

ADDITIONAL EXPLANATORY NOTES

1. Concentration of exposure

Information on concentration of credit exposure in the Capital Group is presented based on the consolidated financial statements following principles and conditions for setting concentration limits set out in the Act of 29 August 1997 - Banking Law (Official Journal of 2002 No. 72, position 665, with amendments) and the executive acts issued pursuant thereto by the Banking Supervision Committee. The methodology for calculation of consolidated own equity in accordance with principles set out in the regulation No 6/2001 of the Banking Supervision Committee dated 12 December 2001 regarding specific rules for calculating equity for bank (...) (Official Journal of NBP No. 22, position 44).

Concentration of credit exposure in the Capital Group is presented in the context of policy adopted by parent entity („Bank”), which according to the provisions of Banking Law Act is obliged to define and periodically verify receivables concentration limits for a single entity or a group of related entities and in particular sectors of economy within the system of limits imposed by the Act.

Exposure limits

The Banking Law Act and the executive acts issued pursuant thereto by the Banking Supervision Committee define the maximum exposure limits for the 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 organizationally related entities cannot be greater than 20% of a bank's equity in case 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 be greater than 25% of a bank's equity in case when there is no such relationship between the Bank and such entity. Without prejudice to the requirements stipulated in Resolution no. 5/2001 of the Banking Supervision Committee of 12 December 2001 on the scope and detailed rules of setting equity requirements under the individual risk categories, including excess of debt concentration limits (...) (Official Journal of NBP No. 22, pos. 43), the Bank is allowed to maintain exceeded debt concentration limits over the limits specified in Art. 71.1 of the Banking Law Act, applicable exclusively to debt resulting from operations in the trading portfolio.

As at 30 June 2003, the Bank had an exposure toward an associated entity from the banking sector exceeding the statutory debt concentration limits. The exceeded limit was for debt resulting from derivative transactions. An additional equity requirement has been established for the exceeded debt concentration limit, that had been included in the total equity requirement account as at 30 June 2003.

The Bank sets out to limit its exposure to individual clients. In the presented periods, Bank's exposure did not exceed the regulatory limits for bank portfolio operations with respect to a single entity or a group of entities related in respect to capital or organization, and did not exceed other concentration limits set by Banking Law. As at 30 June 2003, Bank's exposure to portfolio transactions with customers exceeding 10% of Bank's consolidated equity amounted to PLN 831 606 thousand, i.e. 18.1 % of the equity (31 December 2002: PLN 935 499 thousand, i.e. 18.6%, 30 June 2002: PLN 726 510 thousand, i.e. 14.6%).

Concentration of exposure in individual sectors of economy

To avoid excessive concentration of credit risk, the Bank keeps an ongoing watch over the exposure in individual sectors of economy, defining areas in which the exposure should grow and areas whose chances for development are poor, and where the exposure should be reduced. The Bank conducts its exposure policy toward clients from the individual sectors separately for corporate customers and financial institutions, through the Corporate Banking, Investment Banking and Financial Institutions division, and, with respect to small and medium enterprises, through the Commercial Banking Division.

Bank's policy with regard to exposure to corporate customers and financial institutions operating in individual sectors is based on the identification of target markets. A key component in this identification of markets is an assessment of sectoral risk. To this end, sectoral analyses are carried out by specialists in particular industries. Within the framework of the target markets specified, lending programs are drawn up with documented requirements for the approval of risk involved in specific kinds of business. The higher the sectoral risk, the tighter the criteria for risk approval. The assessment of the financial condition in an industry and its development prospects is a major element influencing customer's rating.

In terms of small and medium enterprises, Bank's policy on exposure consists of identifying a target market by deselecting particular industries. This involves elimination from the target market of industries where the risk of doing business is considered too high for the standards valid in the Bank.

Bank's policy distinguishes the following criteria as the basis for deselection:

A/ industries excluded in view of their incompatibility with the nature of small and medium enterprises;

B/ industries excluded in view of their sensitivity to market factors and unstable financial results;

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

The target market is defined as all other industries that have not received an adverse assessment. Selective approach can be applied to industries excluded due to sensitivity and instability factors or due to downtrends, which means that customers with the highest ratings in those industries are retained.

Due to considerable differences between clients representing individual industries, the table below presents aggregated data concerning Bank's exposure to sectors grouped in 20 major industries in particular reporting periods.

| <i>Economy sectors according to PKD</i> | <i>30 June 2003</i> | <i>31 December 2002</i> | <i>30 June 2002</i> |
|---|---------------------|-------------------------|---------------------|
| | <i>in %</i> | <i>in %</i> | <i>in %</i> |
| Wholesale and commission trade except in motor vehicles | 20,5 | 21,2 | 19,9 |
| Financial mediation except for insurance and retirement/pension funds | 11,2 | 8,8 | 7,4 |
| Production of foodstuffs and beverages | 6,1 | 6,3 | 6,4 |
| Generation and distribution of electricity, gas, steam and hot water | 5,3 | 6,5 | 6,8 |
| Construction | 4,8 | 5,5 | 5,2 |
| Production of basic chemicals, chemical products and artificial fibers | 4,0 | 3,3 | 3,8 |
| Production of motor cars, trailers and semitrailers | 3,8 | 2,9 | 3,8 |
| Production of machinery and equipment not classified elsewhere | 3,3 | 3,8 | 3,1 |
| Sales, service and repair of motor vehicles and motorcycles, retail sales of car fuel | 3,1 | 2,9 | 2,3 |
| Postal and telecommunications operations | 2,8 | 2,8 | 3,2 |
| Top 10 industries | 64,9 | 64,0 | 61,9 |

| <i>Economy sectors according to PKD</i> | <i>30 June 2003</i> | <i>31 December 2002</i> | <i>30 June 2002</i> |
|--|----------------------------|--------------------------------|----------------------------|
| | <i>in %</i> | <i>in %</i> | <i>in %</i> |
| Other services related to the operations | 2,2 | 3,0 | 5,0 |
| Production of rubber and plastic products | 2,1 | 2,0 | 2,2 |
| Retail trade except for the sales of motor vehicles, repairs of personal use products and household products | 2,1 | 1,6 | 1,3 |
| Production of metals | 2,0 | 2,1 | 2,6 |
| Production of prefabricated metal products except for machinery and equipment | 1,8 | 1,8 | 2,0 |
| Production of other non-metallic products | 1,7 | 2,1 | 1,7 |
| Production of coke, oil refining products and nuclear fuels | 1,7 | 1,1 | 2,1 |
| Production of furniture, production not classified elsewhere | 1,6 | 1,8 | 1,6 |
| Production of electrical machinery and equipment not classified elsewhere | 1,6 | 2,4 | 2,1 |
| Production of radio, television, and communications equipment | 1,5 | 1,5 | 1,1 |
| <i>Top 20 industries</i> | <i>83,2</i> | <i>83,4</i> | <i>83,6</i> |
| Other industries | <i>16,8</i> | <i>16,6</i> | <i>16,4</i> |
| <i>Total Bank</i> | <i>100,0</i> | <i>100,0</i> | <i>100,0</i> |

2. Sources and application of funds

in PLN thousand

| Acquired funds | 30 June 2003 | 31 December 2002 | 30 June 2002 |
|--|---------------------|-------------------------|---------------------|
| Bank funds | 1 968 511 | 1 976 980 | 4 248 223 |
| Funds from customers and the State budget sector | 18 463 031 | 18 271 961 | 17 056 718 |
| Other external funds | 6 349 127 | 5 950 918 | 5 230 081 |
| Own funds with financial result | 5 812 320 | 5 961 896 | 5 867 067 |
| Total acquired funds | 32 592 989 | 32 161 755 | 32 402 089 |

in PLN thousand

| Fund application | 30 June 2003 | 31 December 2002 | 30 June 2002 |
|--|---------------------|-------------------------|---------------------|
| Bank deposits | 3 644 221 | 3 948 848 | 5 232 008 |
| Receivables from customers and the State budget sector | 15 556 871 | 14 801 898 | 15 265 318 |
| Securities, shares and other financial assets | 8 980 419 | 9 242 269 | 6 968 458 |
| Other application | 4 411 478 | 4 168 740 | 4 936 305 |
| Total fund application | 32 592 989 | 32 161 755 | 32 402 089 |

Set out below are consolidated customers and Budget funds and consolidated receivables from customers and the State Budget as at 30 June 2003, related to operations completed mainly by branches of the Bank. Their structure is presented divided into Regions within which Bank branches are grouped.

in PLN thousand

| Region/Geographical coverage of activity divided into voivodships – poviats | Funds from customers and the State budget sector | Receivables from customers and the State budget sector |
|---|---|---|
| <u>Bydgoszcz Region</u> | 673 248 | 1 620 455 |
| voivodships: | | |
| kujawsko – pomorskie, pomorskie, warmińsko – mazurskie and. zachodnio – pomorskie poviats: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin. | | |
| <u>Katowice Region</u> | 778 998 | 1 506 363 |
| voivodships: | | |
| śląskie, opolskie and the małopolskie poviats: chrzanowski, oświęcimski.. | | |
| <u>Krakow region</u> | 684 529 | 1 072 981 |
| voivodships: | | |
| podkarpackie, świętokrzyskie, małopolskie excluding poviats assigned to the Katowice Region | | |
| <u>Poznań region</u> | 1 009 259 | 2 068 243 |
| voivodships: | | |
| lubuskie, wielkopolskie, zachodnio – pomorskie without the poviats assigned to the Bydgoszcz Region | | |
| <u>Warsaw region</u> | 9 150 687 | 7 414 365 |
| the city of Warsaw, voivodships: | | |
| mazowieckie, lubelskie, łódzkie, podlaskie. | | |
| <u>Wrocław Region</u> | 203 708 | 706 893 |
| voivodship: | | |
| dolnośląskie. | | |
| Consumer Banking Sector – CITIBANK HANDLOWY | 5 962 602 | 1 167 571 |
| <u>Total</u> | 18 463 031 | 15 556 871 |

Set out below are consolidated customer and Budget funds and consolidated receivables from customers and the State Budget as at 31 December 2002, related to operations completed mainly by branches of the Bank. Their structure is presented divided into Regions within which Bank branches are grouped.

in PLN thousand

| Region/Geographical coverage of activity divided into voivodships – poviats | Funds from customers and the State budget sector | Receivables from customers and the State budget sector |
|---|---|---|
| <u>Bydgoszcz Region</u> voivodships: kujawsko – pomorskie, pomorskie, warmińsko – mazurskie and poviats in the zachodnio – pomorskie voivodship: sławieński, koszaliński, kołobrzegi, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin. | 685 087 | 1 674 596 |
| <u>Katowice Region</u> voivodships: śląskie, opolskie and the following poviats in the małopolskie: chrzanowski, oświęcimski. | 886 872 | 1 351 368 |
| <u>Krakow Region</u> voivodships: podkarpackie, świętokrzyskie, małopolskie without poviats assigned to the Katowice region | 601 081 | 934 399 |
| <u>Poznań Region</u> voivodships: lubuskie, wielkopolskie, zachodnio – pomorskie without poviats assigned to the Bydgoszcz region | 868 273 | 1 773 216 |
| <u>Warsaw Region</u> the city of Warsaw, voivodships: mazowieckie, lubelskie, łódzkie, podlaskie. | 8 986 783 | 7 250 411 |
| <u>Wrocław Region</u> voivodship: dolnośląskie. | 154 494 | 645 661 |
| Consumer Banking Sector – CITIBANK HANDLOWY | 6 089 371 | 1 172 247 |
| <u>Total</u> | 18 271 961 | 14 801 898 |

Set out below are consolidated customer and Budget funds and consolidated receivables from customers and the State Budget as at 31 December 2002, related to operations completed mainly by branches of the Bank. Their structure is presented divided into Regions within which Bank branches are grouped.

in PLN thousand

| Region/Geographical coverage of activity divided into voivodships – poviats | Funds from customers and the State budget sector | Receivables from customers and the State budget sector |
|---|---|---|
| <u>Bydgoszcz Region</u> voivodships: kujawsko – pomorskie, pomorskie, warmińsko – mazurskie and poviats in the zachodnio – pomorskie voivodship: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin. | 673 336 | 1 591 128 |
| <u>Katowice Region</u> voivodships: śląskie, opolskie and the following poviats in the małopolskie: chrzanowski, oświęcimski. | 700 073 | 1 278 079 |
| <u>Krakow Region</u> voivodships: podkarpackie, świętokrzyskie, małopolskie without poviats assigned to the Katowice region | 453 393 | 935 380 |
| <u>Poznań Region</u> voivodships: lubuskie, wielkopolskie, zachodnio – pomorskie without poviats assigned to the Bydgoszcz region | 868 331 | 1 817 502 |
| <u>Warsaw Region</u> the city of Warsaw, voivodships: mazowieckie, lubelskie, łódzkie, podlaskie. | 8 031 065 | 7 412 872 |
| <u>Wrocław Region</u> voivodship: dolnośląskie. | 121 914 | 421 973 |
| Consumer Banking Sector – CITIBANK | 6 257 027 | 1 080 730 |
| <u>Total</u> | 17 056 718 | 15 265 318 |

3. Contribution to foreign branches

The Bank and other units constituting Bank's Capital Group do not operate through any foreign branches.

