ADDITIONAL EXPLANATORY NOTES

1. Concentration of exposure

Credit risk management policy

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.

Exposure limits

The Banking Act of 29 August 1997 defines 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. 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 bank constituting banking groups pursuant to the Banking Act, other bank's balance sheet items included in its supplementary funds, and the terms and procedures for the inclusion thereof, as well as the bank's balance sheet items, that are deductible for the calculation of equity (Official Journal of NBP No. 22, position 44).

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 for a single entity or a group of related entities and did not exceed other concentration limits set by Banking Law. As at 31 December 2002 the Bank's exposure in transactions with customers, which exceeded 10% of the Bank's equity amounted to PLN 935,499 thousand, i.e. 18.9% of the equity (31 December 2001: PLN 1,349,448 thousand, i.e. 25.7%).

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 Commercial 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.

Sector of the economy according to Polish Classification of Economic Activity (PKD)	***31 December 2002 in %***	***31 December 2001 in %***
Wholesale trade excluding motor vehicles	21.2	16.6
Financial intermediary, excluding insurance and pension funds	8.8	10.4
Generation and distribution of electricity, gas, steam and hot water	6.5	4.4
Production of food and beverages	6.3	6.6
Construction	5.6	5.3
Production of machinery and equipment, not included elsewhere	3.8	2.6
Production of basic chemicals, chemical products and artificial fibres	3.3	4.1
Other business activity	3.0	2.4
Sale, service and reparation of motor vehicles, retail sale of fuel	2.9	2.1
Production of other transportation equipment	2.9	3.0
Top 10 business sectors	***64.3***	***57.5***
Post office and telecommunications	2.9	4
Production of machinery and electrical equipment not included elsewhere	2.4	1.1
Production of finished goods made from non-metallic row materials	2.1	1.6
Production of metals	2.1	3.3
Production of rubber and artificial fibres products	2.0	1.6
Production of furniture; production not included elsewhere	1.8	1.2
Production of finished goods made from metal, excluding machinery and equipment	1.8	1.5
Retail sale except sale of vehicles and motorcycles, reparation of household equipment	1.6	0.3
Production of other transportation means	1.6	2.1
Overland transport and pipeline transport	1.5	0.3
Top 20 business sectors	***83.9***	***74.5***
Other sectors	***16.1***	***25.5***
Total Bank	***100.0***	***100.0***

2. Sources and uses of funds

in PLN thousand

Source of funds	**31 December 2002**	**31 December 2001**
Funds from banks	2 072 447	3 582 528
Funds from customers and Budget	18 196 940	18 905 527
Other external funds	5 943 111	4 756 695
Own funds and net profit	5 969 109	5 905 690
Total source of funds	**32 181 607**	**33 150 440**

in PLN thousand

Use of funds	**31 December 2002**	**31 December 2001**
Bank placements	3 948 642	5 298 049
Amounts due from customers and Budget	14 747 583	15 176 914
Securities and shares	9 318 440	6 544 644
Other	4 166 942	6 130 833
Total use of funds	**32 181 607**	**33 150 440**

Set out below are consolidated amounts due to and from customers and Budget as at 31 December 2002, 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**
Bydgoszcz Region provinces: kujawsko – pomorskie, pomorskie, warmińsko – mazurskie and districts from woj. zachodnio – pomorskiego: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin.	685 087	1674 596
Katowice Region provinces: śląskie, opolskie and districts chrzanowski, oświęcimski.	886 872	1 351 368
Kraków Region provinces: podkarpackie, świętokrzyskie, małopolskie without districts allocated to Katowice Region	601 081	934 399
Poznań Region provinces: lubuskie, wielkopolskie, zachodnio – pomorskie without districts relocated to Bydgoszcz Region	868 273	1 773 216
Warszawski Region provinces: mazowieckie, lubelskie, łódzkie, podlaskie.	8 911 762	7 196 096
Wrocław Region province: dolnośląskie.	154 494	645 661
Retail Banking Sector – CITIBANK HANDLOWY	6 089 371	1 172 247
Total	**18 196 940**	**14 747 583**

