

ADDITIONAL EXPLANATORY NOTES

1. Concentration of exposure

Exposure limits

The Banking Act of 29 August 1997 (Official Journal of 2002 No. 71, item 665, as later amended) and its executive regulations issued by the Commission for Banking Supervision define maximum exposure limits for a bank. Under article 71 paragraph 1 of the Act, which came into force as of 1 January 2002, total balance sheet and off-balance sheet exposure from one or more capital and organisationally related entities cannot be greater than 20% of the 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 bank and the borrower.

Pursuant to provisions of the Resolution No. 5/2001 of the Commission for Banking Supervision dated 12 December 2001 regarding specific rules for calculating capital requirements for banking risk categories, including capital requirement for exposure exceeding concentration limits, (...) (NBP Official Journal No. 22, item 43) the Bank is allowed to maintain exposure exceeding concentration limits, as defined in article 71 paragraph 1 of the Banking Act, on condition that the excess exposure relates only to transactions classified to trading portfolio.

Equity as at 30 June 2002, for the purpose of setting concentration limits specified in the Banking Act, has been established in accordance with resolution No. 6/2001 of the Commission for Banking Supervision dated 12 December 2001 regarding specific rules for calculating equity for banks (...) (NBP Official Journal No. 22, item 44)

As at 30 June 2003 the Bank had an exposure to a related party from the banking sector exceeding the exposure limits laid down by law. The excess exposure emerged solely by virtue of derivative transactions. As a consequence, an additional capital requirement for excess exposure was factored into the calculation of the Bank's capital adequacy ratio as of 30 June 2003.

The Bank sets out to limit its exposure to individual clients. In the presented periods the Bank's exposure did not exceed the regulatory limits in respect of banking portfolio exposure to a single entity or a group of related entities and did not exceed other concentration limits set by Banking Law. As at 30 June 2003, the Bank's exposure in banking portfolio transactions with customers, which exceeded 10% of the Bank's equity, amounted to PLN 831,606,000 i.e. 18.3 % of the equity (31 December 2002: PLN 935,499,000, i.e. 18.9 %; 30 June 2002: PLN 726,510,000, i.e. 14.7 %).

Concentration of exposure in individual industry sectors

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

The Bank's policy regarding exposures to large corporate customers and financial institutions active in particular sectors is developed through an identification of target markets. A key component in this identification of markets is an assessment of sectoral risk. To this end, specialists in particular industries carry out sectoral analyses. Within the framework of the target markets specified, lending programmes are drawn up with documented requirements for approving the risk involved in specific kinds of business. The

higher the sectoral risk, the tighter the criteria for risk approval. The assessment made of the financial condition of a given industry and its development prospects is a major element in the internal rating assigned to a customer.

In terms of small and medium enterprises, the Bank's policy on exposures consists of identifying a target market by deselecting particular industries. This involves eliminating from the target market those industries where the risk of doing business is considered too steep for the standards, which the Bank has set itself.

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

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

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

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

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

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

<i>Sector of the economy according to Polish Classification of Economic Activity (PKD)</i>	<i>30 June 2003 in %</i>	<i>31 December 2002 in %</i>	<i>30 June 2002 in %</i>
Wholesale trade excluding motor vehicles	20.5	21.2	19.9
Financial intermediary excluding insurance and pension funds	11.2	8.8	7.4
Production of food and beverages	6.1	6.3	6.4
Generation and distribution of electrical energy, gas, steam, and hot water	5.3	6.5	6.8
Construction	4.8	5.5	5.2
Production of chemicals, chemical products, and artificial fibres	4.0	3.3	3.8
Manufacture of mechanical vehicles, trailers, and semitrailers	3.8	2.9	3.8
Manufacture of machines and equipment not classified elsewhere	3.3	3.8	3.1
Sale, service, and repair of mechanical vehicles and motorcycles, retail sale of fuel for vehicles	3.1	2.9	2.3
Post office and telecommunications	2.8	2.8	3.2
Top 10 business sectors	64.9	64.0	61.9

<i>Industry branch by PKD</i>	<i>30 June 2003 in %</i>	<i>31 December 2002 in %</i>	<i>30 June 2002 in %</i>
Other services related to economic activities	2.2	3.0	5.0
Production of rubber and plastic products	2.1	2.0	2.2
Retail sale excluding mechanical vehicles and motorcycles; repair of household items and consumer products	2.1	1.6	1.3
Production of metals	2.0	2.1	2.6
Production of finished goods made from metal, excluding machinery and equipment	1.8	1.8	2.0
Manufacture of products from non-metal raw materials	1.7	2.1	1.7
Production of coke and refining products of crude oil and nuclear fuels	1.7	1.1	2.1
Production of furniture, other non-categorised manufacturing activities	1.6	1.8	1.6
Production of machines and electrical equipment non- categorised elsewhere	1.6	2.4	2.1
Production of radio, television, and communication hardware and equipment	1.5	1.5	1.1
<i>Top 20 business sectors</i>	<i>83.2</i>	<i>83.4</i>	<i>83.6</i>
Other sectors	<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 uses of funds

Source of funds	in PLN thousand		
	30 June 2003	31 December 2002	30 June 2002
Funds from banks	2,067,443	2,072,447	4,353,718
Funds of customers and Budget	18,362,268	18,196,940	16,946,085
Other external funds	6,341,316	5,943,111	5,222,969
Own funds and net profit	5,818,607	5,969,109	5,871,260
Total source of funds	32,589,634	32,181,607	32,394,032

Use of funds	in PLN thousand		
	30 June 2003	31 December 2002	30 June 2002
Bank placements	3,644,221	3,948,642	5,232,008
Amounts due from customers and Budget	15,479,097	14,747,583	15,178,265
Securities, shares, and other financial assets	9,055,525	9,318,440	7,051,401
Other use	4,410,791	4,166,942	4,932,358
Total use of funds	32,589,634	32,181,607	32,394,032

Set out below are consolidated amounts due to and from customers and Budget as at 30 June 2003 related to operations carried out by the Bank branches, presented by region within which the branches are grouped.