4. Financial instruments of Bank's Capital Group

4.1. Financial instruments divided into individual categories of assets and financial liabilities

| | in PLN thousand | | |
|--|-------------------|-------------------|-------------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| Financial assets in the trading portfolio | 5 672 980 | 6 082 840 | 4 084 568 |
| Financial liabilities in the trading portfolio | 3 904 377 | 4 182 578 | 3 349 807 |
| Credits and loans granted and own receivables | 14 861 056 | 14 181 232 | 15 239 452 |
| Financial assets held until maturity | 66 292 | 305 707 | 327 834 |
| Financial assets available for sale | 2 910 782 | 2 520 163 | 2 152 483 |
| Total financial instruments | 27 415 487 | 27 272 520 | 25 154 144 |

4.1.1. Financial instruments in trading portfolio as at 31 December 2002

Financial assets for trading purposes divided into asset groups:

| | in PLN thousand | | |
|---|------------------|------------------|------------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| Debt securities | 1 642 141 | 1 557 522 | 665 997 |
| Shares in non-subordinated entities | 576 | 1 868 | 863 |
| Investment certificates | 15 | - | - |
| Receivables from the valuation of operations involving instruments derivative | 4 030 248 | 4 523 450 | 3 417 708 |
| Total financial assets in trading portfolio | 5 672 980 | 6 082 840 | 4 084 568 |

Change in financial assets in trading portfolio:

| | in PLN thousand | | |
|--|------------------|------------------|------------------|
| | 1st half of 2003 | 2002 | 1st half of 2002 |
| Opening balance | 6 082 840 | 3 612 881 | 3 612 881 |
| increases (in respect of) | 52 966 225 | 62 917 830 | 30 731 747 |
| - purchases | 52 938 300 | 61 739 640 | 30 636 367 |
| - revaluation | 218 | 1 169 547 | 82 714 |
| - other (discount, awards, interest) | 27 707 | 8 643 | 12 666 |
| decreases (in respect of): | (53 376 085) | (60 447 871) | (30 260 060) |
| - sales | (52 878 910) | (60 446 668) | (30 239 992) |
| - revaluation | (494 064) | (660) | (18 919) |
| - other (discount, awards, interest) | (3 111) | (543) | (1 149) |
| Financial assets in trading portfolio – closing balance | 5 672 980 | 6 082 840 | 4 084 568 |

Debt securities in trading portfolio

Debt securities for trade are securities acquired to gain on short-term price fluctuations. Debt securities for trade are accounted for at their fair value, and the result of valuation is recognized in financial revenues or expenses. Interest, discount or award on such securities are settled in the profit and loss account according to with the straight line method.

Shares in non-subordinated entities, investment certificates

Shares in non-subordinated entities and investment certificates classified as assets in trading portfolio are accounted for at their fair value, and the result of valuation is recognized under financial revenues or expenses, as appropriate.

Receivables from the valuation of operations involving derivative instruments

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

The Bank enters into various transactions involving derivative instruments for speculation purposes and to manage the exchange risk and the interest rate risk. The settlement date of positions open in derivative instruments depends mainly on the nature of the instrument. For the presented transactions, floating interest rate is based on interbank interest rates in force at the beginning of the interest period and fixed interest rate depends on the nature of an instrument and the objective of a transaction.

As at 30 June 2003, the Bank placed deposits at other institutions as collateral against derivative transactions to the total amount of PLN 40 525 thousand (31 December 2002: PLN 149 789 thousand, 30 June 2002: PLN 47 289 thousand) and received collateral against derivative transactions amounting to PLN 4 745 thousand (31 December 2002: PLN 1 225 thousand, 30 June 2002: PLN 4 042 thousand).

Forward FX transactions

The Bank concluded forward and FX swaps in the first half of 2003. Forward transactions are agreements concerning the purchase or sales of foreign currencies at a specified exchange rate, at a forward date (where the settlement occurs later than two days after the transaction date). Foreign currency swaps are combinations of spot FX transaction (settlement on the second working day following the transaction date) and a forward transaction whereby a specific amount of currency is exchanged at a current rate at a spot date and the same amount of currency is exchanged back at a forward rate on the specified future date. Nominal value of foreign exchange transactions is the amount of foreign currency purchased or sold and does not represent any actual market risk or credit risk associated with these transactions.

Forward foreign exchange contracts are used for closing daily open foreign currency positions and for speculation purposes. Foreign currency swaps are mainly used to manage Bank's liquidity and funds in nostro accounts.

Forward FX contracts are valued and accounted for in the profit and loss account at their market value. The discounted cash flows model is used in the valuation of FX transactions. Unrealized profits and losses from the valuation of forward FX transactions are accounted for in the balance sheet as "Other securities and other financial assets" or as "Other liabilities arising on financial instruments" at their gross value, i.e. without netting.

FX option transactions

FX option transactions involve the sale or purchase by the Bank of the right to exchange one currency into another at a future date at a specified exchange rate and on the specified settlement day or period; the option can be executed by means of a physical exchange transaction with currency delivery or by means of the settlement of a difference between the option execution rate and a reference rate valid for the option execution date. Two types of options are distinguished: call options grant the holder the right to buy a contractual amount of foreign currency in exchange for an amount of local or another foreign currency according to an option exercise rate; and put options that give the holder the right to sell a contractual amount of foreign currency in exchange for an amount of local or another foreign currency defined according to the option execution rate. The buyer of an option pays to its drawer a premium for the purchased right to buy or sell of currency.

FX options are valued and accounted for in the profit and loss account at their market value. Garman-Kohlhagen valuation model is used in the valuation of options. Unrealized profits and losses from the valuation of options are accounted for in the balance sheet as "Other securities and other financial assets" or as "Other liabilities arising on financial instruments" at their gross value, i.e. without compensation. Premiums received from written options are accounted for as "Other liabilities arising on financial instruments" while premiums paid for purchased options are accounted for as "Other securities and other financial assets" and included in the profit and loss account at the transaction end date.

| FX transactions | in PLN thousand | | |
|--------------------------------------|------------------------|-------------------------|---------------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| | nominal value | | |
| Spot contracts | 11 728 004 | 3 413 935 | 7 984 689 |
| Forward contracts including FX swaps | 29 851 262 | 34 750 721 | 39 520 125 |
| Options purchased | 4 622 927 | 3 060 758 | 3 632 820 |
| Options sold | 4 664 928 | 3 123 501 | 4 105 085 |
| Total FX transactions | 50 867 121 | 44 348 915 | 55 242 719 |

Interest rate transactions

In the first half of 2003, the Bank concluded interest rate swaps (IRS), cross-currency interest rate swaps (CIRS) and forward rate agreement contracts (FRA).

Interest rate swaps are agreements to exchange the obligation interest rate. On the interest payment date, the Bank and its counterparty are obliged to exchange periodic fixed and floating rate interest payments defined in the IRS contract. The objective of CIRS concluded in 2 different currencies, is the exchange of contracting party's obligation expressed in one currency into its obligation in other currency as a result of which, the Bank and its counterparty are obliged on interest payment date to exchange interest payments defined in the CIRS contract. Additionally, parties may also exchange nominal amounts of contracts. The Bank concludes IRS and CIRS contracts the on interbank market and with its customers.

The objective of FRA contracts is to define interest rate level for contracting party's receivables, which arose or will arise on set future dates or to define interest rate level for contracting party's payables, which arose or will arise on set future dates. The Bank concludes FRA contracts on the interbank market and with its customers.

Interest rate instruments are valued and accounted for in the profit and loss account at their market value. The discounted cash flows model is used in the valuation of interest rate transactions. Unrealized profits and losses from the valuation of such instruments are accounted for in the balance sheet as "Other securities and other financial assets" or as "Other liabilities arising on financial instruments" at their gross value, i.e. without compensation.

Interest rate options

The object of an interest rate option contract is the right to receive a compensation amount in defined moments in the future, which depends on future interest rates. Two types of interest rate options are distinguished: cap options – 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 options – where the seller agrees to pay the buyer a difference between the reference rate and the agreed upon exercise rate – when the exercise rate exceeds the reference rate. In both cases, the seller receives premium paid in advance.

Interest rate options are valued and accounted for in the profit and loss account at their market value. Unrealized profits and losses from the valuation of options are accounted for in the balance sheet as “Other securities and other financial assets” or as “Other liabilities arising on financial instruments” at their gross value, i.e. without compensation. Premiums received from written options are accounted for as “Other liabilities arising on financial instruments” while premiums paid for purchased options are accounted for as “Other securities and other financial assets” and included in the profit and loss account at the transaction end date.

| Interest rate contracts | in PLN thousand | | |
|--------------------------------------|------------------------|-------------------------|---------------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| | nominal value | | |
| <i>Forward rate agreements:</i> | | | |
| Purchased: | 7 950 000 | 8 550 000 | 9 660 000 |
| Sold: | 8 574 150 | 8 455 000 | 9 530 000 |
| <i>Interest rate options</i> | | | |
| Purchased: | 1 407 476 | 1 735 597 | 1 098 729 |
| Sold: | 1 407 476 | 1 735 597 | 1 098 729 |
| <i>Interest rate swaps</i> | | | |
| <u>Receive floating pay fixed</u> | | | |
| Interest rate swap | | | |
| (maturing within 1 year) | 10 578 034 | 7 854 302 | 5 201 979 |
| (maturing within 2 years) | 10 916 809 | 9 649 933 | 7 300 251 |
| (maturing within 3 years) | 11 428 153 | 10 597 621 | 6 569 020 |
| (maturing within over 3-5 years) | 14 244 737 | 14 090 075 | 13 062 207 |
| (maturing after over 5 years) | 4 330 042 | 3 828 208 | 1 876 951 |
| Interest rate cross currency swaps | | | |
| (maturing within 1 year) | 825 407 | 703 402 | 1 163 183 |
| (maturing within 2 years) | 445 884 | 656 793 | 1 292 526 |
| (maturing within 3 years) | 382 193 | 416 504 | 439 364 |
| (maturing within over 3-5 years) | 336 361 | 341 204 | 1 200 369 |
| (maturing after over 5 years) | 388 960 | 370 981 | 370 524 |
| <u>Receive floating pay floating</u> | | | |
| Interest rate swap | | | |
| (maturing within 1 year) | | 7 500 | 7 500 |
| (maturing within 3 years) | 6 793 | 7 719 | |
| (maturing within over 3-5 years) | | | 140 000 |
| Interest rate cross currency swaps | | | |
| (maturing within 1 year) | | | |
| (maturing within 2 years) | 410 509 | 120 000 | 375 549 |
| (maturing within 3 years) | 42 560 | 194 021 | 125 836 |
| (maturing within 3-5 years) | 945 609 | 236 282 | 63 145 |
| (maturing after over 5 years) | 117 494 | 956 835 | |

| | | | |
|--------------------------------------|-------------------|-------------------|-------------------|
| <u>Receive fixed pay fixed</u> | 41 159 | 4 060 | 80 075 |
| Interest rate cross currency swaps | | | |
| (maturing within 1 year) | 4 389 | 17 453 | |
| (maturing within 2 years) | 130 013 | 15 708 | 19 291 |
| (maturing within 3 years) | 113 386 | | 15 708 |
| (maturing within 5 years) | 181 700 | 277 016 | 181 700 |
| (maturing after over 5 years) | | 488 970 | 488 970 |
| Total interest rate contracts | 75 209 294 | 71 310 781 | 61 361 606 |

Securities contracts

The Bank concludes purchase and sale contracts in debt securities at a fixed price with settlement after over two working days of the contract conclusion date (forward contracts).

Such contracts are accounted for at their market value, while unrealized profits and losses from the valuation are shown in the balance sheet as "Other securities and other financial assets" or as "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 in option contract and the value of base (reference) instrument at an exercise date depending on type of option (call or put) in the event of an increase or a decrease in the reference instrument price. The buyer of an option pays to its drawer a premium for the purchased rights.

