

	PRINCIPLE	YES/NO	COMMENTS OF BANK HANDLOWY W WARSZAWIE SA
GENERAL			
I	<u>Objective of the company</u> The basic objective of company's activity is to act in the interest of the company i.e. to increase the value of assets entrusted to it by shareholders considering rights and interests of third parties other than shareholders engaged in the functioning of the company, in particular, company's creditors and employees.	Yes	
II	<u>Majority rule and minority protection</u> A company limited by shares is a capital venture. Because of that, the principle of capital majority rule and thus the primacy of the majority has to be respected. A shareholder who contributed larger capital also bears greater economic risk. Thus, it is justified that the interests of such a shareholder should be considered proportionally to the contributed capital. Due protection of minority's rights should be guaranteed within the limits defined by the law and good practice. When	Yes	

	executing his rights, a majority shareholder should take into account the interests of the minority.		
III	<p><u>Honest intentions and no abuse of rights</u></p> <p>Execution of rights and the use of legal institutions should be based on honest intentions (good faith) and cannot go beyond the purpose and economic justification underlying the establishment of these institutions. No steps should be taken that would go beyond thus defined limits and constitute the abuse of the law. The minority should be protected from the abuse of ownership by the majority and the interests of the majority should be protected from the abuse of rights by the minority to guarantee the widest possible protection of just interests of shareholders and other participants in the turnover.</p>	Yes	
IV	<p><u>Judicial control</u></p> <p>Agencies of the company and persons in charge of the General Meeting of Shareholders cannot solve issues that should be subject to court's ruling. This rule does not apply to actions to which company's agencies and persons in charge of the General Meeting are authorized or obliged by the law.</p>	Yes	

V	<p><u>Independence of opinions ordered by the company</u></p> <p>When selecting the entity supposed to render expert's services, in particular, services of a chartered accountant, financial and tax advising and legal services the company should consider circumstances limiting the independence of such an entity during the execution of its tasks.</p>	<p>Yes</p>	
<p><u>GOOD PRACTICE OF GENERAL MEETINGS</u></p>			
1	<p>The General Meeting should always take place in the location and at the time facilitating participation of the widest possible group of shareholders.</p>	<p>Yes</p>	<p>According to the practice adopted by the company, general meetings take place in company's headquarters in Warsaw. The company adopted the principle that ordinary general meetings are convened in the last week of June before noon.</p>
2	<p>The request to convene the general meeting and place specific issues on its agenda submitted by authorized entities should be justified. Draft resolutions suggested to be passed by the general meeting and other important materials should be presented to shareholders with justification and an opinion of the Supervisory Board before the general meeting at the time that makes it possible for them to familiarize themselves with such drafts and materials and to</p>	<p>Yes</p>	<p>The Management Board presents justification of the general meeting and of the placement of specific issues on the agenda. If the request to convene the general meeting and place specific issues on its agenda submitted by a shareholder or shareholders does not include justification the Management Board will apply for such justification regardless of the execution of the right to convene the general meeting. .</p>

	assess them.		<p>This principle was introduced to the Articles of Association of the company in the amending resolution of the General Meeting dated June 25, 2003.</p> <p>According to the practice adopted in the company, all the important materials for the general meeting are delivered to shareholders not later than 14 days (financial statements) or 7 days (copies of resolutions) before the date of the general meeting. A change concerning the obligation to supply shareholders with draft resolutions with justification and opinion of the Supervisory Board was introduced to the Statute of the General Meeting of Shareholders in the resolution of the General Meeting dated June 25, 2003.</p>
3	The general meeting convened on shareholders' request should take place within the deadline stated in said request. In the event of material obstacles to the adherence to that deadline it should take place at the nearest date that makes it possible for the general meeting to solve issues included in the agenda.	Yes	The Management Board will strive to organize general meetings convened on shareholders' request on dates stated in such a request unless it is impossible for objective reasons. In such a situation, another date is fixed in agreement with the requesting party.
4	Cancellation of the general meeting on whose agenda specific issues have been placed on the request of authorized entities or that has been convened on such a request is possible only with the consent of the requesting parties. In other cases, the general meeting can be	Yes	The company applies the general principle of no cancellation or change of already announced dates of general meetings unless in extraordinary or particularly justified circumstances.