in PLN thousand

Name of region / Geographic operating area by province/district	Amounts due to customers and budget	Amounts due from customers and budget
<u>Bydgoszcz Region</u>	673,248	1,620,455
provinces:		
Kujawsko – Pomorskie, Pomorskie, Warmińsko – Mazurskie and districts of the Zachodnio – Pomorskie province: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, city of Koszalin.		
<u>Katowice Region</u>	778,998,	1,506,363
provinces:		
Śląskie, Opolskie, and districts of the Małopolskie province: chrzanowski, oświęcimski.		
<u>Kraków Region</u>	684,529	1,072,981
provinces:		
Podkarpackie, Świętokrzyskie, Małopolskie without districts allocated to Katowice Region		
<u>Poznań Region</u>	1,009,259	,2,068,243
provinces:		
Lubuskie, Wielkopolskie, Zachodnio – Pomorskie without districts allocated to Bydgoszcz Region		
<u>Warszawa Region</u>	9,049,924	,7,336,591
The city of Warsaw, voivodships:		
Mazowieckie, Lubelskie, Łódzkie, Podlaskie.		
<u>Wrocław Region</u>	203,708	706,893
province:		
Dolnośląskie.		
Consumer Bank – CITIBANK HANDLOWY	5,962,602	1,167,571
<u>Total</u>	18,362,268	15,479,097

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

in PLN thousand

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

Set out below are consolidated amounts due to and from customers and the State Budget as at 30 June 2003 related to Bank branches operations, presented by region within which the branches are grouped.

in PLN thousand		
Name of region / Geographic operating area by province/district	Funds of customers and the budget sector	Receivables from customers and the budget sector
<u>Bydgoszcz Region</u> provinces: Kujawsko – Pomorskie, Pomorskie, Warmińsko – Mazurskie and districts of the Zachodnio – Pomorskie province: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, city of Koszalin.	673,336	1,591,128
<u>Katowice Region</u> provinces: Śląskie, Opolskie, and districts of the Małopolskie province: chrzanowski, oświęcimski.	700,073	1,278,079
<u>Kraków Region</u> provinces: Podkarpackie, Świętokrzyskie, Małopolskie without districts allocated to the Katowice Region	453,393	935,380
<u>Poznań Region</u> provinces: Lubuskie, Wielkopolskie, Zachodnio – Pomorskie without districts allocated to the Bydgoszcz Region	868,331	1,817,502
<u>Warszawa Region</u> The city of Warsaw, provinces: Mazowieckie, Lubelskie, Łódzkie, Podlaskie.	7,872,011	8,053,469
<u>Wrocław Region</u> province: Dolnośląskie.	121,914	421,973
Consumer Bank – CITIBANK HANDLOWY	6,257,027	1,080,730
<u>Total</u>	16,946,085	15,178,265

3. Contributions to foreign branches

The Bank does not conduct any operations through foreign branches.

4. Financial instruments

4.1. Financial instruments by categories of financial assets and liabilities

	in PLN thousand		
	30 June 2003	31 December 2002	30 June 2002
Financial assets for trading purposes	5,671,928	6,080,900	4,083,541
Financial liabilities for trading purposes	3,904,377	4,156,995	3,349,807
Loans granted and own receivables	14,858,738	14,169,512	15,205,073
Financial assets held until maturity	66,292	305,707	327,834
Financial assets available for sale	2,910,772	2,520,153	2,152,473
Total financial instruments	27,412,107	27,246,333	25,118,728

4.1.1. Financial assets for trading purposes

Financial assets for trading purposes by particular group of assets:

	in PLN thousand		
	30 June 2003	31 December 2002	30 June 2002
Debt securities	1,641,680	1,557,450	665,833
Amounts receivable from revaluation of derivative instruments	4,030,248	4,523,450	3,417,708
Total financial assets for trading purposes	5,671,928	6,080,900	4,083,541

Change of financial assets for trading purposes:

	in PLN thousands		
	1st half of 2003	2002	1st half of 2002
Opening balance	6,080,900	3,612,461	3,612,461
increases (resulting from)	52,574,775	62,445,747	30,471,457
- purchases	52,547,081	61,268,042	30,395,334
- increase in added value of derivative revaluation	-	1,169,064	63,457
- other (settlement of discount, premium, interest)	27,694	8,641	12,666
decreases (resulting from)	(52,983,747)	(59,977,308)	(30,000,377)
- sale	(52,486,795)	(59,976,765)	(29,999,228)
- decrease in the added value of derivative revaluation	(493,851)		
- other (settlement of discount, premium, interest)	(3,101)	(543)	(1,149)
Closing balance	5,671,928	6,080,900	4,083,541

Debt securities for trading purposes

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

Amounts receivable from valuation of derivative instruments

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

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

As at 30 June 2003 the Bank placed deposits at other institutions to hedge derivative transactions to the total amount of PLN 40,525,000 (31 December 2002: PLN 149,789,000; 30 June 2002: PLN 47,289,000), and for derivative transactions, the Bank received a collateral totalling PLN 4,745,000 (31 December 2002: PLN 1,225,000; 30 June 2002: PLN 4,042,000).

Forward and swap FX contracts

In the first half of 2003 the Bank concluded forward and swap FX contracts. Forward foreign exchange contracts are agreements to exchange specific amounts of currency at a specified exchange rate, with settlement date falling two working days after the transaction date. Foreign currency swaps are combinations of spot (settlement on the second working day following transaction date) and forward foreign exchange contracts whereby a specific amount of currency is exchanged at the current rate for spot date, and then exchanged back at a forward rate and date. The nominal value of foreign exchange contracts expresses the amount of foreign currency purchased or sold under the contracts and does not represent the actual market or credit risk associated with these contracts.

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

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

Currency option contracts

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

FX options are valued and recognised in the profit and loss account at their market value and are calculated using the Garman-Kohlhagen valuation model. Unrealised revaluation gains and losses are recognised in "Other securities and other financial assets" or "Other liabilities arising from financial instruments" in their gross value, i.e. without netting. Premiums received on written options are presented in "Other liabilities arising from financial instruments" and premiums paid on purchased options are presented in "Other securities and other financial assets." Both categories are recognised in the profit and loss account completion of the respective contract.

		in PLN thousand	
Foreign exchange contracts	30 June 2003	31 December 2002	30 June 2002
		Nominal value	
Current FX contracts	11,728,004	3,413,935	7,984,689
Forward FX contracts including 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 foreign exchange contracts	50,867,121	44,348,915	55,242,719

Interest rate contracts

In the first half of 2003, the Bank's interest rate transactions included interest rate swaps (IRS), currency interest rate swaps (CIRS), and forward rate agreements (FRA).