Options are valued and accounted for in the profit and loss account at their market value. Unrealized profits and losses from the valuation of options are accounted for in the balance sheet as "Other securities and other financial assets" or as "Other liabilities arising on financial instruments" at their gross value, i.e. without compensation. Premiums received from written options are accounted for as "Other liabilities arising on financial instruments" while premiums paid for purchased options are accounted for as "Other securities and other financial assets" and included in the profit and loss account at the transaction end date.

| | in PLN thousand | | |
|---------------------------------------|------------------------|-------------------------|---------------------|
| Securities contracts | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| | | nominal value | |
| Securities options – purchase | 576 394 | 380 949 | 24 055 |
| Securities options – sales | 576 394 | 380 949 | 24 054 |
| Purchased securities pending delivery | 248 686 | 241 549 | 544 865 |
| Sold securities pending issue | 139 586 | 68 997 | 415 460 |
| Total securities contracts | 1 541 060 | 1 072 444 | 1 008 434 |

4.1.2. Financial liabilities in trading portfolio

Financial liabilities in trading portfolio divided into liability groups:

| | in PLN thousand | | |
|--|------------------|------------------|------------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| Liabilities arising on valuation of transactions in derivative instruments | 3 904 377 | 4 182 578 | 3 349 807 |
| Total financial liabilities in trading portfolio | 3 904 377 | 4 182 578 | 3 349 807 |

Change in financial liabilities in trading portfolio:

| | in PLN thousand | | |
|---|------------------|------------------|------------------|
| | 1st half of 2003 | 2002 | 1st half of 2002 |
| Opening balance | 4 182 578 | 3 175 314 | 3 175 314 |
| increases (in respect of) | - | 1 007 264 | 174 493 |
| - revaluation | - | 1 007 264 | 174 493 |
| increases (in respect of) | (278 201) | - | - |
| - revaluation | (278 201) | - | - |
| Financial liabilities in trading portfolio – closing balance | 3 904 377 | 4 182 578 | 3 349 807 |

The item “liabilities arising on valuation of transactions in financial instruments” presents negative valuation of derivative instruments.

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

4.1.3. Credits and loans granted and own receivables

Credits and loans granted and own receivables by category:

| | in PLN thousand | | |
|--|-------------------|-------------------|-------------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| Credits and loans | 15 344 534 | 14 623 497 | 15 685 965 |
| Purchased debt | 415 359 | 463 310 | 345 638 |
| Realized guarantees and sureties | 63 248 | 20 973 | 49 386 |
| Interest receivable | 657 685 | 590 305 | 492 405 |
| Total (gross) credits and loans granted and own receivables | 16 480 826 | 15 698 085 | 16 573 394 |
| Provision established | (1 619 770) | (1 516 853) | (1 333 942) |
| Total (net) credits and loans granted and own receivables | 14 861 056 | 14 181 232 | 15 239 452 |

Movements in credits and loans granted and own receivables:

| | in PLN thousand | | |
|--|-------------------|-------------------|-------------------|
| | 1st half of 2003 | 2002 | 1st half of 2002 |
| Opening balance | 15 698 085 | 16 530 752 | 16 530 752 |
| increases (in respect of) | 14 037 790 | 27 920 982 | 13 750 656 |
| - new contracts* | 13 970 410 | 27 730 803 | 13 658 377 |
| - interest receivable | 67 380 | 190 179 | 92 279 |
| decreases (in respect of): | (13 255 049) | (28 753 649) | (13 708 014) |
| - repayment of liabilities* | (13 255 049) | (28 753 649) | (13 708 014) |
| Credits and loans granted and own receivables (gross) – closing balance | 16 480 826 | 15 698 085 | 16 573 394 |

* including roll-over short term loans

Change in provision for credits and loans granted and own receivables:

| | in PLN thousand | | |
|---|------------------|------------------|------------------|
| | 1st half of 2003 | 2002 | 1st half of 2002 |
| Opening balance | 1 516 853 | 1 230 372 | 1 230 372 |
| increases (in respect of) | 512 762 | 784 793 | 456 478 |
| - charges to provision | 512 703 | 763 159 | 446 470 |
| - exchange differences | 59 | 6 152 | 4 813 |
| - reclassification from other category of assets | | 15 482 | 5 195 |
| decreases (in respect of) | (409 845) | (498 312) | (352 908) |
| - release of provisions | (384 288) | (435 308) | (328 725) |
| - write-offs against provision | (25 017) | (46 170) | (17 832) |
| - reclassification to another category of assets | | (12 120) | (5 217) |
| - exchange differences | (540) | (4 714) | (1 134) |
| Provisions for credits and loans granted and own receivables – closing balance | 1 619 770 | 1 516 853 | 1 333 942 |

Consumer loans and loans related to credit cards issued to individuals are accounted for at amortized cost including effective interest rate and net of specific provisions created.

Other loans and other receivables not intended for trading are accounted for at amortized cost using linear interest accrual and net of specific provisions created.

4.1.4. Financial assets held until maturity

Financial assets held until maturity by category of asset groups

| | in PLN thousand | | |
|---|-----------------|------------------|----------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| Debt securities | 66 292 | 305 707 | 327 834 |
| Total financial assets held until maturity | 66 292 | 305 707 | 327 834 |

Change in financial assets held until maturity

| | in PLN thousand | | |
|---|------------------|----------------|------------------|
| | 1st half of 2003 | 2002 | 1st half of 2002 |
| Opening balance | 305 707 | 717 618 | 717 618 |
| increases (in respect of) | 6 497 | 259 486 | 186 290 |
| - purchases | | 238 575 | 177 081 |
| - exchange differences | 6 497 | 9 374 | 9 209 |
| - revaluation | | 11 402 | |
| - other | | 135 | |
| decreases (in respect of): | (245 912) | (671 397) | (576 074) |
| - sales | (244 443) | (657 648) | (569 317) |
| - revaluation | | (6 807) | (5 396) |
| - other (discount, awards, interest) | (1 469) | (6 942) | (1 361) |
| Financial assets held until maturity – closing balance | 66 292 | 305 707 | 327 834 |

Debt securities held until maturity are valued at acquisition prices reduced by amortization costs and deductions in virtue of permanent loss of value. Interest and discount on such securities are settled in the profit and loss account according to the line method.

As at 31 December 2002 and 30 June 2002, debt securities held until maturity included in particular NBP bonds issued as a result of reduction in the mandatory reserve.

In accordance with Resolution no. 1/9/OK/2003 of the NBP Management Board dated 4 March 2003 concerning earlier purchase by NBP of the bonds intended for banks as a result of reduction of the mandatory reserve rates on 3 April 2003, the National Bank of Poland made an early purchase of the 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 asset groups:

| | in PLN thousand | | |
|--|------------------|------------------|------------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| Debt securities | 2 880 009 | 2 493 036 | 2 086 639 |
| Shares in non-subordinated entities | 30 773 | 23 127 | 61 971 |
| Participating units in investment funds | - | 4 000 | 3 873 |
| Total financial assets available for sale | 2 910 782 | 2 520 163 | 2 152 483 |

Change in financial assets available for sale:

| | in PLN thousand | | |
|--|------------------|------------------|------------------|
| | 1st half of 2003 | 2002 | 1st half of 2002 |
| Opening balance | 2 520 163 | 1 565 517 | 1 565 517 |
| - change in adopted accounting principles | 0 | 25 913 | 25 913 |
| Opening balance after adjustment to comparable data | 2 520 163 | 1 591 430 | 1 591 430 |
| increases (in respect of) | 5 477 097 | 21 489 900 | 10 511 203 |
| - purchases | 5 408 983 | 21 463 278 | 10 491 299 |
| - exchange differences | 25 391 | 5 419 | 4 749 |
| - revaluation | 2 839 | - | - |
| - settlement of discount, premium, interest | 35 779 | 21 193 | - |
| - other | 4 105 | 10 | 15 155 |
| decreases (in respect of): | (5 086 478) | (20 561 167) | (9 950 150) |
| - sales | (5 041 511) | (20 553 617) | (9 944 705) |
| - reductions resulting from permanent loss of value | (11 240) | (118) | (118) |
| - revaluation | - | (5 250) | (5 179) |
| - settlement of discount, premium, interest | (33 727) | (2 174) | (148) |
| - other (losses) | - | (8) | - |
| Financial assets available for sale – closing balance | 2 910 782 | 2 520 163 | 2 152 483 |

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 recognized in capital from revaluation.

Interests and stock in non-subordinated entities and participation units in investment funds are classified to financial assets available for sale. They are recognized in the balance sheet at cost net of provision for permanent diminution in value.

4.1.6. Risk management

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

Market risk management encompasses two key risk areas:

- liquidity risk
- pricing risk

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

Pricing risk is defined as a risk that a change in market interest rates, exchange rates, stock prices or any parameters affecting these rates and prices may have an adverse affect on Bank's results.

Liquidity risk management

Measurement and limitation of the liquidity risk

The fundamental measure for liquidity risk of the Bank is the report showing the gap in cash flows in particular tenors that illustrates potential exposure of the Bank for additional funding needs - Market Access Report („MAR”). 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 and is focused on the tenors up to 3 months. The report is prepared on a daily basis by the Treasury Products Control Department and includes total balance sheet and balance sheets in PLN, USD, EURO and CHF. Gap limits decided by ALCO and approved by the regional Market Risk Manager and the Head of Citigroup Treasury Risk are set for the following tenors: O/N, 2-7 days, 8-15 days, 1 month, 2 months, 3 months, 6 months, and 1 year. Liquidity gap over 1 year is not limited, but remains under observation. Statistical research related to

i.e. core deposits and structure of balance sheet, are taken into account when calculating liquidity gap. The report is prepared daily. Stress tests are also conducted daily, covering potential risks resulting from e.g. a crisis in banking system and limited market liquidity, problems within Citigroup. Additionally, in order to assess liquidity risk the Market Risk Department monitors the balance sheet structure of the Bank and its changes in time.

Pricing risk management

Scope of risk

Pricing risk management refers to all portfolios whose profitability is at risk due to adverse influence of changing market conditions such as interest rates, FX rates, prices of goods and parameters affecting these rates and prices. When managing pricing risk trading and non-trading portfolios were segregated. Trading portfolios include transactions in financial instruments (balance sheet and off-balance sheet), with objective to gain on change in market parameters in short period of time. Trading portfolios are market-to-market. The Treasury Department manages trading portfolios encompassing interest rate risk and the exchange risk. Trading activity related to portfolios including shares and share derivative instruments is conducted by Dom Maklerski Banku Handlowego SA („DM BH”). Non-trading portfolios include all other items of assets and liabilities not classified among trading portfolios and off-balance sheet transaction. The objective of such transactions is realization of the result in the whole contractual life of the transaction. The Treasury Department acquires interest rate risk items from non-trading portfolios of the Corporate and Investment Banking and Consumer Banking, leasing subsidiaries and DM BH. The mechanics of the interest rate risk transfer is based on an internal transfer pricing system. Result on non-trading portfolios is calculated on an accrual basis.

Measurement of pricing risk for non-trading portfolios

The Bank utilizes 2 methods of pricing risk measurement for non-trading portfolios:

- Interest Rate Exposure
- Value at Close

Risk limits are imposed on potential interest income changes as a result of interest rate shift by 100 base points for all the principal currencies used for denomination of the Bank's assets and liabilities, in 1-year, 5-year and 10-year horizons. Use of the limit is monitored daily. Also changes in value at close of open interest rate items are monitored daily. Threshold limits are set for those changes, that, if exceeded, are notified to higher management levels and cause the necessity to develop a further action plan by the management.

Pricing risk measurement for trading portfolios

The basic method for pricing risk management for trading portfolios in organizational units and throughout the whole Bank, is the sensitivity ratio of financial result changes to market risk factors (interest rate, exchange rates, share prices, credit risk margins of debt securities). Using the sensitivity ratios and setting the unit value of risk factor change (general change in interest rate levels and the credit risk margin by 1 base point, change in exchange rates and share prices by 1 per cent), risk position limits are set divided by currencies and the individual organisational units. For interest rate risk, additional limit values are applied for risk positions on the individual sections of interest rate and reference risk curves. Position risk limits are set at the end of each day and monitored daily.

At Bank level, the Value at Risk method is applied, with assumed position closure horizon of 1 day, and confidentiality level at 99%. VAR limits are set both for the exchange rate risk and the interest rate risk, both separately and jointly.

Stress tests are conducted daily, assuming risk factor changes greater than those assumed for Value-At-Risk measurement, and excluding historically traceable correlations between those factors. The Bank conducts risk stress tests for three basic scenarios:

- the most probable, based on historic risk factor changes,
- financial crisis, and
- major economic crisis.

The two monitoring methods are supplemented by the following limits:

- Management Action Trigger,
- Aggregate Contracts Limit,
- Max Tenor
- concentration limits for debt and equity securities.

Credit risk management

The Bank's credit policy committee established the main rules for credit risk management, recorded in the 'Credit Policy Guidelines'.

The rules are also included in the Credit Guidelines for Banks and Financial Institutions, and in numerous Credit Programs.