Set out below are consolidated amounts due to and from customers and the State Budget as at 31 December 2001, 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
Bydgoszcz Region provinces: kujawsko – pomorskie, pomorskie, warmińsko – mazurskie oraz powiaty z woj. zachodnio – pomorskiego: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin.	800 225	1 393 134
Katowice Region provinces: śląskie, opolskie and districts chrzanowski, oświęcimski.	1 024 667	1 055 152
Kraków Region provinces: podkarpackie, świętokrzyskie, małopolskie without districts allocated to Katowice Region	459 609	738 950
Poznań Region provinces: lubuskie, wielkopolskie, zachodnio – pomorskie without districts relocated to Bydgoszcz Region	1 196 031	1 872 635
Warszawski Region provinces: mazowieckie, lubelskie, łódzkie, podlaskie.	10 996 039	8 566 940
Wrocław Region province: dolnośląskie.	150 843	376 966
Retail Banking Sector - CITIBANK	4 278 113	1 173 137
Total	**18 905 527**	**15 176 914**

3. Contribution to London branch

in PLN thousand

Change in balance of contribution	2002	2001
Opening balance	-	102 450
increases	-	-
decreases (resulting from)	-	102 450
- Branch closure		102 450
- FX differences		
Closing balance	-	-

The London Branch of the Bank closed its operations as at 31 December 2001. The Bank's Supervisory Board passed a resolution on the closure of the London Branch on 15 December 2000. The London Branch of the Bank was crossed out of the Corporate Registry at the National Court Registry on 14 January 2002, by the District Court for Warsaw – Commercial Department XIX of the National Court Registry.

4. Financial instruments

The obligation to disclose information related to financial instruments arose for the first time in the annual financial statements for 2002. As a result only data for current reporting period is presented below.

4.1. Financial instruments by categories of financial assets and liabilities as of 31 December 2002.

in PLN thousand

	31 December 2002
Financial assets for trading purposes	6 080 900
Financial liabilities for trading purposes	4 182 578
Loans granted and own receivables	14 169 512
Financial assets held until maturity	305 707
Financial assets available for sale	2 520 153
Total financial instruments	**27 258 850**

4.1.1. Financial assets for trading purposes as of 31 December 2002

Financial assets for trading purposes by particular group of assets:

in PLN thousand

	31 December 2002
Debt securities	1 557 450
Amounts receivable from valuation of derivative instruments	4 523 450
Total financial assets for trading purposes	**6 080 900**

Change in financial assets for trading purposes 2002

in PLN thousand

	2002
Opening balance	**3 612 461**
increases (resulting from)	62 445 747
- purchases	61 268 042
- revaluation	1 169 064
- other (amortisation of premium, discount and interest accrual)	8 641
decreases (resulting from)	(59 977 308)
- sale	(59 976 765)
- other (amortisation of premium, discount and interest accrual)	(543)
Closing balance	**6 080 900**

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 premium 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 31 December 2002 the Bank placed deposits at other institutions to a total value of PLN 149,789 thousand, as a collateral against derivatives transactions. The Bank also took collateral of PLN 1,225 thousand.

Forward FX contracts

In the first half of 2002 the Bank concluded forward and swap FX contracts. Forward foreign exchange contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a forward date. Foreign currency swaps are combinations of spot and forward foreign exchange contracts whereby a specific amount of currency is exchanged at a spot rate at a spot date and the agreed amount of currency is exchanged back at a forward rate and date. The notional 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.

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

Forward FX contracts are revalued and accounted for at their market value calculated using the discounted cash flow valuation model. Unrealised profits and losses from revaluation of forward 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

Currency option contracts grant the buyer the right, but not obligation, to purchase or sell at a specified price a stated number of units of an underlying currency, at a future date. 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.

The contracts are accounted for at their market value calculated using the Garman-Kohlhagen 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 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 at the close of the respective contract.

	in PLN thousand
Foreign exchange contracts	**31 December 2002**
Spot contracts	3 413 935
Forward contracts including swaps	34 750 721
Options – purchased	3 060 758
Options – sold	3 123 501
Total foreign exchange contracts	**44 348 915**

Interest rate contracts

In 2002 the Bank entered into interest rate swaps (IRS), cross-currency interest rate swaps (CIRS) and forward rate agreement contracts (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	**31 December 2002**
Forward rate agreements	
Forward rate agreements purchased:	8 550 000
Forward rate agreements sold:	8 455 000
Interest rate options:	
Interest rate options purchased	1 735 597
Interest rate options sold	1 735 597
Interest rate swaps:	
Receive floating pay fixed	
Interest rate swap	
(maturing within 1 year)	7 854 302
(maturing within 2 years)	9 649 933
(maturing within 3 years)	10 597 621
(maturing within 5 years)	14 090 075
(maturing after 5 years)	3 828 208
Interest rate cross currency swaps	
(maturing within 1 year)	703 402
(maturing within 2 years)	656 793
(maturing within 3 years)	416 504
(maturing within 5 years)	341 204
(maturing after 5 years)	370 981