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

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

The contracts are accounted for at their market value calculated using the discounted cash flow valuation model. Unrealised revaluation gains and losses are recognised in the balance sheet in „Other securities and other financial assets" or in „Other liabilities arising on financial instruments" in their gross value, i.e. without netting.

Interest rate option contracts

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

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

		in PLN thousand	
Interest rate contracts	30 June 2003	31 December 2002	30 June 2002
Nominal value			
<i>Forward rate agreements:</i>			
Forward rate agreements purchased:	7,950,000	8,550,000	9,660,000
Forward rate agreements sold:	8,574,150	8,455,000	9,530,000
<i>Interest rate options</i>			
Interest rate options purchased:	1,407,476	1,735,597	1,098,729
Interest rate options 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 3 to 5 years)	14,244,737	14,090,075	13,062,207
(maturing after 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 3 to 5 years)	336,361	341,204	1,200,369
(maturing after 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 3 to 5 years)			140,000
Interest rate cross currency swap			
(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 to 5 years)	945,609	236,282	63,145
(maturing after 5 years)	117,494	956,835	
<u>Receive fixed pay fixed</u>			
Interest rate cross currency swap			
(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 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 where the settlement occurs later than at a spot date (forward contracts).

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

Share options

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

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

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

4.1.2. Financial liabilities for trading purposes

Financial liabilities available for trading purposes by category:

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

Change in financial liabilities available for trading purposes:

	in PLN thousand		
	1st half of 2003	2002	1st half of 2002
Opening balance	4,182,578	3,175,314	3,175,314
increases (resulting from)	-	1,007,264	174,493
- revaluation	-	1,007,264	174,493
decreases (resulting from)	(278,201)	-	-
- revaluation	(278,201)	-	-
Closing balance	3,904,377	4,182,578	3,349,807

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

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

4.1.3. Loans granted and own receivables

Loans granted and own receivables by category:

	in PLN thousand		
	30 June 2003	31 December 2002	30 June 2002
Loans and borrowings	15,342,216	14,599,260	15,651,586
Purchased receivables	415,359	463,310	345,638
Drawn guarantees	63,248	20,973	49,386
Interest receivable	657,685	590,305	492,405
Total loans granted and own receivables – gross	16,478,508	15,673,848	16,539,015
Provision created	(1,619,770)	(1,516,853)	(1,333,942)
Total loans granted and own receivables – net	14,858,738	14,156,995	15,205,073

Change in loans granted and own receivables:

	in PLN thousand		
	1st half of 2003	2002	1st half of 2002
Opening balance	15,673,848	16,496,744	16,496,744
increases (resulting from)	14,035,928	27,920,982	13,750,285
- new contracts *	13,970,410	27,730,803	13,658,006
- interest receivable	65,518	190,179	92,279
decreases (resulting from)	(13,231,268)	(28,743,878)	(13,708,014)
- repayment *	(13,231,268)	(28,743,878)	(13,708,014)
Closing balance – gross	16,478,508	15,673,848	16,539,015

* including short term revolving loans

Change in provision for loans 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 (resulting from)	512,762	784,793	456,478
- charges to provision	512,703	763,159	446,470
- FX differences	59	6,152	4,813
- reclassification from other category of assets	-	15,482	5,195
decreases (resulting from)	(409,845)	(498,312)	(352,908)
- release of provision	(384,288)	(435,308)	(328,725)
- write-offs against provision	(25,017)	(46,170)	(17,832)
- reclassification from other category of assets	-	(12,120)	(5,217)
- FX differences	(540)	(4,714)	(1,134)
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 amortised cost using effective interest rates net of specific provisions created.

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

4.1.4. Financial assets held until maturity

Financial assets held until maturity – by category:

	in PLN thousand		
	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 (resulting from)	6,497	259,486	186,290
- purchases	-	238,575	177,081
- FX differences	6,497	9,374	9,209
- revaluation	-	11,402	-
- other	-	135	-

	in PLN thousand		
	1st half of 2003	2002	1st half of 2002
decreases (resulting from)	(245,912)	(671,397)	(576,074)
- sale	(244,443)	(657,648)	(569,317)
- permanent diminution in value	-	(6,807)	(5,396)
- other (settlement of discount, premium, interest)	(1,469)	(6,942)	(1,361)
Closing balance	66,292	305,707	327,834

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

As at 31 December 2002 and 30 June 2002 debt securities held until maturity included in particular NBP bonds issued for decreased rate of obligatory reserve.

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

4.1.5. Financial assets available for sale

Financial assets available for sale – by category:

	in PLN thousands		
	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	30,763	23,117	61,961
Units in investment funds	-	4,000	3,874
Total financial assets available for sale	2,910,772	2,520,153	2,152,474

Change in financial assets available for sale:

	in PLN thousands		
	1st half of 2003	2002	1st half of 2002
Opening balance	2,520,153	1,565,507	1,565,507
- change in adopted accounting principles	-	25,913	25,913
Opening balance, after reconciliations to conform with current year presentation:	2,520,153	1,591,420	1,591,420
increases (resulting from)	5,477,097	21,489,900	10,511,203
- purchases	5,408,983	21,463,278	10,491,299
- FX differences	25,391	5,419	4,749
- revaluation	2,839	-	-
- other (settlement of discount, premium, interest)	35,779	21,193	-
- other	4,105	10	15,155

	in PLN thousands		
	1st half of 2003	2002	1st half of 2002
decreases (resulting from)	(5,086,478)	(20,561,167)	(9,950,150)
- sale	(5,041,511)	(20,553,617)	(9,944,705)
- permanent diminution in value	(11,240)	(118)	(118)
- revaluation	-	(5,250)	(5,179)
- other (settlement of discount, premium, interest)	(33,727)	(2,174)	(148)
- other (write-offs)	-	(8)	0
Closing balance	2,910,772	2,520,153	2,152,473

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

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

4.1.6. Risk management

Market risk management

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

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

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

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

Liquidity risk management

Measurement and setting limits for liquidity risk

The fundamental measure for liquidity risk of the Bank is the report showing the gap in cash flows in particular maturities that identifies potential exposure of the Bank for additional funding needs - Market Access Report („MAR”). The MAR report includes all cash flows related to balance sheet and off-balance sheet transactions. Liquidity management encompasses all liabilities and receivables of the Bank and is focused on the maturities up to 3 months. The report is prepared on a daily basis by Treasury Product Control and includes consolidated balance sheet and balance sheets in PLN, USD, EURO, and CHF. Gap limits decided by the Assets and Liabilities Committee approved by the Regional Risk Manager and Citigroup Treasury Risk Manager are set for the following maturities: O/N, 2-7 days, 8-15 days, 1 month, 2 months, 3 months, 6 months, and 1 year tenors. Liquidity gap above one year is not limited but monitored. Statistical research related to i.e. core deposits and the product group share in Bank's balance sheet, are used for calculating the gap. The report is prepared daily. The Bank conducts stress tests on a daily basis, including potential risks resulting from a crisis in the banking system, limited market liquidity, problems within Citigroup, etc. Additionally, in order to assess liquidity risk the Market Risk department monitors the balance sheet structure of the Bank and its changes over time.