The key elements in credit risk management are as follows:

- while managers are responsible for risk management within the scope of their duties and competencies, the Bank has in place an additional control system, comprising:
 - independent risk management function
 - each credit decision has to be approved by at least two authorized persons. Larger credits, with inherent higher risk, require approvals by more competent and duly authorized persons on higher competency levels
 - independent Audit Department, also monitoring all risk management activities
- each borrower is assigned to an appropriate risk category and has its own rating based both on financial and quality criteria. Risk ratings allow the Bank to make certain that the total portfolio remains within the allowed risk limits
- each Bank client is assigned a control unit managing the relations with the client. The foregoing solutions regarding capital-group clients are combined for the purpose of management of the total group risk and ensuring that debt concentration limits are not exceeded
- persons authorised to approve credits are appointed by the Credit Policy Committee based on their experience and skills
- the Bank has to restrict concentrations in order to maintain a differentiated portfolio of risk assets, and in order to meet the capital requirements regarding each portfolio. Credit risk may include restrictions for clients, branches, or regions
- the Bank has established guidelines for periodic monitoring of client performance and identification of any adverse changes in client standing that have to be reported immediately to the higher or mid-level management. The guidelines also include opinions issued by expert restructuring units

In the first quarter of 2003, the SME Risk department was officially assigned to simultaneously report to the Risk Division and to the Head of SME Risk and Regional Heads. The Head of SME Risk now reports to the Country Risk Head. Additionally, Regional Risk Head functions were established in the SME Division, manned by appropriate individuals for the Warsaw, Poznań, Bydgoszcz, Katowice and Krakow Regions.

Operational risk management

Operational risk includes risk of losses resulting from operational mistakes and data processing errors arising due to mistakes made by the Bank employees and due to incorrect operations of IT systems as well as impact of external events. Particular aspects of operational risk are losses resulting from frauds that include swindle, forgery and dishonest conduct of the personnel and customers.

Detailed risk analysis including the analysis of operational risk is an inherent part of each product program, which includes, *inter alia*, the description of controls implemented in order to minimize the identified risk. Important control functions included in particular product programs and in operational procedures are reflected on checklists in individual operational units of the Bank. All organizational units of the Bank perform initial, current and subsequent control functions on a daily, weekly, monthly, quarterly, semi-annual or annual basis (depending on requirements). Performance of control functions is confirmed by appropriate documentation or by signatures on lists of control functions. Additionally, control functions related to the operational risk are fulfilled by the Bank's specialized control units.

A self assessment system is a substantial component of operational risk management process. The purpose of self-assessment is to regularly review the quality and adequacy of control processes, identification processes and risk monitoring processes, and to monitor the improvement plans implemented in high-risk areas. Quarterly self-assessment is supervised by a Committee comprised of members of the Bank's Management Board..

The Bank has implemented procedures defining principles and the way for settlement of operational losses that define details of authority to make decisions related to the approval of deductions of operational losses, their presentation in the accounting books and the mode of reporting of operational losses.

The Bank reduces the operational risk by applying control processes, contingency plans, insurance, and risk transfer.

4.1.7. Hedge Accounting

To date, the Bank has not applied hedge accounting.

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

As at 30 June 2003 and in the presented reporting periods of 2002, the Bank has not concluded any subscription option contracts or ordinary shares sale contracts.

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

Assets being used as a pledge against the Capital Group's own obligations or third party obligations as at 30 June 2003 and in other presented reporting periods of 2002 are shown in the explanatory notes to balance sheet no. 1, 2 and 6.

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

As at 30 June 2003, repurchase transactions not included in the balance sheet were as follows:

Sell-buy-back transactions by maturity

in PLN thousand

| Type of security | up to 3 months | 3 months – 1 year | 1-5 years | over 5 years | Total |
|------------------|----------------|-------------------|-----------|--------------|---------------|
| Corporate bonds | 46 380 | - | - | - | 46 380 |
| Total | 46 380 | - | - | - | 46 380 |

Buy-sell-back transactions by maturity

in thousands PLN

| Type of security | up to 3 months | 3 months – 1 year | 1-5 years | over 5 years | Total |
|----------------------|-----------------|-------------------|-----------|--------------|-----------------|
| State Treasury Bonds | (10 000) | - | - | - | (10 000) |
| Corporate bonds | (5 770) | - | - | - | (5 770) |
| Total | (15 770) | - | - | - | (15 770) |

As at 31 December 2002, repurchase transactions not included in the balance sheet were as follows:

Sell-buy-back transactions by maturity

in PLN thousand

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

As at 30 June 2002, repurchase transactions not included in the balance sheet were as follows:

Sell-buy-back transactions by maturity

in PLN thousand

| Type of security | up to 3 months | 3 months – 1 year | 1-5 years | over 5 years | Total |
|----------------------|----------------|-------------------|-----------|--------------|---------------|
| State Treasury Bonds | 5 000 | - | - | - | 5 000 |
| Corporate bonds | 43 140 | - | - | - | 43 140 |
| Commercial papers | 22 210 | - | - | - | 22 210 |
| Total | 70 350 | - | - | - | 70 350 |

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

| Type of security | up to 3 months | 3 months – 1 year | 1-5 years | over 5 years | Total |
|----------------------|-----------------|-------------------|-----------|--------------|-----------------|
| State Treasury Bonds | (20 000) | - | - | - | (20 000) |
| Corporate bonds | (32 960) | - | - | - | (32 960) |
| Commercial papers | - | - | - | - | - |
| Total | (52 960) | - | - | - | (52 960) |

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 realization date depends only on the time necessary for technical preparation of funds transfer, and other off-balance sheet financial obligations. Data related to financial commitments granted as at 30 June 2003, 31 December 2002 and 30 June 2002 is presented in Additional Explanatory Note no. 9.

The Bank's granted financial obligations are irrevocable.

9. Off-balance sheet contingent liabilities**9.1. Contingent liabilities granted**

Contingent liabilities granted broken down by individual off-balance sheet categories:

in PLN thousand

| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
|--|------------------|------------------|------------------|
| L/Cs including: | 137 613 | 199 130 | 231 905 |
| to subordinated entities including: | 3 286 | 12 265 | 4 100 |
| - consolidated | - | - | - |
| - accounted for under the equity method | 3 286 | 12 265 | 4 076 |
| Guarantees issued including: | 2 662 641 | 2 738 719 | 3 028 270 |
| to subordinated entities including: | 73 242 | 84 553 | 88 002 |
| - consolidated | 1 500 | 1 500 | 5 000 |
| - accounted for under the equity method | 51 746 | 10 953 | 1 128 |
| Credit facilities granted including: | 6 403 718 | 6 662 409 | 6 042 067 |
| to subordinated entities including: | 155 795 | 255 972 | 56 306 |
| - consolidated | - | - | - |
| - accounted for under the equity method | 154 652 | 254 730 | 54 795 |
| Placements given pending delivery | 40 106 | - | - |
| Other financial liabilities | 436 468 | - | - |
| Total financial liabilities granted | 9 680 546 | 9 600 258 | 9 302 242 |

L/Cs are divided as follows:

| | in PLN thousand | | |
|---|------------------------|-------------------------|---------------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| Import L/Cs issued | 117 036 | 187 117 | 206 998 |
| to subordinated entities including: | 3 286 | 12 265 | 4 100 |
| - consolidated | - | - | - |
| - accounted for under the equity method | 3 286 | 12 265 | 4 076 |
| Confirmed export L/Cs | 20 577 | 12 013 | 24 907 |
| Total L/Cs | 137 613 | 199 130 | 231 905 |

Guarantees issued include loan repayment guarantees, other repayment guarantees, advance return guarantees, performance bonds, tender guarantees and bills of exchange.

The Bank makes specific provisions for off-balance sheet obligations in compliance with 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 at 30 June 2003, the provisions created for off-balance obligations amounted to PLN 138 041 thousand, including provisions for off-balance sheet commitments granted to subordinated entities to the amount of PLN 25 940 thousand (31 December 2002: PLN 145 307 thousand, in this subordinated entities: PLN 21 405 thousand; 30 June 2002: PLN 127 270 thousand, in this subordinated entities: PLN 22 477 thousand).

In the general amount of reserves established for commitments on behalf of subordinated entities, PLN 21 080 thousand was related to units included in equity method accounting (31 December 2002: PLN 9 491 thousand), while the remaining PLN 4 860 thousand was related to units excluded from consolidation and equity method accounting (31 December 2002: PLN 11 913 thousand). As at 30 June 2002, the amount of provisions created against off-balance sheet commitments granted to subordinated undertakings was related to entities excluded from consolidation and equity method accounting.

9.2. Contingent liabilities received

As at 30 June 2003, total contingent liabilities received amounted to PLN 3 520 140 thousand including PLN 3 120 140 thousand by virtue of guarantee contingencies (31 December 2002: PLN 2 757 436 thousand, including PLN 2 213 436 thousand of guarantee contingencies; 30 June 2002: PLN 2 206 888 thousand in guarantee contingencies). As at 30 June 2003, the Bank reported contingent liabilities received from subordinated entities amounting to PLN 12 813 thousand (31 December 2002: PLN 10 855 thousand, 30 June 2002: the Bank did not report any contingent liabilities received from subordinated entities).

9.3. Issues underwritten by the Bank

As at 30 June 2003 and 31 December 2002 and 30 June 2002, liabilities of the Bank's Capital Group by virtue of underwriting of securities to other issuers include contracts concluded by the parent entity ("Bank").

The underwriting agreements entered into by the Bank in force on 30 June 2003, are presented in the table below.

| Name of Issuer – location | Type of agreement | Term of agreement | Bank's remuneration | Type of security | Negotiability of security | Amount underwritten by the Bank (in PLN thousand) | Commitments as on 30.06.2003 (in PLN thousand) |
|---|--|-----------------------|--|------------------|-------------------------------------|---|--|
| Can Pack SA - Krakow | Bond acquisition | 10.07.2002-10.07.2003 | discount or f/x gains, dealer's commission | Bonds | secondary market, private placement | 30 000 | 8 190 |
| Polski Koncern Naftowy Orlen SA – Plock | bond acquisition | 06.07.2001-21.11.2003 | discount or f/x gains, dealer's commission | Bonds | secondary market, private placement | 50 000 | 8 540 |
| Urtica Finanse SA – Wrocław | Bond issue within the Securitization Program | 26.10.2001-21.01.2004 | Interest coupon, commission | Bonds | secondary market, private placement | 10 000 | 1 800 |
| Total | | | | | | | 18 530 |

The underwriting agreements entered into by the Bank in force on 31 December 2002 are presented in the table below.

| Name of Issuer - location | Type of agreement | Term of agreement | Bank's remuneration | Type of security | Negotiability of security | Amount underwritten by the Bank (in PLN thousand) | Commitments as on 31.12.2002 (in PLN thousand) |
|---|--|-----------------------|--|------------------|-------------------------------------|---|--|
| Can Pack SA - Kraków | bond acquisition | 10.07.2002-10.07.2003 | discount or f/x gains, dealer's commission | bonds | secondary market, private placement | 30 000 | 7 000 |
| Polski Koncern Naftowy Orlen SA – Płock | bond acquisition | 06.07.2001-21.11.2003 | discount or f/x gains, dealer's commission | bonds | secondary market, private placement | 50 000 | 30 310 |
| Urtica Finanse SA - Wrocław | Bond issue within the Securitization Program | 25.08.2002-24.08.2003 | interest coupon, commission | bonds | secondary market, private placement | 10 000 | 3 800 |
| City of Gdańsk | Agency | 31.10.1996-26.06.2003 | Interest coupon | Municipal bonds | secondary market, private placement | 33 100 | - |
| Total | | | | | | | 41 110 |

The underwriting agreements entered into by the Bank in force on 30 June 2002 are presented in the table below:

| Name of Issuer - location | Type of agreement | Term of agreement | Bank's remuneration | Type of security | Negotiability of security | Amount underwritten by the Bank (in PLN thousand) | Commitments as on 30.06.2002 (in PLN thousand) |
|---|------------------------------|-----------------------|--|-------------------|-------------------------------------|---|--|
| Invest S.A. – Warszawa | readiness to take over bills | 18.10.1999-18.09.2002 | discount or f/x gains, dealer's commission | commercial papers | secondary market, private placement | 27 200 | - |
| Telefonika - Kable – Myślenice | readiness to take over bills | 17.08.2000-17.08.2002 | discount or f/x gains, dealer's commission | commercial papers | secondary market, private placement | 20 000 | 15 150 |
| Huta Aluminium „Konin” S.A. – Konin | readiness to take over bills | 31.08.2000-31.08.2002 | discount or f/x gains, dealer's commission | commercial papers | secondary market, private placement | 30 000 | 22 210 |
| Polski Koncern Naftowy Orlen SA - Płock | bond purchase | 06.07.2001-06.07.2006 | discount or f/x gains, dealer's commission | bonds | secondary market, private placement | 50.000 | 44 170 |
| Pol Am Pack S.A. – Brzesko | guarantee bill takeover | 28.09.1999-31.07.2002 | discount or f/x gains, dealer's commission | commercial papers | secondary market, private placement | 30 000 | 26 300 |
| Techmex S.A. – Bielsko Biała | bond purchase | 29.08.2001-31.07.2002 | discount or f/x gains, dealer's commission | bonds | secondary market, private placement | 35 000 | - |
| Urtica Finanse S.A. - Wrocław | bond issue | 26.10.2001-25.10.2002 | interest coupon, commission | coupon bond | private placement | 10 000 | 1 400 |
| Miasto Gdańsk | Agency | 31.10.1996-26.06.2003 | interest coupon | municipal bonds | secondary market, private placement | 33 100 | - |
| Total | | | | | | | 109 230 |

10. Dividend payment

Pursuant to Resolution no. 5 of the Bank's General Meeting dated 25 June 2003, the 2002 profit was distributed and the dividend day and payment date have been specified. The amount of PLN 241 720 260 from the 2002 net profit was allocated for dividend payment to shareholders and bond holders holding 1st issue convertible bonds, which means that the dividend falling to a single share and a single bond is PLN 1.85. The definition of right to dividend is set at 25 July 2003. The dividend was paid on 1 September 2003.