Receive floating pay floating	
Receive floating pay floating	
(maturing within 1 year)	7 500
(maturing within 3 and 5years)	7 719
Interest rate cross currency swap	
(maturing within 1 year)	120 000
(maturing within 2 years)	194 021
(maturing within 3 years)	236 282
(maturing within 5 years)	956 835
(maturing after 5 years)	4 060
Receive fixed pay fixed	
Interest rate cross currency swap	
(maturing within 1 year)	17 453
(maturing within 2 years)	15 708
(maturing within 3 years)	
(maturing within 5 years)	277 016
(maturing after 5 years)	488 970
Total interest rate contracts	**71 310 781**

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 instrument at an exercise date. 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	**31 December 2002**
Securities options – purchased	380 949
Securities options – sold	380 949
Purchased securities pending delivery	241 549
Sold securities pending delivery	68 997
Total securities contracts	**1 072 444**

4.1.2. Financial liabilities for trading purposes as of 31 December 2002

Financial liabilities available for trading purposes by category

	in PLN thousand
	31 December 2002
Liabilities arising on valuation of transactions in financial instruments	4 182 578
Total financial liabilities available for trading purposes	**4 182 578**

Change in financial liabilities available for trading purposes in 2002

	in PLN thousand
	2002
Opening balance	**3 175 314**
increases (resulting from)	1 007 264
- increased negative valuation of derivative instruments	1 007 264
decreases (resulting from)	-
Closing balance	**4 182 578**

The item “liabilities arising on valuation of transactions in financial instruments” 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 as of 31 December 2002

Loans granted and own receivables by category

	in PLN thousand
	31 December 2002
Loans and borrowings	14 599 260
Purchased receivables	463 310
Drawn guarantees	20 973
Interest receivable	590 305
Total loans granted and own receivables – gross	15 673 848
Provision created	(1 504 336)
Total loans granted and own receivables – net	**14 169 512**

Change in loans granted and own receivables in 2002

	in PLN thousand
	2002
Opening balance	**16 496 744**
increases (resulting from)	27 920 982
- new contracts*	27 730 803
- interest receivable	190 179
decreases (resulting from)	(28 743 878)
- repayment*	(28 743 878)
Closing balance - gross	**16 539 015**

* including short term revolving loans

Change in provision for loans and own receivables in 2002

	in PLN thousand
	2002
Opening balance	**1 217 373**
increases (resulting from)	785 275
- charges to provision	763 159
- FX differences	6 634
- reclassification from other category of assets	15 482
decreases (resulting from)	(498 312)
- release of provision	(435 308)
- write-offs against provision	(46 170)
- reclassification from other category of assets	(12 120)
- FX differences	(4 714)
Closing balance	**1 504 336**

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.

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

4.1.4. Financial assets held until maturity as of 31 December 2002.

Financial assets held until maturity – by category

	in PLN thousand
	31 December 2002
Debt securities	305 707
Total financial assets held until maturity	**305 707**

Change in financial assets held until maturity in 2002

	in PLN thousand
	2002
Opening balance	**717 618**
increases (resulting from)	259 486
- purchases	238 575
- FX differences	9 374
- revaluation	11 402
- other	135
decreases (resulting from)	**(671 397)**
- sale	(657 648)
- permanent diminution in value	(6 807)
- other (discount and interest accrual, premium amortisation)	(6 942)
Closing balance	**305 707**

Debt securities held until maturity include in particular NBP bonds issued for decreased rate of obligatory reserve.

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.