Pricing risk management

Scope of risk

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

Measurement of pricing risk of bank portfolios

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

- Interest Rate Exposure Method
- Value at Close Method

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

Pricing risk measurement for trading portfolios

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

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

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

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

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

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

Credit risk management

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

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

The key elements of credit risk management are presented below:

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

Operational risk management

Operational risk includes risk of losses resulting from operational 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 encompass swindle, forgery and dishonest conduct from personnel and customers.

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

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

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

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

4.1.7 Collateral accounting

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

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

As at 30 June 2003 and within the presented reporting periods of 2002, the Bank did not enter into any subscription option contracts or ordinary share sales contracts.

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

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

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

As of 30 June 2003 repurchase transactions not included in the balance sheet are as follows:

Sell-buy-back transactions by maturity

in PLN thousand

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

Buy-sell-back transactions by maturity

in PLN thousands

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

Buy-sell-back transactions by maturity

in PLN thousands

Type of security	up to 3 months	3 months – 1 year	1 year – 5 years	over 5 years	Total
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 thousands

Type of security	up to 3 months	3 months – 1 year	1 year – 5 years	over 5 years	Total
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 thousands

Type of security	up to 3 months	3 months – 1 year	1 year – 5 years	over 5 years	Total
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 realisation date depends only on the time necessary for the technical preparation of the funds transfer, and other off-balance sheet financial commitments. Data related to financial commitments granted as of 30 June 2003, 31 December 2002, and 30 June 2002 is shown in Additional Explanatory Note no. 9.

The Bank's financial commitments granted are irrevocable.

9. Off-balance sheet commitments

9.1. Off-balance sheet commitments granted

Commitments granted, in this:

	in PLN thousand		
	30 June 2003	31 December 2002	30 June 2002
L/Cs	137,613	199,130	231,905
including to related parties	3,286	12,265	4,100
Guarantees granted	2,662,641	2,738,719	3,028,070
including to related parties	73,242	84,553	88,002
Credit lines granted	6,403,718	6,662,409	6,092,067
including to related parties	155,795	255,972	106,306
Deposits to be issued	40,106	0	0
Other financial liabilities	436,468	0	0
Total commitments granted	9,680,546	9,600,258	9,352,042

Letters of credit:

	in PLN thousand		
	30 June 2003	31 December 2002	30 June 2002
Import L/Cs issued	117,036	187,117	206,998
including to related parties	3,286	12,265	4,100
Export L/Cs confirmed	20,577	12,013	24,907
Total L/Cs	137,613	199,130	231,905

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

The Bank makes specific provisions for off-balance sheet commitments pursuant to the Regulation of the Minister of Finance dated 10 December 2001 on the principles of creating provisions for the risks related to the operations of banks. As of 30 June 2003 the specific provisions created for off-balance commitments amounted to PLN 138,041 thousand, including provisions for off-balance sheet commitments granted to subordinated entities amounting to PLN 25,940 thousand (31 December 2002: PLN 145,307 thousand, including off-balance sheet commitments to subordinated entities PLN 21,405 thousand; 30 June 2002: PLN 127,279 thousand, including off-balance sheet commitments to subordinated entities PLN 22,477 thousand).

9.2. Contingent liabilities received

As at 30 June 2003 total contingent liabilities received amounted to PLN 3,520,140 thousand, of which 3,120,140 thousand as related to 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 of guarantee contingencies). As at 30 June 2003 the Bank reported guarantee contingent liabilities received from its subsidiaries amounting to PLN 12,813 thousand (31 December 2002: PLN 10,855 thousand; on 30 June 2002 the Bank received no guarantee contingent liabilities from subordinated entities).

9.3. Issues underwritten by the Bank

The underwriting agreements entered into by the Bank, in force as at 30 June 2003, are shown in the table below:

Name of Issuer Location	Type of agreement	Term of agreement	Bank's remuneration	Type of security	Negotiability of the security	Amount underwritten by the Bank (in PLN thousand)	Commitment as at 30 June 2003 (in PLN thousand)
Can Pack SA - Kraków	purchase of bonds	10.07.2002- 10.07.2003	discount or f/x gains, commission	Bonds	on secondary market, private placement	30,000	8,190
Polski Koncern Naftowy Orlen SA – Płock	purchase of bonds	06.07.2001- 21.11.2003	discount or f/x gains, commission	Bonds	on secondary market, private placement	50,000	8,540
Urtica Finanse SA - Wrocław	issue of bonds under the Securitisation Programme	26.10.2001- 21.01.2004	interest coupon, commission	Bonds	on secondary market, private placement	10,000	1,800
Total							18,530

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

Name of Issuer Location	Type of agreement	Term of agreement	Bank's remuneration	Type of security	Negotiability of the security	Amount underwritten by the Bank (in PLN thousand)	Commitment as at 31 December 2002 (in PLN thousand)
Can Pack SA - Kraków	purchase of bonds	10.07.2002- 10.07.2003	discount or f/x gains, commission	bonds	on secondary market, private placement	30,000	7,000
Polski Koncern Naftowy Orlen SA – Płock	purchase of bonds	06.07.2001- 21.11.2003	discount or f/x gains, commission	bonds	on secondary market, private placement	50,000	30,310
Urtica Finanse SA – Wrocław	issue of bonds under the Securitisation Programme	25.08.2002- 24.08.2003	interest coupon, commission	bond	on secondary market, private placement	10,000	3,800
City of Gdańsk	agency	31.10.1996- 26.06.2003	interest coupon	municipal bonds	on secondary market, private placement	33,100	-
Total							41,110