	cancelled if its convening meets special obstacles (<i>force majeure</i>) or is obviously pointless. Cancellation takes place in the same way as convening guaranteeing the least negative consequences for the company and shareholders, in any way, not later than three weeks before the initially planned date. The change in the date of the general meeting takes place in the same mode as its cancellation even if the suggested agenda remains unchanged.		In the latter case, appropriate procedures concerning notification of all the interested parties are applied. The resolution of the General Meeting of the Bank dated June 25, 2003 includes the change introducing this principle to the Articles of Association.
5	Participation of a representative of a shareholder in the general meeting requires documentation of the right to act on shareholder's behalf in due manner. It should be assumed that the written document confirming the right to represent the shareholder during the general meeting is compliant with the law and does not require additional confirmation unless its authenticity or <i>prima facie</i> validity arouse doubts of the management board of the company (when entering on the list of participants) or the chairman of the general meeting.	Yes	According to the practice adopted in the company, participation in the general meeting and execution of the voting right requires only the power of attorney (in written form in pain of voidance) granted by authorized persons according to an excerpt from an appropriate register or, for individuals, according to the provisions of the Civil Code. The company verifies only the above-mentioned documents when supplementing the list of participants. An appropriate provision confirming this practice is included in the Statute of the General Meeting of Shareholders of the Bank.
6	The general meeting should have a permanent regulation defining detailed principles of debate management and the passing of resolutions. In particular, the regulation should include provisions concerning elections including the election of the	Yes	The Regulation of the General Meeting was adopted during the General Meeting on June 27, 2003 (Resolution No. 8 of the General Meeting dated June 27, 2003).

	<p>supervisory board in the vote by separate groups. The regulation should not be changed frequently; it is advisable that changes come into force as of the next general meeting.</p>		
7	<p>The person opening the general meeting should cause the immediate election of the chairman abstaining from any other material or formal decisions.</p>	<p>Yes</p>	<p>According to the practice of General Meetings obligatory applied in the company the person opening the meeting orders the election of the Chairman of the Meeting immediately after opening.</p>
8	<p>The Chairman of the general meeting guarantees efficient progress of the discussion and respect for the rights and interests of all shareholders. In particular, the Chairman should oppose the abuse of rights by participants in the meeting and guarantee respect for the rights of minority shareholders. The chairman should not resign without important reasons and cannot unreasonably delay the signature of the minutes of the general meeting.</p>	<p>Yes</p>	<p>To guarantee compliance with this rule, the Management Board of the Company each time informs the Chairman of the General Meeting of its content. An appropriate provision is included in the regulation of the General Meeting of Shareholders of the Bank.</p>
9	<p>Members of the supervisory board and management board should be present during the general meeting. A chartered accountant should be present during the ordinary general meeting and during an extraordinary general meeting if financial issues of the company are to be discussed.</p>	<p>Yes</p>	<p>According to the provisions of the Regulation of the General Meeting of Shareholders of the Bank, Members of the Management Board and Supervisory Board take part in General Meetings. If financial issues of the Company are to be discussed a chartered accountant of the company also takes part in the Meeting according to the provisions of the Regulation. A change in the Regulation of the General Meeting of</p>