4.1.5. Financial assets available for sale as of 31 December 2002

Financial assets available for sale – by category

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

Change in financial assets available for sale in 2002

	in PLN thousand
	2002
Opening balance	**1 565 507**
-change in adopted accounting principles	25 913
Opening balance, after reclassifications to conform with current year presentation:	1 591 420
increases (resulting from)	21 489 900
- purchases	21 463 278
- FX differences	5 419
- discount and interest accrual, premium amortisation	21 193
- other	10
decreases (resulting from)	(20 561 167)
- sale	(20 553 617)
- permanent diminution in value	(118)
- revaluation	(5 250)
- discount and interest accrual, premium amortisation	(2 174)
- other (write-offs)	(8)
Closing balance	**2 520 153**

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

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 in the Group 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
– 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 the Market Risk Department and includes consolidated balance sheet and balance sheets in PLN, USD and EURO. Gap limits decided by the Market Risk Department are set for the following maturities: O/N, 2-7 days, 8-15 days, 1 month, 2 months, 3 months, 6 months, 1 year, 2 years and over 2 years. Statistical research related to i.e. core deposits and structure of balance sheet, renewals of loans and withdrawals of deposits are taken into account when calculating liquidity gap. The report is prepared based on „business as usual”, however, once in a quarter some stress analyses considering potential risks resulting from e.g. a crisis in banking system and limited market liquidity, problems within Citigroup, ect., are prepared. 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 (and, as a result prices of the instruments) 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”). Non-trading portfolios include all other items of assets and liabilities, which were not classified to trading portfolios and off-balance sheet transactions that fulfil requirements for hedge accounting. The objective of such transactions is realisation of the result in the whole contractual life of the transaction. The Treasury Department (ALM Desk) acquires interest rate risk items from non-trading portfolios of the Corporate and Investment Banking and Consumer Banking, leasing subsidiaries and DM BH. The mechanics of the interest rate risk transfer is based on an internal transfer pricing system. The result on non-trading portfolios is calculated on an accrual basis.

Measurement of pricing risk for non-trading portfolios

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

- Earnings at Risk EaR
- Cost to Close CtC

Pricing risk measurement for trading portfolios

The fundamental method for pricing risk management for trading portfolios is Value at Risk, with an assumed time horizon of 1 day, and confidentiality level at 99%. VAR is utilised only for positions with linear risk. All non-linear positions are closed via back-to-back trades with Citibank London. The methodology is supported by Factor Sensitivity analyses, which set limits for change in value of portfolios when market parameters change by 1 unit (1 basis point for interest rates, 1% for FX rates and shares prices).

The two methods are supplemented by the following limits:

- Management Action Trigger,
- Aggregate Contracts Limit,
- Maximum Maturity

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 Bank's operational risk management system includes procedures, controls, limits and self-tests implemented in order to avoid mistakes and identify irregularities. The system reflects requirements set by the Polish supervisory bodies as well as to meet recommendations applied within Citigroup.

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 or quarterly basis (depending on requirements). Performing of control functions is confirmed by appropriate documentation or by signatures on control functions lists. Additionally, specialised control units within Operations and Finance fulfill control functions in the field of operational risk.

A self-assessment system is a substantial component of the operational risk management process. On a quarterly basis, persons managing organisational units are required to verify correctness of control functions and present a report on the quarterly self-assessment.

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

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

As at 31 December 2002 the Bank did not have such contracts.

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

Assets being used as a pledge against the Bank's own obligations or third part obligations as of 31 December 2002 and in other presented reporting periods of 2001 are shown in explanatory notes to balance sheet no. 1, 2 and 6.

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

As of 31 December 2002 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
Treasury bonds	22 816	43 018	-	-	**63 834**
Corporate bonds	176 090	-	-	-	**176 090**
Commercial papers	3 040	-	-	-	**3 040**
Total	**201 946**	**43 018**	**-**	**-**	**244 964**

Buy-sell-back transactions by maturity

in PLN thousand

Type of security	Up to 3 months	3 months – 1 year	1 year – 5 years	Over 5 years	Total
Treasury bonds	(5 000)	-	-	-	**(5 000)**
Corporate bonds	(14 000)	-	-	-	**(14 000)**
Commercial papers	-	-	-	-	**-**
Total	**(19 000)**	**-**	**-**	**-**	**(19 000)**

8. Financial commitments granted

Financial commitments granted include undrawn credit lines, open import L/Cs and commitments arising on concluded deposit contracts (placements given pending delivery), for which realisation date depends only on the time necessary for the technical preparation of the funds transfer. Data related to financial commitments granted as of 31 December 2002 and 2001 are 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