The underwriting agreements entered into by the Bank, in force as at 30 June 2002, are shown 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)	Commitment as at 30 June 2002 (in PLN thousand)
Carcade Invest S.A. – Warszawa	readiness to take over bills	18.10.1999-18.09.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement	27,200	-
Elektrim Kable S.A. – Ożarów Mazowiecki	readiness to take over bills	17.08.2000-17.08.2002	discount or f/x gains, commission	Commercial paper	on 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, commission	Commercial paper	on secondary market, private placement	30,000	22,210
Polski Koncern Naftowy Orlen SA - Płock	purchase of bonds	06.07.2001-06.07.2006	discount or f/x gains, commission	bonds	on secondary market, private placement	50,000	44,170
Pol Am Pack S.A. – Brzesko	guarantee to take over bills	28.09.1999-31.07.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement	30,000	26,300
Techmex S.A. – Bielsko Biała	purchase of bonds	29.08.2001-31.07.2002	discount or f/x gains, commission	bonds	on secondary market, private placement	35,000	-
Urtica Finanse S.A. - Wrocław	issue of bonds	26.10.2001-25.10.2002	interest coupon, commission	coupon bond	private placement	10,000	1,400
City of Gdańsk	agency	31.10.1996-26.06.2003	interest coupon	municipal bonds	on secondary market, private placement	33,100	-
Total							109,230

10. Dividend payment declared

Pursuant to Resolution no. 5 of the General Meeting of Shareholders dated 25 June 2003, the profit for 2002 was distributed, and the dividend eligibility date and dividend payment date were set. The Meeting appropriated PLN 241,720,260 from the 2002 net profit for dividends for shareholders and holders of convertible bonds of the first issue, which means that the amount of dividend per share and bond is PLN 1.85. The dividend right appointment date is 25 July 2003. The dividend payment was made on 1 September 2003.

11. Liabilities arising on approved dividend payable

As at 30 June 2003 the Bank had liability resulting from approved dividend payables on the distribution of the 2002 net profit, payable on 1 September 2003.

The Bank has no liabilities resulting from the approved dividend payables on the distribution of profit for previous years.

12. Amounts due to Budget or local authorities

As at 30 June 2003 and in the presented reporting periods of 2002, the Bank had no amounts due to Budget or local authorities arising from acquisition of ownership of buildings and structures.

13. Failure to carry on activity

In the first half of 2003 the Bank did not terminate any form of activity and does not envisage termination of any business segment in the second half of 2003.

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

In the first half of 2003 and in the presented reporting period of 2002, the Bank did not incur any expense relating to projects in progress, fixed assets and development costs.

15. Incurred and planned capital expenditures

Expenses incurred under projects in progress and intangible assets at 30 June 2003 amounted to PLN 10,394 thousand (31 December 2002: PLN 15,588 thousand; 30 June 2002: PLN 38,870,000). Capital expenditures in the next 12 months are planned at PLN 51,229 thousand and include investments in information technology and expenses on modernisation and fixtures in buildings.

16. Transactions with related parties**16.1. Transactions with shareholders of the Bank holding at least 10% of votes at the General Shareholders' Meeting**

At 30 June 2003 there was only one shareholder of the Bank holding, directly or indirectly through subsidiaries, at least 10% of votes at the General Shareholders' Meeting, namely Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., holder of 89.33% of votes at the Bank's General Meeting. COIC held 116,717,574 shares, which accounted for 89.33% of the Bank's share capital.

The number of votes resulting from shares held by COIC was 116,717,574, which accounted for 89.33% of the total number of votes at the General Meeting of the Bank.

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

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

As at 30 June 2003, the balances of accounts receivable and payable (excluding interest) and off-balance sheet commitments towards Citigroup Inc. companies are 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 sheet guarantee liabilities granted	54,846	50,308	35,011
Off-balance sheet 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 the bank's share capital by 17,648,500 shares following conversion of Special Participating Convertible Bonds into shares.

16.2. Transactions with subordinated undertakings

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

	in PLN thousand			
	Subsidiary	Joint ventures	Associated	Total
Amounts due from (net):				
<i>Financial entities – in respect of:</i>				
-current accounts	644,626	2,258	-	646,884
-loans granted	141,178	-	-	141,178
-subordinated loans	-	-	-	-
-bonds convertible into shares	66,292	-	-	66,292
<i>Other undertakings – in respect of</i>				
-loans granted	-	-	21,852	21,852
Total receivables	852,096	2,258	21,852	876,206
Interest and commission income:	16,038	147	1,088	17,274

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

As of 30 June 2003 the specific provisions for receivables from subsidiaries, joint ventures, and associated undertakings amounted to PLN 134,639 thousand.

Amounts due to and expenses paid to subsidiary, joint ventures and associated undertakings (without interest) as at 30 June 2003:

	in PLN thousands			
	Subsidiary	Joint ventures	Associated	Total
Amounts due to:				
<i>financial institutions – in respect of</i>				
-current accounts	214,208	1,048	41	215,297
-deposits taken	80,211	22	-	80,233
<i>other undertakings – in respect of</i>				
-current accounts	-	-	1,195	1,195
-deposits taken	-	-	18,544	18,544
Total payable	294,419	1,070	19,780	315,269
Interest and commission expense	7,440	9	1,239	8,688

In the first half of 2003 the following transactions relating to subordinated entities took place:

- sale of shares of ZO Bytom S.A., associated undertaking located in Bytom. Shares sold by the Bank accounted for 18.46% of the undertaking's share capital and the same number of votes at the GMS of the entity. With this transaction, the Bank sold all of its shares of ZO Bytom S.A;
- sale of all shares of Bytom Collection Sp. z o.o., subordinated company located in Radzionków, accounting for 100.00% of the share capital and the same number of votes at the General Meeting;
- sale of all shares of Handlowy Leasing S.A., subsidiary company located in Warsaw, member of the Capital Group of Bank to Handlowy Inwestycje Sp. z o.o.;
- takeover of assets from liquidation of the Budowa Centrum Plac Teatralny Sp. z o.o. subsidiary undertaking in liquidation.