			Shareholders of the company concerning chartered accountant's obligation to take part in the general meeting was introduced pursuant to the resolution of the General Meeting on June 25, 2003.
10	Within the limits of their competencies and in the scope necessary to solve issues discussed by the meeting, Members of the supervisory board and the management board and the chartered accountant of the company should provide explanations and information about the company to participants in the meeting.	Yes	If necessary, members of the Management Board and the Supervisory Board and the chartered accountant present during the general meetings provide explanations and information about the company to participants in the meeting within the limits of their competencies and in the scope necessary to solve issues discussed by the meeting.
11	The answering of questions of the general meeting by the management board should consider the fact that a public company meets its information obligations in the way resulting from the regulations of the law concerning public trade in securities and some information cannot be communicated in the way different than in line with these regulations.	Yes	Agencies of the company do not limit the information requested, in particular, by the general meeting but also complies with the regulation of the Law concerning public trade in securities, the decree concerning information obligations and regulations of the Code of Commercial Companies. An appropriate provision is included in the Regulation of the General Meeting of Shareholders of the Bank.
12	Short breaks in discussions that do not constitute the postponement of the meeting ordered by the chairman in justified cases cannot be introduced to hinder the execution of rights by shareholders.	Yes	To guarantee compliance with this rule, the Management Board of the Company each time informs the Chairman of the General Meeting of its content.
13	Vote on matters of routine can only be concerned with issues related to the management of debates		Vote on matters of routine are only concerned with issues related to the

	during the meeting. Resolutions than can influence the execution of rights by shareholders are not subjected to vote in that mode.	Yes	management of debates during the meeting.
14	A resolution concerning forbearance to analyze the issue included in the agenda can only be passed if there are important and objective reasons in favor of such forbearance. An application concerning such an issue should include detailed justification. The general meeting cannot pass a resolution concerning the removal from the agenda or forbearance to analyze the issue included in the agenda on shareholders' request.	Yes	According to the provisions of the Regulation of the General Meeting of Shareholders the Chairman conducts the debate of the Meeting according to the fixed agenda approved by the General Meeting. An appropriate change introducing this rule will be subject to the resolution of the General Meeting on June 25, 2003. The change will be introduced on the condition that the General Meeting passes the resolution.
15	Parties objecting to a resolution are given an opportunity of brief justification of their objections.	Yes	According to the current practice, each party objecting to a regulation has an opportunity to present their argumentation and justify the objection.
16	As the Code of Commercial Companies does not provide for judicial control in the event of the failure of the general meeting to pass a resolution, the management board or the chairman of the general meeting should formulate resolutions so that each authorized person who does not agree with the merits of the decision included in the resolution should have an opportunity to appeal against it.	Yes	The chairman of the general meeting is obliged to take care that resolutions are formulated clearly and explicitly. The Management Board of the Company also provides the Chairman with potential support of the legal service of the Company. The resolution of the General Meeting dated June 25, 2003 includes the change to the Regulation of the General Meeting of Shareholders introducing this principle to the Regulation.
17	Written statements of participants in the general		In practice, written statements of

	meeting are included in the minutes on the request of such participants.	Yes	participants in the general meeting have been included in the minutes. To guarantee compliance with this rule, the Management Board of the Company each time informs the notary rendering his services during the general meeting of its content.
<u>GOOD PRACTICE OF SUPERVISORY BOARDS</u>			
18	Every year, the Supervisory Board presents the summary assessment of company's situation to the general meeting. Such an assessment should be included in the annual report of the company made available to all the shareholders on such a date that they could familiarize themselves with the report before the ordinary general meeting.	Yes	According to the practice adopted by the company, the Supervisory Board passes an annual resolution including Board's assessment of the situation of the company. The Supervisory Board presents that document to the general meeting. The company declares the inclusion of the assessment in the annual report for 2003. Besides, shareholders of the company have an opportunity to familiarize themselves with the annual report of the company at least 15 days before the Ordinary General Meeting.
19	A member of the supervisory board should have appropriate education, professional and practical experience, meet high moral standards and be able to devote an appropriate amount of time to perform functions in the supervisory board in due manner. Candidatures for members of the supervisory board should be submitted and justified in detail in the way enabling the informed choice.	Yes	Candidatures for members of the Supervisory Board presented to the general meeting are always justified. The obligation to justify presented candidatures was included among the provisions of the Regulation of the General Meeting of Shareholders of the company.