11. Commitments in virtue of dividend approved

As at 30 June 2003, the Bank had a liability under approved dividend from the 2002 profit distribution, to be paid on 1 September 2003.

The Bank does not have any liabilities under approved dividend from profit distribution for the preceding years.

12. Amounts due to the State budget or commune authorities

As at 30 June 2003 in the presented 2002 reporting periods, the Bank and the Bank's Capital Group units had no amounts due to the State budget or local authorities, arising from the acquisition of ownership of buildings and structures.

13. Failure to carry on activity

In the first half of 2003, entities constituting the Capital Group did not terminate any activity and no termination of any activity is planned in the foreseeable future, except for the subordinated entity Budowa Centrum Plac Teatralny Sp. z o.o. which was liquidated in that period, and the subordinated units Polskie Towarzystwo Emerytalne DIAMENT S.A in liquidation as of 23 June 2003 and PPH Spomasz Sp. z o.o. in liquidation as of 3 November 2000.

14. Cost of fixed assets under construction, fixed assets for corporate needs

In the first half of 2003 and in the presented 2002 reporting periods, units of the Capital Group did not incur any expense related to fixed assets under construction and fixed assets for corporate needs.

15. Capital expenditure borne and planned

Expenditures borne by the Capital Group on fixed assets under construction and intangible assets as on 30 June 2003 amounted to PLN 10 394 thousand (31 December 2002: PLN 15 598 thousand; 30 June 2002: PLN 38 870 thousand). Investments planned for the next 12 months amount to PLN 51 229 thousand and are mainly related modernization and furnishing of buildings.

16. Transactions with related entities

16.1. Transactions with shareholders of the Bank owning at least 10% votes at the General Meeting of Shareholders

The only shareholder of the Bank with an 10% voting power, directly or indirectly through subordinated entities, at the General Meeting of Shareholders, is Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., owning 89.33% votes at the General Meeting of Shareholders of the Bank as on 30 June 2003. The number of shares held by COIC totaled 116 717 574, i.e. 89.33% of the Bank's share capital. The number of votes under the shares held by COIC was 116 717 574, i.e. 89.33% of the total number of votes at the General Meeting of Shareholders.

In the first half of 2003, the ownership structure of a large number of asset parcels changed. By way of Decision dated 16 June 2003, the Court registered an increase in the Bank's share capital from PLN 500 902 400 to 522 638 400, as a result of conversion of subsequent 1st issue convertible bonds into 5 434 000 Bank shares with nominal value of PLN 4 each, to the total value of PLN 21 736 000. As a result of the increase, COIC's share in the Bank's share capital decreased from 93.2% to 89.33% of the total share in the Bank's share capital.

COIC and other entities comprising Citigroup Inc. enters into numerous transactions with the Bank.

As at 30 June 2003, the balance of accounts receivable and payable (without interest) and off-balance sheet commitments towards Citigroup Inc. entities is as follows:

| | in PLN thousand | | |
|--|-----------------|------------------|--------------|
| | 30 June 2003 | 31 December 2002 | 30 June 2002 |
| Receivables including: | 1 741 466 | 2 185 108 | 3 370 844 |
| Placements | 1 724 265 | 2 183 036 | 2 934 559 |
| Liabilities including: | 817 396 | 509 628 | 951 656 |
| Deposits | 598 947 | 292 046 | 891 029 |
| Loans received | 218 449 | 217 582 | 60 627 |
| Off-balance guarantee liabilities issued | 54 846 | 50 308 | 35 011 |
| Off-balance guarantee liabilities received | 688 796 | 468 933 | 755 256 |
| Derivative transactions | 70 971 947 | 64 062 560 | 60 585 124 |

In 2002, COIC increased its stake in Bank's share capital by 17 648 500 shares as a result of conversion of Special Participation Convertible Bonds into shares.

16.2. Transactions with subordinated entities

16.2.1. Transactions with a fully consolidated subordinated entity

As at 30 June 2003, Bank's liabilities to the subsidiary undertaking Dom Maklerski Banku Handlowego SA amounted to PLN 98 934 thousand (31 December 2002: PLN 95 484 thousand; 30 June 2002: PLN 105 562 thousand). As a result of joint operations, the Bank acquired interest gains amounting to PLN 6 thousand the first half of 2003 (31 December 2002: PLN 14 thousand; 30 June 2002: the Bank had not acquired interest income), interest costs on behalf of DMBH SA in the first half of 2003 amounted to PLN 2 560 thousand (31 December 2002: PLN 8 861 thousand; 30 June 2002: PLN 5 447 thousand). Joint operations and expenses mentioned above were duly excluded in consolidated balance sheets, consolidated profit and loss accounts and consolidated cash flow statements.

16.2.2. Transactions with subordinated entities accounted for under the equity method

Amounts due (book value) from and revenues received from subordinated entities accounted for under the equity method as at 30 June 2003 are as follows:

| | in PLN thousand | | | |
|--|-----------------|---------------|---------------|----------------|
| | Subsidiary | Joint venture | Associated | Total |
| Net receivables: | | | | |
| <i>from financial institutions – in respect of</i> | | | | |
| - current accounts | 644 626 | 2 258 | - | 646 884 |
| - loans granted | 141 178 | - | - | 141 178 |
| -subordinated loans* | - | - | - | - |
| - bonds convertible into shares | 66 292 | - | - | 66 292 |
| <i>from other entities – in respect of</i> | | | | |
| - loans granted | - | - | 12 004 | 12 004 |
| Total receivables | 852 096 | 2 258 | 12 004 | 866 358 |
| Interest and commission revenues | 16 033 | 147 | 601 | 16 781 |

* The amount of subordinated loans refers to loans granted to the following subsidiary entities: Handlowy Investments S.A. and Handlowy Investments II S.a.r.l. assigned to the financing of equity investments made by these entities. Nominal value of loans granted as on 30 June 2003 amounted to PLN 112 860 thousand while the amount of reserves established for these loans amounted to PLN 112 860 thousand. Interest from subordinated loans is recorded in the unit profit and loss account of the Bank at the day of payment. In the first half of 2003, interest amounted to PLN 5 441 thousand. Interest on these loans was subject to consolidation exemptions in the consolidated profit and loss account.

As at 30 June 2003, the amount of reserves created for amounts due from subordinated entities accounted for under the equity method concerned the reserves created from subordinated loans

Bank's liabilities (without interest) and costs borne toward subordinated entities accounted for under the equity method as at 30 June 2003 are as follows:

| | in PLN thousand | | | |
|--|-----------------|---------------|--------------|----------------|
| | Subsidiary | Joint venture | Associated | Total |
| Liabilities: | | | | |
| <i>to financial institutions – in respect of</i> | | | | |
| - current accounts | 115 274 | 1 048 | 41 | 116 363 |
| - deposits taken | 80 211 | 22 | - | 80 233 |
| <i>to other entities in respect of</i> | | | | |
| - current accounts | - | - | 321 | 321 |
| - deposits taken | - | - | 5 312 | 5 312 |
| Total liabilities | 195 485 | 1 070 | 5 674 | 202 229 |
| Interest and commissions expense | 4 880 | 9 | 47 | 4 936 |

Bank receivables at their book value (without interest) and revenues acquired from subordinated entities accounted for under the equity method as at 31 December 2002 were as follows:

| | in PLN thousand | | | |
|--|--------------------|---------------|---------------|------------------|
| | Subsidiary | Joint venture | Associated | Total |
| Net receivables: | | | | |
| <i>from financial institutions – 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>from other entities – in respect of</i> | | | | |
| - current accounts | - | - | 1 | 1 |
| - loans granted | - | - | 16 220 | 16 220 |
| Total receivables | 992 090 | 9 | 16 221 | 1 008 320 |
| Interest and commission revenues | 33 096 | 250 | 3 015 | 36 361 |

* The amount of subordinated loans refers to loans granted to the following subsidiary entities: Handlowy Investments S.A., Handlowy Investments II S.a.r.l., assigned to the financing of equity investments made by these entities. Nominal value of loans granted as at 31 December 2002 amounted to PLN 133 471 thousand PLN, the amount of reserves established for these loans amounted to PLN 33 899 thousand. Interest on these loans is recognized in the unit profit and loss account on payment. In 2002, the interest totaled PLN 5 418 thousand. The interest was subject to consolidation exemptions in the consolidated profit and loss account.

As at 31 December 2002, the total amount of reserves established for receivables from subordinated units accounted for under the equity method totaled PLN 35 880 thousand.

Bank's liabilities (without interest) and costs borne toward subordinated entities accounted for under the equity method as at 31 December 2002 are as follows:

| | in PLN thousand | | | |
|--|--------------------|---------------|--------------|----------------|
| | Subsidiary | Joint venture | Associated | Total |
| Liabilities: | | | | |
| <i>to financial institutions – in respect of</i> | | | | |
| - current accounts | 165 437 | 9 756 | 21 | 175 214 |
| - deposits taken | 97 619 | 21 | - | 97 640 |
| <i>to other entities- in respect of</i> | | | | |
| - current accounts | - | - | 3 144 | 3 144 |
| - deposits taken | - | - | 4 016 | 4 016 |
| Total liabilities | 263 056 | 9 777 | 7 181 | 280 014 |
| Interest and commissions expense | 9 491 | 167 | 189 | 9 848 |

Bank receivables at their book value (without interest) and revenues acquired from subordinated entities accounted for under the equity method as at 30 June 2002 were as follows:

| | in PLN thousand | | | |
|--|------------------|---------------|---------------|------------------|
| | Subsidiary | Joint venture | Associated | Total |
| Net receivables: | | | | |
| <i>from financial institutions – in respect of</i> | | | | |
| - current accounts | 20 205 | - | - | 20 205 |
| - loans granted | 814 776 | - | - | 814 776 |
| -subordinated loans* | 143 260 | - | - | 143 260 |
| - bonds convertible into shares | 59 630 | - | - | 59 630 |
| <i>from other entities – in respect of</i> | | | | |
| - loans granted | - | - | 17 580 | 17 580 |
| Total receivables | 1 037 871 | - | 17 580 | 1 055 451 |
| Interest and commission revenues | 19 340 | 122 | 1 | 19 463 |

* The amount of subordinated loans refers to loans granted to the following subsidiary entities: Handlowy Investments S.A., Handlowy Investments II S.a.r.l., and Handlowy Inwestycje Sp. z o.o. assigned to the financing of equity investments made by these entities. Nominal value of loans granted as at 30 June 2002 amounted to PLN 163 771 thousand, the amount of reserves established for these loans amounted to PLN 20 511 thousand. Interest on these loans is recognized in the unit profit and loss account on payment.

Bank's liabilities (without interest) and costs borne toward subordinated entities accounted for under the equity method as at 30 June 2002 are as follows:

| | in PLN thousand | | | |
|--|-----------------|---------------|--------------|----------------|
| | Subsidiary | Joint venture | Associated | Total |
| Liabilities: | | | | |
| <i>to financial institutions – in respect of</i> | | | | |
| - current accounts | 86 220 | 4 041 | 30 | 90 291 |
| - deposits taken | 72 323 | 23 | - | 72 346 |
| <i>to other entities in respect of</i> | | | | |
| - current accounts | 6 727 | - | 49 | 6 776 |
| - deposits taken | 8 000 | - | 4 066 | 12 066 |
| Total liabilities | 173 270 | 4 064 | 4 145 | 181 479 |
| Interest and commissions expense | 6 203 | 133 | 0 | 6 336 |

16.2.3. Transactions with subordinated entities excluded from consolidation and equity method accounting

Bank's receivables (book value) and revenues received from subordinated entities excluded from consolidation and equity method accounting as at 30 June 2003 are as follows:

| | in PLN thousand | | | |
|--|-----------------|---------------|--------------|--------------|
| | Subsidiary | Joint venture | Associated | Total |
| Net receivables: | | | | |
| <i>from other entities – in respect of</i> | | | | |
| - current accounts | - | - | 4 580 | 4 580 |
| - loans granted | - | - | 5 267 | 5 267 |
| Total receivables | - | - | 9 848 | 9 848 |
| Interest and commission revenues | - | - | 487 | 487 |

As at 30 June 2003, the amount of provisions created against receivables from subordinated entities excluded from consolidation and equity method accounting amounted to PLN 41 742 thousand.