Balance sheet amounts due from and revenues received from subsidiary, joint ventures and associated undertakings (without interest) as at 31 December 2002 are as follows:

	in PLN thousand			
	Subsidiary	Joint ventures	Associated	Total
Amounts due from (net):				
<i>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>other undertakings – in respect of</i>				
-loans granted	2,255	-	24,994	27,249
Total receivables	994,345	9	24,994	1,019,348
Interest and commission income	33,401	250	6,980	40,631

The total amount of interest and fee income includes PLN 5 418 thousand of interest received from subordinated loans granted to subsidiary undertakings of the Bank.

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

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

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

Amounts due from and revenues received from subsidiary, joint ventures and associated undertakings (without interest) as at 30 June 2002:

	in PLN thousand			
	Subsidiary	Joint ventures	Associated	Total
Net due from (net):				
<i>financial entities – in respect of:</i>				
-current accounts	20,205	-	-	20,205
-loans granted	814,776	-	-	814,776
-subordinated loans	163,771	-	-	163,771
-bonds convertible into shares	59,630	-	-	59,630
<i>other undertakings – in respect of</i>				
-loans granted	2,825	-	33,043	35,868
Total receivables	1,061,207	-	33,043	1,094,250
Interest and commission income	19,476	122	5,418	25,016

As of 30 June 2002 the specific provisions for receivables from subsidiaries, joint ventures and associated undertakings amounted to PLN 37,441 thousand.

Amounts due to and expense paid to subsidiary, joint ventures and associated undertakings (without interest) as at 30 June 2002:

	in PLN thousand			
	Subsidiary	Joint ventures	Associated	Total
Amounts due to:				
<i>financial institutions – in respect of</i>				
-current accounts	198,509	4,041	30	202,580
-deposits taken	80,323	23	-	80,346
<i>other entities – in respect of</i>				
-current accounts	7,155	-	7,929	15,084
-deposits taken	-	-	37,187	37,187
Total payable	285,987	4,064	45,146	335,197
Interest and commission income	12,261	133	1,967	14,361

- 16.3. The Bank did not enter into any material transactions with related entities involving transfer of rights and obligations with:
- members of the Board and supervisory bodies of the Bank,
 - spouses, siblings, or ascendants and descendants, or other relatives of members of the Board and supervisory bodies of the Bank.
- 16.4. Percentage share of respective transactions' categories with related parties in total transactions conducted by the Bank

As at 30 June 2003 the percentage share of transactions with related parties was as follows:

in PLN thousand				
<i>Categories of transactions</i>	Transactions with Citigroup Inc. companies	Transactions with entities constituting the Capital Group of Bank Handlowy w Warszawie SA	Total transactions with related parties	Share in %
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 liabilities granted	54,846	232,323	287,169	2.97
Off-balance sheet liabilities 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 related parties was as follows:

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

As at 30 June 2002 the percentage share of transactions with related parties was as follows:

Categories of transactions	in PLN thousand			
	Transactions with Citigroup Inc. companies	Transactions with entities constituting the Capital Group of Bank Handlowy w Warszawie SA	Total transactions with related parties	Share in %
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 liabilities granted	35,011	198,408	233,419	2.50
Off-balance sheet liabilities received	755,256	-	755,256	34.22
Derivative transactions	60,585,124	-	60,585,124	51.46

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

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

17. Joint ventures excluded from the consolidation

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

18. Income and expenses related to brokerage activity

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

19. Write-offs of bad debts

As at 30 June 2003 the bad debts written off against the specific provisions amounted to PLN 25,017 thousand (31 December 2002: PLN 46,170 thousand; 30 June 2002: PLN 17,832 thousand).

20. Provisions for employee payments

As of 30 June 2003 the provision for employees future payments amounted to PLN 66,744 thousand (31 December 2002: PLN 86,749 thousand; 30 June 2002: PLN 59,438 thousand) including:

- the provision for remunerations and charges to remunerations amounting to PLN 29,727 thousand (31 December 2002: PLN 32,417 thousand; 30 June 2002: PLN 26,011 thousand),
- the provision for personnel restructuring expense resulting from the merger with Citibank (Poland) S.A. 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 Employee Pension Plans

The Bank created an Employee Pension Plan (the Plan) for its employees, with the objective with objective to save and accumulate financial assets from premiums paid within the Programme in order to assure retirement or disability pensions.

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

Each employee who participates in the Plan can also make additional premium contributions to the Plan. Fund assets are managed by PPTE DIAMENT S.A.

Total of the premiums paid to the Fund is invested in units of Specjalistyczny Otwarty Fundusz Inwestycyjny Kapitał Handlowy Senior managed by Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A.

22. Custody services for securities

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

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

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

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

In the first half of the year, the Bank continued works on the implementation of a modified way to service foreign financial intermediaries resulting in a simplified structure of securities accounts used for recording transactions concluded through foreign brokers by international investors. The new settlement process will be fully compliant with standards of the developed capital markets.

The ranking is prepared based on meetings and questionnaires sent to global custody banks, brokerage firma, insurance companies and other financial institutions. Marks are given based on achievements in particular categories, e.g. settlement of securities transactions, customer representation at general meetings of shareholders, informing on issuers' activities, types of securities transactions available, technologies and operational systems used and information on market changes. Special attention is paid to the quality of customer service.

Number of custody accounts

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

Depository for Pension Funds

The Bank acts as depository for six Pension Funds:

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

and for Pracowniczy Fundusz Emerytalny Telekomunikacji Polskiej S.A.

Depository for investment funds

The Bank acts as depository for 19 investment funds set up by the following investment fund companies:

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

23. Asset securitisation

As at 30 June 2003 and in the presented reporting periods of 2002 the Bank had no securitised receivables.

24. Employment

In the first half of 2003 the average number of employees at the Bank was 4,742, including 42 blue collar positions (2002: 4,882 positions including 44 blue collar positions; 1st half of 2002: 4,910 positions including 44 blue collar positions).

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

The total remunerations of members of the Bank's Management Board and Managing Directors in the first half of 2003 amounted to PLN 9,158 thousand (2002: PLN 8,598 thousand; 1st half of 2002 PLN 7 414 thousand).

Remuneration paid to the Management Board in the first half of 2003 included PLN 1,952 thousand in base salaries, PLN 585 thousand in bonuses and prizes, PLN 174 thousand in paid insurance premiums, and PLN 6,228 thousand in benefits for leaves, damages, and manager options.