20	<p>1. a) independent members should form at least a half of the content of the supervisory board. Independent members of the supervisory board should be free of any relations to the company, shareholders or employees that could have a material influence on the ability of an independent member to make impartial decisions.</p> <p>b) articles of association of the company should define detailed independence criteria;</p> <p>c) Resolutions concerning issues listed below should not be passed without the consent of at least one independent member of the supervisory board:</p> <ul style="list-style-type: none"> - benefits paid by the company or entities related to the company on behalf of members of the management board for any reason; - the consent to the conclusion by the company or a subordinated entity of a material agreement with an entity related to the company, member of the supervisory board or management board and entities related to them; - selection of a chartered accountant to audit financial statements of the 	<p>YES</p>	<p>The implementation of this principle is not possible at present due to the requirements concerning management structure resulting from the privatization of the Bank. The Management Board hopes that the principle will be implemented before the end of 2004 according to this clause.</p>
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	<p>company.</p> <p>The company can introduce the principle described above within the time different than other principles included in this document but not later than till the end of 2004.</p>		
21	<p>A member of the supervisory board should, first of all, have the interest of the company in mind.</p>	<p>Yes</p>	<p>Members of the Supervisory Board have the interest of the Company in mind during their term of office.</p> <p>In particular, they supervise the realization of the strategy and long-term plans</p>
22	<p>Members of the Supervisory Board should take appropriate steps to receive regular and exhaustive information from the Management Board concerning all material issues related to the activities of the company, risk related to conducted activities and methods of management of such risk.</p>	<p>Yes</p>	<p>According to the provisions of the Regulation of the Supervisory Board, members of the Management Board participate in the meetings of the Supervisory Board and the Management Board reports all material issues related to the activity of the Company during such meetings. Besides, the Regulation of the Supervisory Board indicates specific obligations of the Management Board related to the provision of financial information to the Supervisory Board. Articles of Association indicate the issues that cannot be decided upon by the Management Board without the approval of the Supervisory Board.</p> <p>Each member of the Supervisory Board has the right to receive information necessary to meet that member's obligations from the Management Board, which is confirmed in</p>

			an appropriate provision of the Regulation of the Supervisory Board.
23	A member of the supervisory board should inform other members of the supervisory board of the existing conflict of interest and abstain from the discussion and vote on the resolution concerning the issue to which the conflict of interests is related.	Yes	According to the practice adopted in the company, members of the Supervisory Board inform other members of the existing conflict of interest.
24	The information concerning personal, actual and organizational relations of a member of the supervisory board with a specific shareholder and, in particular, a majority shareholder should be available to the public. The company should have the procedure for the acquisition of information from members of the supervisory board and its communication to the public.	Yes	The company will take steps to implement the procedure for the acquisition of information concerning personal, actual and organizational relations of members of the Supervisory Board with a specific shareholder and, in particular, a majority shareholder. Thus acquired information will be available in the headquarters of the Company on the request of an interested party.
25	Meetings of the supervisory board except for issues related directly to the management board or its members, in particular: removal, responsibility and remuneration specification should be public and available to members of the management board.	Yes	According to the practice adopted in the company and provisions of the Regulation of the Supervisory Board, Members of the Management Board take part in the meetings of the Supervisory Board. According to the Regulation, the Chairman of the Supervisory Board has an opportunity to ordain a debate of the Supervisory Board without persons who are not members of the Supervisory Board.
26	A member of the supervisory board should make it possible for the management board to communicate the information concerning the sale	Yes	The Company will take steps to implement the procedure enabling the Supervisory Board to acquire information from members of the Supervisory Board concerning the sale

	or purchase of shares of the company, a dominating or subordinated company, as well as transactions with such companies to the public in an appropriate mode if such information is important from the point of view of that member's financial situation.		or purchase of shares of the Company, dominating or subordinated company by members of the Supervisory Board. Thus acquired information will be available in the headquarters of the Company on the request of an interested party.
27	Remuneration for members of the supervisory board should be fair but should not constitute a material cost item in the activity of the company or materially influence its financial result. Such remuneration should remain in fair relation to the remuneration received by members of the management board. Total value of remuneration for all members of the supervisory board should be included in the annual report.	Yes	Remuneration for members of the Supervisory Board does not constitute a material cost item in the functioning of the Company. Total value of remuneration for all members of the Supervisory Board is included in the annual report.
28	The supervisory board should act according to its regulations that should be available to the public.	Yes	The company has the Regulation of the Supervisory Board. The Company plans to take steps aimed at the publication of the Regulation in the Internet site of the Bank.
29	The agenda of the supervisory board meeting should not be changed or supplemented during the meeting it pertains to. This requirement does not apply if all members of the supervisory board are present consent to the change or supplementation of the agenda; and also if the initiation of specific actions by the supervisory board is necessary to protect the company from damage as well as in the event of a resolution concerning the assessment whether the conflict	Yes	The agenda of the Supervisory Board is fixed at least 7 days before the planned date of the meeting, accepted by the Chairman and subsequently delivered to all members of the Supervisory Board with other materials. An appropriate provision is included in the Regulation of the Supervisory Board.