	31 December 2002	**31 December 2001**
L/Cs:	199 130	248 029
for related parties this amount includes	12 265	6 397
Guarantees issued	2 738 719	2 737 591
for related parties this amount includes	84 553	90 143
Credit lines granted	6 662 409	6 779 275
for related parties this amount includes	255 972	154 308
Placements given pending delivery	0	714 868
Total commitments granted	**9 600 258**	**10 479 763**

L/Cs can be presented as follows:

		in PLN thousand
	31 December 2002	**31 December 2001**
Import L/Cs issued	187 117	184 874
for related parties this amount includes	12 265	6 397
Confirmed export L/Cs	12 013	63 155
Total L/Cs	**199 130**	**248 029**

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

The Bank makes specific provisions in compliance with regulation of the Ministry of Finance dated 10 December 2001 on the principles of creating provisions for the risks related to the operations of banks. As of 31 December 2002 the specific provisions created for off-balance commitments amounted to PLN 145,307 thousand, including the provisions for off-balance sheet commitments granted to subordinated entities and amounting to PLN 21,405 thousand (31 December 2001: PLN 125,913 thousand, in this subordinated entities: PLN 11,864 thousand).

9.2. Contingent liabilities received

As at 31 December 2002 total contingent liabilities received amounted to PLN 2,757,436 thousand, of which PLN 2,213,436 thousand was related to guarantee contingencies (31 December 2001: PLN 1,472,926 thousand, including PLN 1,120,926 thousand of guarantee contingencies). As at 31 December 2002 the Bank reported a guarantee contingent liability received from its associated undertaking amounting to PLN 10,855 thousand (31 December 2001: nil).

9.3. Issues underwritten by the Bank

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	Readiness to take over 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	Readiness to take over 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	25.08.2002-24.08.2003	Interest coupon, commission	Bonds	on secondary market, private placement,	10 000	3 800
Miasto 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 31 December 2001, 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 2001 (in PLN thousand)
Carcade Invest S.A. – Warsaw	Readiness to take over bills	18.10.1999-18.11.2002	discount or f/x gains	Commercial paper	on secondary market, private placement,	37 500	-
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	14 360
Handlowy – Leasing SA – Warsaw[1]	Guaranteed	18.01.2001-18.01.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	20 000	20 000
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	16 970
Polski Koncern Naftowy Orlen SA - Płock	Readiness to take over bonds	06.07.2001-06.07.2006	discount or f/x gains, commission	Bonds	on secondary market, private placement,	50 000	39 590
Pia Piasecki S.A. –Kielce[2]	Readiness to take over bills	03.01.2001-03.01.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	25 000	-
Pol Am Pack S.A. – Brzesko	Readiness to take over bills	28.09.1999-29.03.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	30 000	26 690
Techmex S.A. – Bielsko Biała	Readiness to take over bonds	29.08.2001-31.07.2002	discount or f/x gains	Bonds	on secondary market, **private placement,**	35 000	-
Węglokoks S.A. – Katowice	Agency	23.01.2000-23.01.2002	discount or f/x gains	Commercial paper	on secondary market, private placement,	130 000	-
Urtica Finanse S.A. - Wrocław	Issue of bonds	26.10.2001-25.10.2002	Commission	Coupon bond	private placement,	10 000	1 650
Miasto Gdańsk	Agency	31.10.1996-26.06.2003	Interest coupon	Municipal bonds	on secondary market, private placement,	33 100	-
						Total	**119 260**

[1] subsidiary undertaking

[2] associated undertaking

10. Dividend payment declared

On 12 March 2003 the Management Board passed a resolution on the proposed 2002 profit distribution. The Management Board proposed the amount of PLN 241 720 260.00 to be paid in a form of dividend. This means that the dividend per share or Special Participating Convertible Bond amounts to PLN 1.85. The Management Board proposed 25 July 2003 as the dividend eligibility date and 1 September 2003 as the dividend payment date. This proposal will be presented to the Supervisory Board for their opinion and then to the General Meeting of Shareholders for approval.
The Bank had no preferred shares outstanding.

11. Liabilities arising on approved dividend payable

As at 31 December 2002 the Bank had no liabilities resulting from the approved dividend payables on the distribution of net profit for the previous years.

12. Amounts due to Budget or local authorities

As at 31 December 2002 and 31 December 2001 the Bank had no amounts due to Budget or local authorities, arising from the acquisition of ownership of buildings and structures.

13. Failure to carry on activity

In 2002 the Bank did not terminate any form of activity and does not envisage termination of any business segment in 2003.