Bank's liabilities (without interest) and costs borne on behalf of subordinated entities excluded from consolidation and equity method accounting as at 30 June 2003 are as follows:

| | in PLN thousand | | | |
|---|-----------------|---------------|---------------|---------------|
| | Subsidiary | Joint venture | Associated | Total |
| Liabilities: | | | | |
| <i>to other entities in respect of</i> | | | | |
| - current accounts | - | - | 873 | 873 |
| - deposits taken | - | - | 13 233 | 13 233 |
| Total liabilities | - | - | 14 106 | 14 106 |
| Interest and commissions expense | - | - | 1 192 | 1 192 |

Bank's receivables (book value) and revenues received from subordinated entities excluded from consolidation and equity method accounting as at 31 December 2002 are as follows:

| | in PLN thousand | | | |
|--|-----------------|---------------|--------------|---------------|
| | Subsidiary | Joint venture | Associated | Total |
| Net receivables: | | | | |
| <i>from other entities – in respect of</i> | | | | |
| - current accounts | 125 | - | 5 523 | 5 648 |
| - loans granted | 2 130 | - | 3 250 | 5 380 |
| Total receivables | 2 255 | - | 8 773 | 11 028 |
| Interest and commission revenues | 291 | - | 3 964 | 4 256 |

As at 31 December 2002, the amount of provisions created against receivables from subordinated entities excluded from consolidation and equity method accounting amounted to PLN 41 257 thousand.

Bank's liabilities (without interest) and costs borne on behalf of subordinated entities excluded from consolidation and equity method accounting as at 31 December 2002 are as follows:

| | in PLN thousand | | | |
|---|-----------------|---------------|---------------|---------------|
| | Subsidiary | Joint venture | Associated | Total |
| Liabilities: | | | | |
| <i>to other entities in respect of</i> | | | | |
| - current accounts | - | - | 4 235 | 4 235 |
| - deposits taken | - | - | 15 238 | 15 238 |
| Total liabilities | - | - | 19 473 | 19 473 |
| Interest and commissions expense | 1 247 | - | 2 651 | 3 898 |

The Bank's receivables at their book value (without interest) and revenues acquired from subordinated entities excluded from consolidation and equity method accounting as on 30 June 2002 are as follows:

| | in PLN thousand | | | |
|--|-----------------|---------------|---------------|---------------|
| | Subsidiary | Joint venture | Associated | Total |
| Net receivables: | | | | |
| <i>from financial institutions – in respect of</i> | | | | |
| - current accounts | 70 | - | 6 963 | 7 033 |
| - loans granted | 2 755 | - | 26 080 | 28 835 |
| Total receivables | 2 825 | - | 33 043 | 35 868 |
| Interest and commission revenues | 137 | - | 5 417 | 5 554 |

As at 30 June 2002, provisions created against receivables from subordinated undertakings excluded from consolidation or equity method accounting amounted to PLN 37 441 thousand.

The Bank's liabilities (without interest) and costs borne on behalf of subordinated entities excluded from consolidation and equity method accounting as at 30 June 2002 are as follows:

| | in PLN thousand | | | |
|--|-----------------|---------------|---------------|---------------|
| | Subsidiary | Joint venture | Associated | Total |
| Liabilities: | | | | |
| <i>to financial institutions – in respect of</i> | | | | |
| - current accounts | 6 727 | - | - | 6 727 |
| - deposits taken | 8 000 | - | - | 8 000 |
| <i>other entities in respect of</i> | | | | |
| - current accounts | 7 155 | - | 7 929 | 15 084 |
| - deposits taken | - | - | 37 187 | 37 187 |
| Total liabilities | 21 882 | - | 45 117 | 66 998 |
| Interest and commissions expense | 709 | - | 1 967 | 2 676 |

16.2.4. Transactions with subordinated entities.

In the first half of 2003, the following transactions with subordinated entities took place:

- Bank – parent entity and its subsidiary Handlowy Inwestycje II Sp. z o.o. sold the whole of its parcel of shares in the associated entity ZO Bytom S.A. The sold share parcel constituted 27.64% of the share in ZO Bytom S.A.'s share capital and accounted for 27.64% of the total number of votes at the company's General Shareholders' Meeting;
- sale of the whole parcel of shares in the subsidiary 'Bytom Collection' Sp. z o.o. located in Radzionków, representing 100.00% of the equity share and the same percentage of votes at the unit's GM;
- sale of all shares in the subsidiary Handlowy Leasing S.A. located in Warsaw within the Capital Group to the subsidiary Handlowy Inwestycje Sp. z o.o.;
- equity takeover by the Bank after liquidation of the subsidiary Budowa Centrum Plac Teatralny Sp. z o.o. in liquidation where the Bank had a 61.25% equity share and the same percentage of votes at the General Meeting of the company's Shareholders.

In 2002, the following transactions with subordinated undertakings took place:

- purchase of additional shares in Bank Rozwoju Cukrownictwa S.A. As a result of this transaction, the Bank has a 100% equity share and the same percentage of votes at the GM of that unit. The sole purpose of that purchase was to re-sell the unit (liquidation);
- sale of all shares in Cuprum Bank S.A., representing 55.26 % of the unit's equity capital and 50.20% of GM votes;
- sale of the whole parcel of shares in Tower Service Sp. z o.o., where the Bank had a 50.30 % equity share and the same percentage of GM votes;
- sale of all shares in Bank Handlowy International S.A. located in Luxembourg, representing 73.12% of the unit's equity capital and the same percentage of GM votes;
- purchase of shares in 'Bytom Collection' Sp. z o.o. located in Radzionków by way of debt restructuring. The transaction gave the Bank a 100% equity share and the same percentage of votes at the unit's General Shareholder's Meeting. The purpose of the purchase is to re-sell or liquidate the unit;
- sale of all shares in Obsługa Funduszy Inwestycyjnych Sp. z o.o. representing 50.00 % of the company's equity share and votes at the General Shareholders' Meeting,
- sale of the whole parcel of shares in Polska Giełda Finansowa S.A. where the Bank had a 22.90 % equity share and the same percentage of GM votes;
- sale of the whole parcel of shares in the associated entity Hortex Holding S.A. located in Płońsk where the Bank had a 31.09 % equity share and the same percentage of GM votes.

The transactions of 2002 mentioned above, except for sale of Hortex Holding S.A., took place in the first half of 2002.

16.3. The Bank did not conclude any major transactions with associated undertakings, i.e. assignment of rights and obligations, with:

- individuals managing and supervising the Bank,
- spouses, siblings or ascendants and descendants of individuals managing or supervising the Bank, or other relatives of individuals managing or supervising the Bank.

16.4. Percentage share of transactions with associated entities in the total of individual transaction categories concluded by the Bank

As at 30 June 2003, the percentage share of transactions with associated undertakings was as follows:

| in PLN thousand | | | | |
|--|--|---|--|------------------|
| Transaction category | Transactions with Citigroup Inc. units | Transactions with the Capital Group units | Total transactions with associated units | Percentage share |
| Receivables | 1 741 466 | 809 914 | 2 551 380 | 13.52 |
| Debt securities | - | 66 292 | 66 292 | 1.44 |
| Liabilities | 817 396 | 315 269 | 1 132 665 | 5.59 |
| Off-balance sheet obligations granted | 54 846 | 232 323 | 287 169 | 2.97 |
| Off-balance sheet obligations received | 688 796 | 12 813 | 701 609 | 19.93 |
| Derivative transactions | 70 971 947 | - | 70 971 947 | 55.60 |

As at 31 December 2002, the percentage share of transactions with associated undertakings was as follows:

| Transaction category | in PLN thousand | | | |
|--|--|---|--|------------------|
| | Transactions with Citigroup Inc. units | Transactions with the Capital Group units | Total transactions with associated units | Percentage share |
| Receivables | 2 185 108 | 959 553 | 3 144 661 | 107.05 |
| Debt securities | - | 59 795 | 59 795 | 1.37 |
| Liabilities | 509 628 | 394 972 | 904 600 | 4.51 |
| Off-balance sheet obligations granted | 50 308 | 352 790 | 403 098 | 4.20 |
| Off-balance sheet obligations received | 468 933 | 10 855 | 479 788 | 17.40 |
| Derivative transactions | 64 062 560 | - | 64 062 560 | 54.86 |

As at 30 June 2002, the percentage share of transactions with associated undertakings was as follows:

| Transaction category | in PLN thousand | | | |
|--|--|---|--|------------------|
| | Transactions with Citigroup Inc. units | Transactions with the Capital Group units | Total transactions with associated units | Percentage share |
| Receivables | 3 370 844 | 1 034 620 | 4 405 464 | 21.09 |
| Debt securities | - | 59 630 | 59 630 | 1.94 |
| Liabilities | 951 656 | 315 269 | 1 266 925 | 6.03 |
| Off-balance sheet obligations granted | 35 011 | 198 408 | 233 419 | 2.50 |
| Off-balance sheet obligations received | 755 256 | - | 755 256 | 34.22 |
| Derivative transactions | 60 585 124 | - | 60 585 124 | 51.46 |

The Bank's credit exposure toward associated entities concerned credits and loans granted to the Bank's Capital Group Units.

The terms of financing by the Bank of the Capital Group units are the same as for external clients.

17. Joint ventures excluded from full consolidation and equity method accounting

In the first half of 2003 and in the presented 2002 reporting periods, the Bank did not participate in any joint ventures with related entities.

18. Revenues and expenses related to brokerage activity

The Bank does not conduct brokerage activity within its organizational structure. Brokerage activity is carried out via Bank's subsidiary Dom Maklerski Banku Handlowego SA, where the Bank is the sole shareholder. The financial statements of Dom Maklerski Banku Handlowego SA as at 30 June 2003 and in the presented 2002 reporting periods, is fully consolidated in the Bank's consolidated financial statements.

19. Bad debts write-offs

In the first half of 2003, bad debts written off against created provisions amounted to PLN 25 020 thousand (in 2002: PLN 46 170 thousand; in the first half of 2002: PLN 17 832 thousand).

20. Employee payments provisions

As at 30 June 2003, provisions for future liabilities toward employees amounted to PLN 67 399 thousand (31 December 2002: PLN 87 412 thousand, 30 June 2002: PLN 59 438 thousand) including:

- the provision for remuneration and charges to remuneration amounting to PLN 30 382 thousand (31 December 2002: PLN 33 080 thousand, 30 June 2002: PLN 26 011 thousand).
- the provision for personnel restructuring expenses created in connection with Bank's merger with Citibank (Poland) SA amounting to PLN 12 017 thousand (31 December 2002: PLN 29 332 thousand; 30 June 2002: PLN 8 427 thousand).
- the provision for employees' retirement and jubilee payments amounting to PLN 25 000 thousand (31 December 2002: PLN 25 000 thousand; 30 June 2002: PLN 25 000 thousand).

21. Financing of Employee Pension Funds

The Bank established for its employees an Employee Retirement Program ('Program'), aimed at accumulation and multiplication through investments by Polski Pracowniczy Fundusz Emerytalny DIAMENT ('PPTE') financial assets coming from premiums paid within the Program to individual accounts of its participants in order to assure retirement or disability pensions. Funds are invested by the Polish Employee Pension Fund DIAMENT (Fund). For employees who joined the Program, the Bank pays premiums amounting to 3% of each participant's remuneration and a retirement allowance supplementing the base premium, up to 7% or 8% of the remuneration.

Each employee participating in the Program can also pay additional premium from own funds. PPFE funds are managed by Polskie Pracownicze Towarzystwo Emerytalne DIAMENT SA ('PPTE'). Premiums paid to the PPFE are entirely invested in the units of the Specialist Open Investment Fund Kapitał Handlowy Senior, managed by Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. ('TFI BH').

Due to the failure to implement the three-year strategy adopted for PPTE and because its implementation in the future is highly improbable, the Bank's Management Board, in protecting the interests of the Bank's employees participating in the PPFE Program, adopted a decision on change in the form of the employee pension scheme by way of transfer from PPFE of the assets contributed for participants – Bank employees, to the Employee Retirement Scheme, under the agreement with CitiSenior SFIO ('Citisenior PPE') managed by TFI BH.

22. Custody services for securities

The Bank provides custody services for securities via its Securities Custody Department. Securities Custody Department operates in line with the Polish law as well as international standards for custody services. This is why it is able to meet requirements of the biggest and most demanding institutional clients. The Department is an integral part of the global Citigroup structure operating under the name *Global Transaction Services*, which renders transactional banking services, including securities trading.