	of interests exists between a member of the supervisory board and the company.		
30	A member of the supervisory board charged by a group of shareholders with the task of permanent supervision should submit detailed reports from functions performed to the supervisory board.	Yes	Such a situation has not emerged in the company so far but the company undertakes to comply with this principle in the event of such a situation.
31	A member of the supervisory board should not resign during the term of office if such an action could make the activity of the supervisory board impossible, in particular, if it could hinder the timely adoption of an important resolution.	Yes	In Company's practice, all members of the Supervisory Board comply with this principle. The Supervisory Board adopted the resolution declaring compliance with the principles of corporate governance "Good Practice in Public Companies" in its scope of competence.
<u>GOOD PRACTICE OF MANAGEMENT BOARDS</u>			
32	The Management Board driven by company's interest defines the strategy and main objectives of the company, and presents them to the supervisory board. It is subsequently responsible for their implementation and realization. The management board attends to the transparency and effectiveness of the management system in the company and manages its matters according	Yes	The Management Board prepares the strategy for the Company. The strategy is approved by the Supervisory Board. The Supervisory Board discusses strategy and long-term plans of the Company at least once a year assessing their accomplishment. The Management Board is responsible for the implementation and realization of the

	to the law and good practice.		strategy.
33	When deciding upon the issues of the company, members of the management board should act within the limits of justified business risk, i.e. having examined all the information, analyses and opinions that should be taken into account due to the interest of the company in the justified opinion of the management board. When defining the interest of the company, one should consider justified long-term interests of the shareholders, creditors, employees of the company as well as other entities and persons cooperating with the company in the course of its business as well as interests of local communities.	Yes	The Management Board of the Company carefully analyzes initiated actions and decisions made. Members of the Management Board perform their duties with diligence, using their best knowledge and practical experience.
34	During transactions with shareholders and other parties whose interests influence the interest of the company, the management board should act with particular diligence so that transactions are executed on market terms.	Yes	The market price, if known, is the basis for the definition of the value of transactions with shareholders and other persons whose interests influence the interest of the Company. If the market price is unknown, such transactions are concluded on terms defined according to market criteria.
35	A member of the management board should be fully loyal to the company and abstain from actions that could lead only to the realization of own financial benefits. If information concerning the opportunity of an investment or another beneficial transaction related to the object of company's business is acquired the member of the management board should immediately	Yes	Members of the Management Board of the company adopted the resolution concerning Management Board's declaration of willingness to comply with the principles of corporate governance and undertook to apply them in the scope resulting from the statement submitted by the Company according to par. 22a clause 2 of the Stock

	present such an information to the management board in order to examine the opportunities for its utilization by the company. Utilization of such an information by the management board member or its communication to a third party can take place only with the consent of the management board and only if it does not violate the interest of the company.		Exchange Regulation.
36	A member of the management board should treat owned shares of the company and other companies – dominating or subordinated – as a long-term investment.	Yes	The Company has an internal procedure related to stock investments by employees including investments in company's stock and the stock of other entities that also applies to members of the Management Board of the company employed on the basis of an employment contract. To this end, members of the Management Board sign an appropriate statement the draft of which is an appendix to the procedure mentioned above.
37	Members of the management board should inform the supervisory board of each conflict of interests related to functions performed or the possibility of its occurrence.	Yes	Situations mentioned in this provision have not occurred in the company so far. However, should such a situation occur, members of the Management Board will be obliged to inform the Supervisory Board of any conflict of interests related to functions performed or the possibility of its occurrence.
38	Remuneration for members of the management board should be defined on the basis of	Yes	Remuneration for members of the Management Board includes a fixed part and a bonus part adapted and dependent

