (short) position
USA	USD	7,225,183	3,288,618	13,371,422	17,261,664	-	46,323
European Union	EUR	4,444,012	2,668,552	4,508,454	6,284,990	-	(1,076)
United Kingdom	GBP	137,535	184,545	133,858	85,498	-	1,350
Switzerland	CHF	960,562	72,605	1,109,431	2,030,298	-	(32,910)
Sweden	SEK	26,070	15,587	0	11,920	-	(1,437)
Denmark	DKK	9,962	12,493	4,465	2,269	-	(335)
Australia	AUD	46	195	1,404	1,404	-	(149)
Norway	NOK	5,492	3,556	1,646	4,203	-	(621)
Canada	CAD	9,788	7,859	0	0	-	1,929
Japan	JPY	30,048	8,794	0	31,244	-	(9,990)
Czech Rep.	CZK	150,167	10,910	47,958	188,082	-	(867)
Hungary	HUF	163	271	1,178	989	-	81
Slovakia	SKK	409	0	0	0	-	409
South Africa	ZAR	463	0	0	0	-	463
Total unconvertible currencies		189,211	189,268	0	0	-	(57)
Total		13,189,111	6,463,253	19,179,816	25,902,561	-	
Total currency position							50,555

As of 31 December 2003, the capital requirement for foreign exchange risk was set at zero.

In calculating its capital requirement against foreign exchange risk as of 31 December 2003, the Bank applies the standardised method as specified in Resolution No. 5/2001 of the Commission for Bank Supervision dated 12 December 2001.

The currency position for core currencies as of 31 December 2002 was as follows:

in PLN thousand							
Country	Currency	Assets	Liabilities	Off-balance sheet assets	Off-balance sheet liabilities	Indexed assets/liabilities	Long (short) position
USA	USD	4,243,063	3,422,375	17,264,587	17,880,297	-	204,977
European Union	EUR	2,919,732	2,250,121	2,971,558	3,158,178	-	482,991
United Kingdom	GBP	189,084	143,246	100,442	141,499	-	4,781
Switzerland	CHF	1,026,176	41,948	33,310	1,019,956	-	(2,418)
Sweden	SEK	13,353	9,924	2,689	5,164	-	954
Denmark	DKK	4,869	2,620	-	417	-	1,832
Australia	AUD	2,751	198	-	2,171	-	382
Norway	NOK	8,307	3,287	-	4,202	-	818
Canada	CAD	5,488	2,263	-	2,435	-	790
Japan	JPY	35,724	71,017	74,708	39,109	-	306
Czech	CZK	186,990	3,191	172,826	358,329	-	(1,704)
Hungary	HUF	485	292	931	852	-	272
Total unconvertible currencies		198,459	198,519	-	-	-	(60)
Total		8,834,480	6,149,002	20,621,051	22,612,608	-	
Total currency position							698,103

As of 31 December 2002, the total capital requirement for foreign exchange risk was set at PLN 71,903 thousand.

In calculating its capital requirement against foreign exchange risk at 31 December 2002, the Bank applies the standardised method as specified in Resolution No. 5/2001 of the Commission for Bank Supervision dated 12 December 2001.

37. Main items of the balance sheet, profit and loss account and cash flow statement without rounding

1. Balance Sheet as of 31 December 2003 shows total assets and liabilities amounting to PLN 33,268,587,477.06;
2. Off-balance sheet items as of 31 December 2003 amounted to PLN 192,359,604,242.91, including off-balance liabilities granted at PLN 15,058,890,627.38;
3. Profit and Loss Account for the period from 1 January 2003 to 31 December 2003 shows a net profit of PLN 242,510,335.70;
4. Cash Flow Statement for the period from 1 January 2003 to 31 December 2003 shows a net profit of PLN 203,296,375.89.

- 38.** The annual report for 2003 will be made available at the website of Bank Handlowy w Warszawie S.A., at www.citibankhandlowy.pl.

Signatures of all Management Board Members

25.03.2004	Sławomir Sikora	President	
..... Date	..... Name	..... Position / function	..... Signature
25.03.2004	Wiesław Kalinowski	Vice-President	
..... Date	..... Name	..... Position / function	..... Signature
25.03.2004	Philip Vincent King	Vice-President	
..... Date	..... Name	..... Position / function	..... Signature
25.03.2004	David J. Smith	Vice-President	
..... Date	..... Name	..... Position / function	..... Signature
25.03.2004	Sunil Sreenivasan	Vice-President	
..... Date	..... Name	..... Position / function	..... Signature
25.03.2004	Lidia Jabłonowska-Luba	Member	
..... Date	..... Name	..... Position / function	..... Signature