In the first half of 2001, the Bank made a legal separation of its brokerage business. On 1 April 2001 the brokerage business of COK BH, an organisationally separate establishment of the Bank, was transferred on a non-cash basis in exchange for shares in Dom Maklerski Banku Handlowego SA, a wholly-owned subsidiary of the Bank.

The London Branch of the Bank closed its operations as at 31 December 2001. The Bank’s Supervisory Board passed a resolution on the closure of the London Branch on 15 December 2000. The London Branch of the Bank was crossed out of the Corporate Registry at the National Court Registry on 14 January 2002, by the District Court for Warsaw – Commercial Department XIX of the National Court Registry.

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

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

15. Incurred and planned capital expenditures

Capital expenditures for investments at 31 December 2002 amounted to PLN 15,588 thousand (31 December 2001: PLN 21,304 thousand). Capital expenditures for 2003 are planned in the amount of PLN 44,596 thousand and are related mainly to IT and modernization and equipping 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

The Shareholder of the Bank holding at least 10% of votes at the General Shareholders' Meeting is Citibank Overseas Investment Corporation ("COIC") located in New Castle, USA, being a subsidiary of Citibank N.A. As at 30 June 2002, COIC represented 93,20% of the total votes at the General Shareholders' Meeting. COIC and other companies from Citigroup Inc. undertake many of transactions with the Bank.

As at 31 December 2002, the balances of accounts receivable and payable (excluding interest) and off-balance sheet commitments towards Citigroup Inc. companies are as follows:

in PLN thousand

	31 December 2002	**31 December 2001**
Receivables, including:	**2 185 108**	**3 546 351**
Placements	2 183 036	3 172 928
Liabilities, including:	**509 628**	**748 994**
Deposits	292 046	1 783
Loans received	217 582	219 796
Off-balance sheet guarantee liabilities issued	**50 308**	**55 397**
Off-balance sheet guarantee liabilities received	**468 933**	**61 623**
Derivative transactions	**64 062 560**	**48 502 519**

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

16.2.Transactions with subordinated undertakings

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):				
other undertakings - in respect of:				
-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
other undertakings - in respect of:				
- 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**

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 expenses 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:				
financial institutions - in respect of:				
- current accounts	248 141	9 756	21	257 918
- deposits taken	110 399	21	-	110 420
other undertakings - in respect of:				
- current accounts	-	-	7 380	7 380
- deposits taken	-	-	19 254	19 254
Total payable	**358 540**	**9 777**	**26 655**	**394 972**
Interest and commission expense	**19 600**	**167**	**2 840**	**22 607**

In 2002 the following transactions relating to subordinated entities took place:

- purchase of additional shares in Bank Rozwoju Cukrownictwa S.A. As a result of the transaction the Bank owns 100.00% of the equity and similar share in the voting rights at the GMS of the entity. The purchase of shares of the entity is related purely to its resale (liquidation);
- sale of all shares in Cuprum Bank S.A., which represented 55.26 % of its equity and 50.20 % of the voting rights at the GMS of the entity;
- sale of all shares in Tower Service Sp. z o.o., which represented 50.30 % of its equity and similar share in the voting rights at the GMS of the entity;
- sale of all shares in Bank Handlowy International S.A. located in Luxembourg, which represented 73.12 % of its equity and similar share in the voting rights at the GMS of the entity;
- purchase of shares in „Bytom Collection" Sp. z o.o. located in Radzionków as a restructuring of its debt. As a result of the transaction the Bank owns 100% of the equity and similar share in the voting rights at the GMS of the entity. The purchase of shares of the entity is related purely to its resale or liquidation;
- sale of all shares in Hortex Holding S.A., Płońsk, which represented 31.09% of its equity and similar share in the voting rights at the GMS of the entity;
- sale of shares in MHB Mitteleuropaeische Handelsbank Aktiengesellschaft Deutsch - Polnische Bank, Frankfurt am Main, which represented 19.99% of its equity and similar share in the voting rights at the GMS of the entity. As a result of the transaction the Bank disposed all shares in MHB.