	transparent rules and procedures considering its motivational nature and guarantee effective and flexible management of the company. Remuneration should correspond with the size of company's enterprise, remain in a fair relation to business result and be related to the scope of responsibility resulting from functions performed, considering the value of remuneration received by members of management boards in similar companies in a comparable market.		on financial results of the Company. Principles of remuneration of members of the Management Board are defined by the Supervisory Board on the basis of the application of the Remuneration Committee in the Supervisory Board of the Company.
39	Total value of remuneration for all members of the management board should be included in the annual report broken into individual elements. If the value of remunerations differs considerably from one member of the management board to another it is advisable to publish an appropriate explanation.	Yes	Total value of remuneration for all members of the Management Board is included in the annual report. Differences in value of such remuneration are not large and result solely from functions performed and related scope of duties.
40	The management board should define principles and mode of work as well as divide competencies in the regulation that should be public and generally available.	Yes	Principles and mode of work of the Management Board were included in the Regulation of the Management Board. The company will take steps to make the Management Board Regulation available in the Internet site of the Company.
<u>GOOD PRACTICE OF RELATIONS WITH THIRD PARTIES</u>			
41	An entity supposed to perform the functions of a chartered accountant in the company should be	Yes	According to the Articles of Association, the Supervisory Board selects the chartered accountant.

	selected in the way guaranteeing independence during the accomplishment of tasks entrusted to such an entity.		
42	The company should change the chartered accountant at least once in five years to guarantee due independence of opinion.	Yes	The company fully agrees with the generality of this principle. In practice, the company will be driven by the pragmatic principle of maintenance of the same external auditor who will be selected on the level of Citigroup.
43	The selection of a chartered accountant should be up to the supervisory board or the general meeting of the company after the presentation of recommendations by the supervisory board.	Yes	The Supervisory Board of the Company selects the entity supposed to rendered services of a chartered accountant on the basis of recommendations from the Audit Committee of the Supervisory Board.
44	An auditor for detailed issues cannot be the entity performing the function of a chartered accountant in the company or subordinated entities.	Yes	No auditor for detailed issues has been appointed in the Company so far but the Company declares that the principle requiring the auditor for detailed issues not to be the chartered accountant in the Company or its subordinated entities will be complied with in such a situation. Appropriate reservations concerning this issue have been introduced to the agreement with the entity rendering services of a chartered accountant.
45	Acquisition of corporate shares by the company should take place so that no group of shareholders would be privileged.	Yes	The Company has not acquired corporate shares so far but the Management Board declares that it will make every effort to avoid privileges for any group of shareholders in the event of such a transaction.
46	Articles of association, basic internal regulations,		Articles of Association are already available in

	information and documents related to general meetings as well as financial statements should be available in company's headquarters and on the Internet.	Yes	company's Internet site. The Management Board will take steps to render the remaining material internal regulations, information and documents related to general meetings as well as financial statements available in company's headquarters and on the Internet.
47	The company should have in place appropriate procedures and rules concerning contacts with the media and information policy guaranteeing coherent and reliable information about the company. The company should render the information about its current activity, business situation of the enterprise available to representatives of the media and make it possible for them to participate in general meetings in the scope compliant with the law and considering its interests.	Yes	<p>Applying these principles, the Management Board of the Company (and its spokesman) make efforts to render reliable information about current activities of the Company and business standing of the enterprise available to media representatives considering, however, that information obligations of a public company are met in the way resulting from the law concerning public trade in securities.</p> <p>According to the Regulation of the General Meeting, the Company makes it possible to media representatives to participate in general meetings.</p>
48	The company should publish the statement concerning the application of corporate governance principles in the annual report. In the event of a deviation from compliance with these principles the company should also justify that fact to the public.	Yes	The company applies with regulations concerning compliance with "Good practice..." in force in the Stock Exchange and has submitted the statement.