In the first half of 2003 members of the Management Board did not receive remunerations for holding positions in subsidiaries, joint ventures and associated undertakings of the Bank (2002: PLN 11 thousand; 1st half of 2002: PLN 93 thousand).

Remunerations paid to the Supervisory Board of the Bank in the first half of 2003 amounted to PLN 190 thousand (2002: PLN 314 thousand; 1st half of 2002: PLN 254 thousand). Remuneration was not paid for holding positions in subsidiary, joint ventures and associated undertakings of the Bank in those periods.

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

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

	in PLN thousand			
	Advances	Guarantees	Loans granted by the Bank *	Loans granted from the Social Fund
Employees	135	1,941	63,211	44,391
Members of the Management Board	-	293	499	-
Members of the Supervisory Board	-	160	-	-
Relatives to the persons managing or supervising the entity	-	-	-	-
Total:	135	2,394	64,210	44,391

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

As at 30 June 2003 none of the employees, the Management Board and the Supervisory Board members of the Bank benefited from advances, loans and guarantees granted by subsidiaries, joint ventures or associated undertakings of the Bank.

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

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

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

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

The Bank's exposures arising from advances, loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank as at 30 June 2002 were as follows:

	in PLN thousand			
	Advances	Guarantees	Loans granted by the Bank *	Loans granted from the Social Fund
Employees	805	2,844	62,088	46,235
Members of the Management Board	-	836	-	-
Members of the Supervisory Board	-	-	-	-
Relatives to the persons managing or supervising the entity	-	-	-	-
Total:	805	3,680	62,088	46,235

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

As at 30 June 2002 none of the employees, the Management Board and the Supervisory Board members of the Bank or their relatives benefited from advances, loans and guarantees granted by subsidiaries, joint ventures or associated undertakings of the Bank.

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

In the first half of 2003 no significant events occurred, resulting from previous periods, which would have a material impact on the 200 financial statements.

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

On 11 September 2003, the Bank entered into the agreement for sale of 13,000 ordinary shares of PKO/Handlowy Powszechnie Towarzystwo Emerytalne S.A. ("PTE") with nominal value of PLN 10,000 each, to Powszechna Kasa Oszczędności Bank Polski S.A. The portfolio represented 50% of the company's authorised capital and 50% of votes at the General Meeting of Shareholders. The agreement will become effective after all suspensive conditions are met, as specified in the agreement. As a result of the agreement, the Bank will dispose of its entire shareholding in PTE, representing 50% of the company's authorised capital and 50% of votes at the General Meeting of Shareholders.

By virtue of the Resolution No. 276/2003 of 17 September 2003, the Management Board of Warszawska Giełda Papierów Wartościowych S.A. (the Warsaw Stock Exchange) decided to, by way of an ordinary procedure, introduce 5,454,000 Series B ordinary shares of Bank Handlowy w Warszawie SA to public trading on the main market on 24 September 2003. Those shares, as registered under "PLBH00000061" code in the National Depository for Securities, have been issued pursuant to the Resolution of the Extraordinary General Meeting of Shareholders of Bank Handlowy w Warszawie SA of 15 April 1997, as later amended by the Resolution No. 4 of the Extraordinary General Meeting of Shareholders of Bank Handlowy w Warszawie SA of 19 June 1997, and have a par value of PLN 4 each. The decision of the Management Board of the Warsaw Stock Exchange on introduction of the said shares to public trading on main market will become effective on condition that the National Depository for Securities assimilate those shares to "PLBH00000012" shares, that are already traded at the Warsaw Stock Exchange. Following the assimilation and introduction of the above-mentioned shares to public trading, total number of the Bank's shares subject to public trading will increase to 130,659,600.

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

Following transactions completed in January and February 2003, the Bank and its subsidiary, Handlowy Inwestycje II Sp. z o.o., sold all of its shares in the associated company ZO Bytom S.A. Total shares sold accounted for 27.64% of the share capital of ZO Bytom S.A. and gave 27.64% of all votes at the general meeting of the company's shareholders.

The Bank granted three loans for the total amount of PLN 180,566,000 to Nowa Sp. z o.o. Szczecin Shipyard to finance construction of ships for export. Two container ships are being built for a Vietnamese client, and one for a German client. The loans are partly collateralized with surety agreements entered into with the State Treasury represented by the Minister of Finance.

On 7 March 2003, the Bank and Swedbank (FöreningsSparbanken AB) concluded an agreement on cooperation in provision of commercial banking services. Under this agreement, the Bank, using its network of sales, will provide services to Scandinavian economic entities operating in Poland. The agreement also provides for development of cooperation with the largest banking group of the Baltic States, which belongs to Swedbank Hansabank Group, for providing services to customers of Bank Handlowy w Warszawie SA who engage in economic activities in Estonia, Latvia, and Lithuania. The Swedbank Group is the fourth largest financial group in Scandinavia in terms of its balance sheet total (\$108.5b at the end of 2002). At the end of 2002, the Group had 7.8m individual and 400,000 corporate clients, a network of 858 branches, and 15,500 employees.

In March 2002, the Bank participated in the launch of a three year programme for issue of commercial papers of Geant Sp. z o.o., with the debt limit of PLN 300m. The Bank was the arranger, leading payment agent, and custodian of the programme.

At the meeting on 9 April 2003, the Management Board of the Bank approved the 2003 budget and the statement on activities of the Leopold Kronenberg Bank Foundation in 2002. The Management Board appropriated the Polish zloty equivalent of \$300,000 to financing of the Foundation's activities in 2003. The Leopold Kronenberg Bank Foundation was founded by the Bank in 1995, and it is financed through annual donations of the Founding Bank. The goal of the Foundation involves public benefit contributions in the field of education, culture and science, health care, and welfare,

On 3 June 2003, the Bank's subsidiary Handlowy-Leasing S.A. entered into a long-term loan contract with Citibank N.A., Bahrain Branch, to finance leasing transactions. Under the loan contract, Citibank N.A., Bahrain Branch extended a loan of \$100m with the interest rate of LIBOR 1M for EUR plus 5 base points per annum. As at 30 June 2003, the Company utilised the first tranche of the loan to the amount of EUR 30m. The final date of utilising the remaining loan amount expires on 31 December 2004, and the date of loan repayment is 31 December 2006.