The Bank is one of Poland's leading depositories. It offers its services both to foreign institutional investors and to domestic financial entities, especially to investment and pension funds.

The Custody services provided by the Bank pursuant to the permit by the Securities and Exchange Commission include operating securities accounts, settlement of transactions in securities, handling of dividend and interest payments, valuation of asset portfolios, individual reports and arrangements for customer representation during general meetings of shareholders of publicly traded companies. Moreover, the Department also provides maintenance of a foreign securities register including intermediation in the settlement of transactions concluded by domestic customers and depositing securities in foreign markets.

The Bank makes active efforts aimed at the improvement of legal regulations related to the securities market participating in activities pursued by the Depositories Board at the Polish Bank Association through its representatives. Strong position of the Bank justifies presentation of its own proposals concerning changes in

legal regulations or the creation of practices approximating the market with international standards. Utilizing its resources, expertise and experience, Bank's employees co-operate with the Securities and Exchange Commission, the National Securities Deposit, the Warsaw Stock Exchange and the Insurance and Pension Funds Supervision Commission for the implementation of new system solutions.

In the first quarter, the Bank continued the implementation of changes in servicing of foreign financial agents involving simplification of the existing structure of securities accounts for the recording of transactions executed by foreign brokers on behalf of international investors. The new transaction settlement process will be fully compatible with standards applied in developed capital markets.

The ranking is prepared on the basis of meetings and questionnaires sent to global custodian banks, brokerage and insurance companies, and other financial institutions. Ratings are awarded on the basis of achievements in individual categories, such as: settlement of transactions in securities, customer representation during general meetings of shareholders of publicly traded companies, information about issuers' activities and operations executed with regard to securities, technologies and operating systems, communications concerning changes in legal regulations in force in the market. Customer service is subject to particularly strict assessment.

Number of securities accounts

As at 30 June 2003, the Bank maintained 4 663 securities accounts.

Depository for Pension Funds

In the same period, the Bank acted as depository for six Open Pension Funds:

- Commercial Union OFE BPH CU WBK
- AIG OFE
- SAMPO OFE
- OFE Pocztylion
- Pekao OFE
- Generali OFE

and for the Employee Pension Fund of Telekomunikacja Polska S.A.

Depository for investment funds

The Bank acted as depository for 19 investment funds managed by the following Investment Fund Associations:

- 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 securitization

As at 30 June 2003 and in the presented reporting periods of 2002, units included in the Capital Group did not have securitised receivables.

24. Employment

Average employment in Bank's Capital Group (comprising the Bank and subordinated entities) in the first half of 2003 amounted to 4 901 FTE including 42 blue-collar positions (2002: 5 469 FTEs including 371 blue-collar positions, 1st half of 2002: 5 158 FTEs including 49 blue-collar positions).

25. Remuneration and awards (in cash and in kind) including bonuses from retained profit paid or due to managers and supervisors

Remuneration paid to persons managing the Bank in the first half of 2003 (members of the Management Board and Managing Directors) amounted to PLN 9 158 thousand (in 2002: PLN 8 598 thousand; 1st half of 2002: PLN 7 414 thousand).

Total remuneration paid to the members of the Management Board in the first half of 2003 included base PLN 1 952 thousand in base salaries, PLN 585 thousand in awards and bonuses, PLN 174 thousand in paid insurance premiums and PLN 6 228 thousand in severance pays, compensations and manager options.

In the first half of 2003, persons managing the Bank did not receive any remunerations by virtue of the functions performed in the management bodies of subordinated, joint venture and associated entities (in 2002: PLN 11 thousand, first half of 2002: PLN 93 thousand).

Remunerations paid to persons supervising the Bank in the first half of 2003 totaled PLN 190 thousand (in 2002: PLN 314 thousand, 1st half of 2002: PLN 254 thousand). Persons supervising the Bank did not receive remuneration for functions performed in the management bodies of the Bank's subordinated, joint venture and associated entities in those periods.

Remuneration paid to persons managing subordinated entities in the first half of 2003 amounted to PLN 4 928 thousand (2002: PLN 12 020 thousand; 1st half of 2002: PLN 9 063 thousand).

Remuneration paid to persons supervising subordinated entities in the first half of 2003 amounted to PLN 802 thousand (2002: PLN 2 289 thousand; 1st half of 2002: PLN 1 851 thousand).

26. Advances, loans, credits and guarantees granted to employees, managers and supervisors

Exposure of the Bank arising on advances, loans, credits, guarantees and sureties granted to employees, managers and supervisors of the Bank as at 20 June 2002 is as follows:

| | in PLN thousand | | | |
|--|-----------------|-------------------------|---------------|------------------------------------|
| | Advances | Guarantees and sureties | Bank loans * | Loans from the Social Benefit Fund |
| Employees | 135 | 1 941 | 63 211 | 44 391 |
| Managers | - | 293 | 499 | - |
| Supervisors | - | 160 | - | - |
| Persons personally related to managers and supervisors | - | - | - | - |
| Total | 135 | 2 394 | 64 210 | 44 391 |

* Loans yield and repayment schedules are on normal market terms.

As at 30 June 2003, employees, managers and supervisors of the Bank as well as persons personally related to managers and supervisors did not benefit from advances, loans, credits or guarantees granted by subordinated entities.

As at 30 June 2003, the amount of loans extended by subordinated entities to their employees totaled PLN 19 thousand in loans from the Corporate Benefit Fund.

Subordinated entities did not grant any credits, loans, guarantees or sureties to members of their management and supervisory boards.

Exposure of the Bank arising on advances, loans, credits, guarantees and sureties granted to employees, managers and supervisors of the Bank as at 31 December 2002 is as follows:

| | in PLN thousand | | | |
|--|------------------------|--------------------------------|---------------------|---|
| | Advances | Guarantees and sureties | Bank loans * | Loans from the Social Benefit Fund |
| Employees | 1 466 | 1 780 | 47 920 | 47 123 |
| Managers | - | 677 | 545 | - |
| Supervisors | - | - | - | - |
| Persons personally related to managers and supervisors | - | - | - | - |
| Total | 1 466 | 2 457 | 47 465 | 47 123 |

* Bank loans yield and repayment schedules are on normal market terms.

As at 31 December 2002, employees, managers and supervisors of the Bank did not benefit from advances, loans, credits or guarantees granted by subordinated entities.

As at 31 December 2002, subordinated entities did not grant any advances, credits, loans, guarantees or sureties to their employees, management board members, or supervisory board members.

Exposure of the Bank arising on advances, loans, credits, guarantees and sureties granted to employees, managers and supervisors of the Bank as at 30 June 2002 is as follows:

| | in PLN thousand | | | |
|--|------------------------|--------------------------------|---------------------|---|
| | Advances | Guarantees and sureties | Bank loans * | Loans from the Social Benefit Fund |
| Employees | 805 | 2 844 | 62 088 | 46 235 |
| Managers | - | 836 | - | - |
| Supervisors | - | - | - | - |
| Persons personally related to managers and supervisors | - | - | - | - |
| Total | 805 | 3 680 | 62 088 | 46 235 |

* Bank loans yield and repayment schedules are on normal market terms.

As at 30 June 2002, Bank employees, managers and supervisors did not use any advances, loans, credits, guarantees, or sureties granted by subordinated entities.

As at 30 June 2002, the amount of loans granted by subordinated entities to their employees totaled PLN 57 thousand in loans from the Corporate Benefit Fund. Subordinated entities did not grant credits, loans, guarantees or sureties to their management and supervisory board members.

27. Material events concerned with previous years included in the consolidated financial statements for the first half of 2003

No significant events related to previous years with material influence on the Bank's 2003 consolidated financial statements occurred in the Capital Group in the first half of 2003.

28. Material post balance sheet events not included in the consolidated financial statements for the first half of 2003

On 11 September 2003, an agreement was concluded for sale by the Bank to Powszechna Kasa Oszczędności Bank Polski S.A. of 13 000 ordinary nominative shares with the nominal value of PLN 10 000,00 each ('Shares') representing 50% of the share capital and the same percentage of votes at the General Shareholders' Meeting of PKO/Handlowy Powszechne Towarzystwo Emerytalne S.A. ("PTE"). The agreement will enter into force after all the suspending conditions stipulated therein are fulfilled. Pursuant to the agreement, the Bank will sell all its shares in PTE representing 50.00% of PTE's share capital and the same percentage of GM votes.

The Management Board of the National Securities Deposit, by way of Resolution No. 419/03 dated 19 September 2003, after examining the Bank's request, decided to assimilate, on 24 September, 2003 5 434 000 Bank shares marked PLBH00000061 with 125 225 600 Bank shares marked PLBH00000012. The assimilated shares are assigned the code PLBH00000012. The Management Board of the National Securities Deposit decided that, as of 24 September 2003, the code PLBH00000012 shall be assigned to 130 659 600 Bank shares. As on the date of assimilation, the condition stipulated in Resolution No. 276 /200 dated 17 September 2003 by the Management Board of the Warsaw Securities Exchange was fulfilled; the Resolution stipulated that on 24 September 2003, 5 434 nominative ordinary B-series shares of Bank Handlowy w Warszawie S.A. were to be introduced to securities exchange trading. The shares were issued pursuant to a Resolution by the Extraordinary General Shareholders' Meeting dated 15 April 1997 as amended by Resolution No. 4 by the Extraordinary General Shareholders' Meeting dated 19 June 1997, and had the nominal value of PLN 4 each. After the assimilation on 24 September 2003 and introduction of the shares for trading, there are now 130 659 600 Bank shares traded on the stock exchange.

29. Material events related to the current period, influencing a material change in the structure of consolidated balance sheet entries and the consolidated financial result

As a result of transactions concluded in January and February 2003, the Bank and its subsidiary Handlowy Inwestycje II Sp. z o.o. sold the whole of their parcel of shares in the associated entity ZO Bytom S.A. The sold shares constituted 27.64% of ZO Bytom S.A.'s share capital and accounted for 27.64% of the total number of votes at the company's general shareholders' meeting.

The Bank extended three loans to Stocznia Szczecińska Nowa Sp. z o.o. to the total amount of PLN 180.566.000 for financing of ship construction for export. Two container ships are being constructed for a Vietnamese customer, and one for a German customer. The loans are collateralized in part by guarantee agreements concluded with the State Treasury represented by the Finance Minister.

On 7 March 2003, the Bank and Swedbank (FöreningsSparbanken AB) concluded an agreement for cooperation in offering commercial banking services. Pursuant to the agreement, the Bank, using its sales network, will offer services to Scandinavian companies operating in Poland. The agreement also provides for development of cooperation with Hansabank Group, member of the Swedbank group, which is the largest banking group operating in Baltic states, in servicing of Bank Handlowy w Warszawie SA clients operating in Estonia, Latvia and Lithuania. The Swedbank group is the fourth largest operator in Scandinavia in terms of the balance sheet total (\$ 108.5 bn. as at the end of 2002). At the end of 2002, the Group serviced the total

of 7.8 m. individual clients and 400 thousand companies, with a network of 858 outlets and 15.5 thousand employees.

In March 2002, the Bank participated in the launch of a 3-year issue program of Geant Sp. z o.o. commercial papers, with debt limit of PLN 300 m. The Bank is the organizer, main payment agent and depositary for the program.

At a meeting held on 9 April 2003, the Bank's Management Board approved the 2002 Report from operations of the Bank's Leopold Kronenberg Foundation, and the 2003 budget. The Bank's Management Board allocated the PLN equivalent of \$ 300.000 for the Foundations operations in 2003. The Leopold Kronenberg Bank Foundation was established by the Bank in 1995, and its operations are financed from annual subsidies of the Founder Bank. The Foundation operates for the public welfare by promoting education, culture and arts, health care and social welfare.

On 3 June 2003, the subsidiary Handlowy-Leasing S.A. concluded a long-term loan agreement with Citibank N.A., Bahrain Branch, to finance leasing transactions. Pursuant to the loan agreement, Citibank N.A., Bahrain Branch extended a loan of \$100 m., with interest rate based on LIBOR 1M for EUR plus 5 base points annually. As at 30 June 2003, the company drew the first loan tranche to the amount of EUR 30 m. The deadline for drawing the balance of the loan is 31 December 2004, and the loan repayment date is 31 December 2006.

In June 2003, the Bank launched a 5-year issue program for dematerialized bonds and deposit certificates of Rabobank Polska S.A. with debt limit of PLN 600 m. The Bank is the organizer, issue agent, dealer, payment agent and depositary for the program. The transaction contributed to the maintenance of the leading position on the market of securities issue of companies and financial institutions.

In June 2003 the Bank participated in the launch of a 5-year credit line collateralizing the liquidity of Telekomunikacji Polska S.A., to the total amount of EUR 400,0 m. The Bank's direct credit exposure in the undertaking totaled EUR 39,3 m.