Amounts due from and revenues received from subsidiary, joint ventures and associated undertakings (without interest) as at 31 December 2001 are as follows:

in PLN thousand

	Subsidiary	Joint ventures	Associated	Total
Amounts due from (net):				
other undertakings - in respect of:				
-current accounts	18 341	5	-	18 346
- loans granted	702 915	-	-	702 915
- subordinated loans	123 478	-	-	123 478
- bonds convertible into shares	52 384	-	-	52 384
other undertakings - in respect of:				
- loans granted	-	-	101 672	101 672
Total receivables	**897 118**	**5**	**101 672**	**998 795**
Interest and commission income	**73 076**	**516**	**32 640**	**106 232**

As of 31 December 2001 the specific provisions for receivables from subsidiaries, joint ventures and associated undertakings amounted to PLN 47,312 thousand.

Amounts due to and expense paid to subsidiary, joint ventures and associated undertakings (without interest) as at 31 December 2001 are as follows:

in PLN thousand

	Subsidiary	Joint ventures	Associated	Total
Amounts due to:				
financial institutions - in respect of:				
- current accounts	120 763	372	-	121 135
- deposits taken	154 641	579	-	155 220
other undertakings - in respect of:				
- current accounts	7 247	-	6 252	13 499
- deposits taken	-	-	59 299	59 299
Total payable	**282 651**	**951**	**65 551**	**349 153**
Interest and commission expense	**26 523**	**336**	**6 622**	**33 481**

16.3. The Bank did not enter into any material transactions, i.e. transfer of rights and obligations (whether for consideration or otherwise) with:
– members of the Board and the supervisory bodies of the Bank;
- spouses, immediate relatives by blood or marriage up to the second degree of kinship or affinity, of members of the Board and the supervisory bodies of the Bank,

17. Joint ventures excluded from the consolidation

In 2002 and in the presented reporting periods of 2001 the Bank did not participate in any joint ventures with related parties.

18. Income and expenses related to brokerage activity

As of 1 April 2001 the Bank no longer conducts brokerage activity through its own establishments. Brokerage activity is carried on via the Bank's wholly owned subsidiary, Dom Maklerski Banku Handlowego S.A.

19. Write-offs of bad debts

As at 31 December 2002 the bad debts written off against the specific provisions amounted to PLN 46,170 thousand (31 December 2001: PLN 48,631 thousand).

20. Provisions for employees payments

As of 31 December 2002 the provision for employees future payments amounted to PLN 86,749 thousand (31 December 2001: 97,838 thousand), including:
- the provision for remuneration and charges to remuneration amounting to PLN 32,417 thousand. (31 December 2001: 37,802 thousand),
- the provision for personnel restructuring expense resulting from the merger of the Bank with Citibank (Poland) S.A. amounting to PLN 29,332 thousand (31 December 2001: PLN 35,036 thousand),
- the provision for employees' retirement and jubilee payments amounting to PLN 25,000 thousand (31 December 2001: 25,000 thousand).

21. Financing Employees Pension Funds

The Bank, as one of the owners, holds 79.3% of the Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A. („PPTE DIAMENT S.A.") and is a co-arranger of Międzyzakładowy Program Emerytalny DIAMENT. The Bank created for its employees Pracownicze Programy Emerytalne („Programme"), with objective to save and accumulate financial assets from premiums paid within the Programme in order to assure retirement or disability pensions. The Bank pays premiums amounting to 7% of each participant's remuneration. Each employee who participates in the Programme can also pay additional premiums into the Programme. The assets of the Fund are managed by PPTE DIAMENT S.A. Premiums paid to the Fund are invested in the 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 Securities Custody Department. The Department operates in compliance with international standards for custody services and it is therefore able to meet the requirements of the biggest and the most demanding institutional clients. In doing so, the Bank operates as an integral part of the global custody network of Citibank N.A. known as Global Securities Services.

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.

The custody services provided by the Bank include operating securities and cash accounts, settling securities transactions, handling dividend and interest payments, portfolio valuation and execution of customer proxies, and it also arranges customer representation at general meetings of shareholders. Additionally, the Securities Custody Department maintains a foreign securities register, which includes settlement of transactions concluded by domestic customers depositing securities on foreign markets.

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 it's 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 fourth quarter of 2002 the Bank initiated 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 purpose of the modification is to take advantage of opportunities defined in art. 34a of the Act on public trading in securities and the respective executive regulations which became effective on 1 January 2003. The new settlement process will be fully compliant with standards of the developed markets.