In June 2003, the Bank launched a five-year programme to issue dematerialised bonds and deposit certificates of Rabobank Polska S.A. with the debt limit of PLN 600m. The Bank became the arranger, issue agent, dealer, payment agent, and custodian of the programme. The transaction strengthened the dominant position of the Bank in the market of debt securities issue of companies and financial institutions.

In June 2003, the Bank participated in the launch of a five-year 5 credit line ensuring the liquidity of Telekomunikacja Polska S.A., to the total amount of EUR 400m. The direct credit exposure of the Bank under this project was EUR 39.3m.

The Ordinary General Meeting of the Bank on 25 June 2003 passed a resolution on distribution of profit for 2002, and determined the dividend and dividend payment date. The Ordinary General Meeting resolved to:

- 1) distribute the 2002 profit of PLN 242,688,826.90 as follows:
 - a) dividend for shareholders and holders of first-issue convertible bonds: PLN 241,720,260, the amount of dividend per share and per bond being PLN 1.85,
 - b) write-off for reserve capital: PLN 968,566.90,

- 2) set the dividend date at 25 July 2003,
- 3) set the dividend payment date at 1 September 2003.

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

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

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

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

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

The Bank has no legal predecessor.

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

The financial data reported in these financial statements has not been adjusted for inflation. Over the twelve months ended 30 June of 2003, 2002 and 2001, inflation as measured using the increase ratio in consumer prices, goods, and services (June to June) did not exceed 100%, running at 0.8%, 1.6% and 6.2% in the respective periods concerned. The above inflation rates have been taken from the Statistical Bulletin published by the Central Statistical Office.

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

To ensure comparability of the financial data for the first half of 2002 with financial data for the reporting periods of the first half of 2003 and 2002, the financial data for this period previously published in the 2002 semi-annual report was subjected to the necessary reclassification.

The changes are compliant with the accounting principles adopted for the 2002 annual report, and include in particular:

- effective 1 January 2002, inclusion of share valuation results using the equity method, in four subsidiaries;
- effective 1 January 2002, entry in the balance sheet of perpetual usufruct of land acquired by the Bank free of charge in the previous years under the then applicable provisions.

Following the changes, the balance total as at 30 June 2002 was increased by PLN 22,097 thousand, to PLN 32,394,032 thousand, and the Bank's equity decreased by PLN 10,577 thousand to PLN 5,871,260 thousand, including net profit increased by PLN 2,833 thousand to PLN 145,045 thousand.

The semi-annual financial statement for 2003 includes changes, as compared to the previously published quarterly report for Q2 2003, in the data entered in the balance sheet, the profit and loss account, and cash flow statement, following verification of the financial data. As a result of the changes, the balance total was decreased by PLN 512, thousand, equities grew by PLN 5,318 thousand, and the net profit grew by the same amount.

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

No changes in the accounting policy were introduced in the first half of 2003.

34. Adjustments of fundamental mistakes

The Bank did not adjust any fundamental mistakes in the semi-annual financial statement for 2003.

35. Going concern assumption

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

36. Currency structure of assets and liabilities

The Bank's currency position as at 30 June 2003 is presented in accordance with principles stated in regulation No. 5/2001 of the Banking Supervision Commission dated 12 December 2001 based on specific principles for calculation of capital requirements for particular types of risk, including excesses of concentration limits, principles for calculation of solvency ratio, relationships with subsidiary undertakings or operating in the same holding and defined additional balance sheet items seized with own equity for capital adequacy calculation and the scope and methodology for calculation (Official Journal of NBP No 22, item 43).

The currency position for core currencies 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	Long (+) short (-) position
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	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)
South Africa	ZAR	414	-	-	-	-	-	414
Unconvertible currencies total		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 the capital requirement for foreign exchange risk was set at PLN 7,934 thousand.

In calculating its capital requirement against foreign exchange risk at 30 June 2003, the Bank applies the standardised method as specified in Resolution No. 5/2001 of the Commission for Bank Supervision dated 12 December 2001.

The currency position for core currencies at 31 December 2002 are as follows:

in PLN thousand

Country	Currency	Assets	Liabilities	Off- balance sheet assets	Off- balance sheet liabilities	Indexed assets	Indexed liabilities	Long (+) short (-) position
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	CZK	186,990	3,191	172,827	358,329	-	-	(1,704)
Hungary	HUF	485	292	931	852	-	-	272
Unconvertible currencies total		198,459	198,519	-	-	-	-	(60)
Total		8,834,480	6,149,002	20,621,051	22,612,608	-	-	
Total currency position								698,103

As at 31 December 2003 the total capital requirement for foreign exchange risk was set at PLN 71,903 thousand.

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

The currency position for core currencies at 30 June 2002 are as follows:

in PLN thousand								
Country	Currency	Assets	Liabilities	Off- balance sheet assets	Off- balance sheet liabilities	Indexed assets	Indexed liabilities	Long (+) short (-) position
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	CZK	311,198	55,763	348,153	596,921	-	-	6,667
Hungary	HUF	417	72	-	328	-	-	17
Unconvertible currencies total		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 the total capital requirement for foreign exchange risk was set at PLN 102,768 thousand. In calculating its capital requirement against foreign exchange risk at 30 June 2002, the Bank applies the standardised method as specified in Resolution No. 5/2001 of the Commission for Bank Supervision dated 12 December 2001.

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

1. The balance sheet as at 30 June 2003 shows assets and liabilities amounting to PLN 32,589,634,351.20;
2. Off-balance sheet items as at 30 June 2003 amounted to PLN 146,831,939,662.34 including off-balance liabilities granted at PLN 9,680,546,076.04;
3. The profit and loss account for the period from 1 January 2003 to 30 June 2003 shows a net profit of PLN 89,327,203.51;
4. The cash flow statement for the period from 1 January 2003 to 30 June 2003 shows an increase in net cash of PLN 265,957,595.83.

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

Signatures of all Management Board Members

24.09.2003

Date

Sławomir Sikora

Name

President

Position / function

Signature

24.09.2003

Date

Wiesław Kalinowski

Name

Vice-President

Position / function

Signature

24.09.2003

Date

Philip Vincent King

Name

Vice-President

Position / function

Signature

24.09.2003

Date

David J. Smith

Name

Vice-President

Position / function

Signature

24.09.2003

Date

Sunil Sreenivasan

Name

Vice-President

Position / function

Signature