The Bank's Ordinary Shareholders' Meeting held on 25 June 2003 adopted resolutions including the resolution on the 2002 profit distribution and on setting the dividend date and dividend payment date. The Ordinary Shareholders' meeting resolved what follows:

- 1) the 2002 profit to the amount of PLN 242 688 826.90 is to be distributed as follows:
 - a) dividend for shareholders and bond holders holding 1st issue convertible bonds – PLN 241 720 260, i.e. the dividend amount per one share and per one bond totals PLN 1.85,
 - b) equity reserve write-off – PLN 968 566. 90,
- 2) set dividend date at 25 July 2003,
- 3) set dividend payment date at 1 September 2003.

On 2 July 2003, the Bank obtained a Decision of the District Court for the Capital City of Warsaw, 19th Business Division of the National Court Register, dated 16 June 2003, file no. WA XIX NS-REJ KRS/8701/3/685, where by the District Court for the Capital City of Warsaw 19th Business Registry Division registered an increase in the Bank's share capital from PLN 500 902 400 up to PLN 522.638.400 by way of issue of 5 434 000 B series bearer shares with the nominal value of PLN 4 each.

In exchange for the convertible bonds submitted for conversion into first-issue Bank shares by Powszechny Zakład Ubezpieczeń S.A., 5 434 000 B series Bank bearer shares will be issued, with the nominal value of PLN 4 each, whose share in the Bank's share capital will total 4.15% and will account for 5 434 000 votes at the Bank's General Meeting of Shareholders, i.e. 4.15% of the Bank's GM votes. After the conversion, no other bonds convertible into Bank first-issue shares remain in the market.

As at 30 June 2003, the Bank's shareholding structure, after registration of the increased share capital, is as follows:

| | No. of shares | % share capital |
|---|---------------|-----------------|
| Citibank Overseas Investment Corporation, subsidiary of Citibank N.A. | 116 717 574 | 89.33% |
| Other shares | 13 942 026 | 10.67% |
| Total Bank shares | 130 659 600 | 100% |

30. Relations between the Bank and its legal predecessor

The Bank has no legal predecessor.

31. Basic balance and the profit and loss statement entries adjusted to inflation

The financial data in these financial statements have not been adjusted to inflation. Over the twelve months ending on 30 June 2003, 2002 and 2001, inflation measured by the Consumer Price Index (June-on-June) did not exceed 100%, running at 0.8%, 1.6% and 6.2% in the respective periods concerned. Inflation rates mentioned above have been taken from the Statistical Bulletin published by the Central Statistical Office.

32. Differences between the information in the financial statement, comparable financial data and previously published financial statements

In order to maintain comparability of the financial data for the first half of 2002 with the financial data for the reporting periods of the first half of 2003 and 2002, the previously published financial data for that period was appropriately reclassified, presented in the consolidated semi-annual 2002.

The reclassification is the result of the accounting principles adopted for execution of the 2002 consolidated annual report, and comprises in particular:

- recognition, as of 1 January 2002, the effects of valuation with the equity method of the shares in four subordinated entities additionally subject to such valuation,
- introduction in the balance sheet, as of 1 January 2002, of the perpetual usufruct on land that the Bank acquired free of charge in the past years pursuant to the provisions in force then,
- reclassification in the balance sheet under receivables of the long-term securities acquired under service sub-issues, that were formerly recorded as investments in other undertakings.

As a result of the changes, the consolidated balance sheet total as at 30 June 2002 was increased by the amount of PLN 24 963 thousand and totals PLN 32 402 089 thousand, whereas the consolidated equities were decreased by PLN 7 711 thousand and total PLN 5 867 067 thousand, and the consolidated net profit was increased by PLN 2 607 thousand and totals PLN 144 819.

In the 2003 semi-annual consolidated financial statements, the balance sheet data, profit and loss account data and cash flow statement data were changed as compared to the previously published quarterly report for the 2nd quarter of 2003 as a result of financial data review. As a result of the changes, the consolidated balance sheet total was decreased by PLN 701 thousand, the consolidated equities were increased by PLN 5 129 thousand, as was the consolidated net profit.

33. Changes in the accounting policy in the first half of 2003

In the first half of 2003, the no modifications were made in the accounting policy.

34. Adjustments of basic mistakes

No adjustments of basic mistakes were made in the consolidated financial statements for 2003.

35. Going concern by entities constitution Bank's Capital Group

There are no doubts in respect of the ability of entities included in Bank's Capital Group to continue operations, except for PPH Spomasz Sp. z o.o. and Polskie Towarzystwo Emerytalne DIAMENT S.A., that are in liquidation (see Introduction par. 7).

36. Merger

In the first half of 2003 and in the presented 2002 reporting periods no mergers occurred with the Capital Group units as parties.

37. Balance sheet date of execution of the financial statements of the entity included in the consolidated financial statements

The financial statements of the fully consolidated entity are executed as on the balance sheet date of execution of the Bank's consolidated financial statements.

38. Modifications in the financial statements of the entity included in the consolidated financial statements

The financial statements of the entity included in the consolidated financial statements do not require any modifications resulting from the method and rules of valuation of assets and liabilities applied by that entity. The accounting principles applied by the fully consolidated entity comply in all substantial aspects with the principles applied by the Bank – parent entity.

39. Exclusions from the obligation of consolidation or valuation with the equity method

Information related to exclusions from consolidation or equity method accounting with the data describing the activities of subordinated entities is presented in the Introduction to these financial statements (clause 9).

40. Currency structure of assets and liabilities

The Bank's currency position was calculated according to principles stated in Resolution No. 5/2001 of the Banking Supervision Commission dated 12 December 2001 on detailed principles for calculation of capital requirements for individual types of risk, including excesses of concentration limits, principles of solvency ratio calculation including relationships with subordinated entities or entities operating in the same holding and definition of additional balance sheet items presented with corporate equity in the capital adequacy statements as well as the scope and methodology for their calculation (Official Journal of NBP No 22, position 43).

Currency position in key currencies as at 30 June 2003 is as follows:

| in PLN thousand | | | | | | | | |
|----------------------------------|----------|-----------|-------------|--------------------------|-------------------------------|----------------|---------------------|------------------------------|
| Country | Currency | Assets | Liabilities | Off-balance sheet assets | Off-balance sheet liabilities | Indexed assets | Indexed liabilities | Position: long (+) short (-) |
| USA | USD | 4 636 261 | 3 354 930 | 18 680 639 | 19 844 573 | - | - | 117 396 |
| European Union | EUR | 3 558 492 | 2 819 111 | 5 870 343 | 6 791 465 | - | - | (181 742) |
| United Kingdom | GBP | 40 547 | 153 338 | 175 425 | 56 225 | - | - | 6 409 |
| Switzerland | CHF | 1 082 730 | 50 001 | 994 063 | 2 007 107 | - | - | 19 685 |
| Sweden | SEK | 27 472 | 5 901 | 26 793 | 48 533 | - | - | (169) |
| Denmark | DKK | 1 070 | 7 692 | 5 406 | 975 | - | - | (2 190) |
| Australia | AUD | 1 959 | 142 | 2 603 | 5 205 | - | - | (786) |
| Norway | NOK | 4 167 | 3 308 | - | 862 | - | - | (3) |
| Canada | CAD | 4 141 | 3 176 | - | - | - | - | 965 |
| Japan | JPY | 41 328 | 44 681 | 36 411 | 32 801 | - | - | 258 |
| Czech Republic | CZK | 173 679 | 8 281 | 125 240 | 294 101 | - | - | (3 463) |
| Hungary | HUF | 313 | 334 | 9 852 | 11 030 | - | - | (1 198) |
| Slovakia | SKK | 744 | 185 | 1 073 | 2 146 | - | - | (514) |
| RSA | ZAR | 414 | - | - | - | - | - | 414 |
| Total non-convertible currencies | | 197 926 | 197 986 | - | - | - | - | (60) |
| Total | | 9 771 243 | 6 649 066 | 25 927 848 | 29 095 023 | - | - | |
| Total currency position | | | | | | | | (190 126) |

As at 30 June 2003, capital required for FX risk was set at PLN 7 934 thousand.

The basic method defined in Resolution No. 5/2001 of the Commission for Banking Supervision dated 12 December 2001 was applied to calculate capital required against the FX risk as at 30 June 2003.

Currency position in key currencies as at 31 December 2002 is as follows:

in PLN thousand

| Country | Currency | Assets | Liabilities | Off- balance sheet assets | Off- balance sheet liabilities | Indexed assets | Indexed liabilities | Position: long (+) short (-) |
|----------------------------------|----------|-----------|-------------|------------------------------------|---|-------------------|------------------------|---------------------------------|
| USA | USD | 4 243 062 | 3 422 376 | 17 264 588 | 17 880 296 | - | - | 204 977 |
| European Union | EUR | 2 919 732 | 2 250 121 | 2 971 559 | 3 158 178 | - | - | 482 992 |
| United Kingdom | GBP | 189 083 | 143 246 | 100 442 | 144 499 | - | - | 4 781 |
| Switzerland | CHF | 1 026 176 | 41 948 | 33 310 | 1 019 956 | - | - | (2 418) |
| Sweden | SEK | 13 353 | 9 924 | 2 688 | 5 164 | - | - | 954 |
| Denmark | DKK | 4 869 | 2 620 | - | 417 | - | - | 1 832 |
| Australia | AUD | 2 751 | 199 | - | 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 | 74 707 | 39 109 | - | - | 306 |
| Czech Republic | CZK | 186 990 | 3 191 | 172 827 | 358 329 | - | - | (1 704) |
| Hungary | HUF | 485 | 292 | 931 | 852 | - | - | 272 |
| Total non-convertible 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 on 31 December 2002, capital required for FX risk was set at PLN 71 903 thousand.

The basic method defined in Resolution No. 2/2001 of the Banking Supervision Commission dated November 8, 2000 was applied to calculate capital required against the FX risk as at 31 December 2002.

Currency position in key currencies as at 30 June 2002 is as follows:

in PLN thousand

| Country | Currency | Assets | Liabilities | Off- balance sheet assets | Off- balance sheet liabilities | Indexed assets | Indexed liabilities | Position: long (+) short (-) |
|-------------------------------------|----------|------------|-------------|------------------------------------|---|-------------------|------------------------|---------------------------------|
| USA | USD | 6 175 717 | 3 745 630 | 20 875 274 | 23 256 813 | - | - | 48 548 |
| European Union | EUR | 3 673 294 | 3 541 363 | 4 578 909 | 4 158 039 | - | - | 552 801 |
| United Kingdom | GBP | 160 556 | 136 146 | 35 134 | 7 011 | - | - | 52 533 |
| Switzerland | CHF | 1 050 368 | 121 012 | 470 256 | 1 326 999 | - | - | 72 613 |
| Sweden | SEK | 95 246 | 7 246 | 9 323 | 40 970 | - | - | 56 353 |
| Denmark | DKK | 56 363 | 6 808 | - | - | - | - | 49 555 |
| Australia | AUD | 2 909 | 1 580 | - | 684 | - | - | 645 |
| Norway | NOK | 113 479 | 2 373 | - | 1 896 | - | - | 109 210 |
| Canada | CAD | 6 589 | 562 | - | - | - | - | 6 027 |
| Japan | JPY | 43 017 | 1 434 | - | 44 361 | - | - | (2 778) |
| Czech Republic | CZK | 311 198 | 55 763 | 348 153 | 596 921 | - | - | 6 667 |
| Hungary | HUF | 417 | 72 | - | 328 | - | - | 17 |
| Total non-convertible currencies | | 203 345 | 203 935 | - | - | - | - | (590) |
| Total | | 11 892 498 | 7 823 924 | 26 317 049 | 29 434 022 | - | - | |
| Total currency position | | | | | | | | 954 969 |

As at 30 June 2002, capital required for FX risk was set at PLN 102 768 thousand.

The basic method defined in Resolution No. 2/2001 of the Banking Supervision Commission dated November 8, 2000 was applied to calculate capital required against the FX risk as at 30 June 2002.

41. The consolidated 2003 semi-annual statements will be published on the Internet website of Bank Handlowy w Warszawie SA (www.handlowy.com.pl).

Signatures of all Members of the Management Board

24.10.2003

Sławomir Sikora

President of the
Management Board.....
Date.....
First name and family name.....
Position/function.....
Signature

24.10.2003

Wiesław Kalinowski

Vice-President of the
Management Board.....
Date.....
First name and family name.....
Position/function.....
Signature

24.10.2003

Philip Vincent King

Vice-President of the
Management Board.....
Date.....
First name and family name.....
Position/function.....
Signature

24.10.2003

David J. Smith

Vice-President of the
Management Board.....
Date.....
First name and family name.....
Position/function.....
Signature

24.10.2003

Sunil Sreenivasan

Vice-President of the
Management Board.....
Date.....
First name and family name.....
Position/function.....
Signature