In the last ranking prepared by specialised international magazine „Global Custodian Magazine", the Bank was ranked first for custody services rendered in Poland. The objective of the annual ranking prepared in the category „Global Custodian Agent Bank" is to assess the quality of custody services offered to foreign customers by custodians operating in developing 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 changes in legal environment. Special attention is paid to the quality of customer service.

Number of custody accounts

As at 31 December 2002 the Bank maintained 4,155 custody accounts.

Depository for Pension Funds

The Bank acts as depository for five Pension Funds:

- AIG OFE
- SAMPO OFE
- OFE Pocztylion
- Pekao OFE
- Zurich OFE

and for Pracowniczy Fundusz Emerytalny Telekomunikacji Polskiej SA

Depository for investment funds

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

- SKARBIEC TFI SA
- BZ WBK AIB TFI SA
- SEB TFI SA
- PIONEER PEKAO TFI S.A.
- INVESCO TFI SA.

23. Asset securitisation

As of 31 December 2002 and 2001 the Bank did not have securitised receivables.

24. Employment

In 2002, the average number of employees in the Bank amounted to 4,882 persons, including 44 blue-collar positions (2001: 5,403 persons, including 34 blue-collar positions).

25. Remuneration, including bonuses from retained profit of the Management Board and supervisory bodies of the Bank

The total remuneration paid in 2002 to the members of the Management Board and managing directors amounted to PLN 8,598 thousand (gross) (in 2001: PLN 7,201 thousand).

Remuneration paid to the Management Board in 2002 included PLN 3,067 thousand base salary, PLN 4,916 thousand related to bonuses and awards and PLN 538 thousand related to premiums paid for insurance policies.

Total remuneration paid to the members of the Management Board for holding positions in subsidiaries, joint ventures and associated undertakings in 2002 amounted to PLN 11 thousand (2001: PLN 187 thousand).

Remuneration paid to the Supervisory Board of the Bank in 2002 amounted to PLN 314 thousand (2001: PLN 476 thousand). Remuneration was not paid for holding positions in subsidiary and associated undertakings.

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	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 31 December 2001 were as follows:

in PLN thousand

	Advances	Guaranties	Loans granted by the Bank*	Loans granted from the Social Fund
Employees	295	2 852	59 290	47 304
Member of the Management Board	2	519	-	-
Member of the Supervisory Board	-	-	-	-
Total:	**297**	**3 371**	**59 290**	**47 304**

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

As at 31 December 2001, 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.

27. Significant events relating to previous years presented in the financial statements for 2002

In 2002, no significant events occurred, resulting from previous periods, which would have a material impact on the 2002 financial statements.

28. Significant post balance sheet events excluded from the financial statements for 2002

As a result of transactions concluded in January and February 2003 the Bank and its subsidiary Handlowy Inwestycje II Sp. z o.o. sold their investment in ZO Bytom S.A. The investment sold represented both 27.64% of share capital and voting rights at the General Meeting of Shareholders of ZO Bytom S.A.

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

Effective from January 1, 2002, new amendments to the Accounting Act and supplementary executive regulations on specific accounting principles for banks were introduced. These affected significantly the balance sheet structure and the financial result of the Bank. The impact of the changes introduced in accounting principles is presented in the Additional Explanatory Notes No. 31 and 32.

On 7 March 2002 Citibank Overseas Investment Corporation, New Castle, USA („COIC"), a subsidiary of Citibank N.A., purchased a total of 753.300 ordinary series C bearer shares of Bank Handlowy. COIC is the parent company of Bank Handlowy. COIC acquired 376,650 shares from Centaur Investment Corporation at PLN 67.00 per share and 376,650 shares from Foremost Investment Corporation at PLN 67.00 per share. Both those companies are members of Citigroup Inc.

On 26 March 2002, after meeting the relevant covenants resulting from the Preliminary Act of Sale of shares in Cuprum Bank S.A., Lubin the Bank sold to Dominet S.A. the entire shareholding in the bank, representing an interest of 55.2% in authorised capital and carrying 50.2% of voting rights at the general meeting shareholders.

On 26 April 2002 the Bank sold a total of 87,741 shares in Bank Handlowy International S.A. located in Luxembourg („BHI") for EUR 22.666,43 thousand. Ownership of shares was transferred on 6 May 2002.
The shares sold represent 73.12% of share capital and voting rights at the General Meeting of Shareholders of BHI.

On 6 May 2002 the Bank received a decision of the Commission for Banking Supervision dated 26 April 2002 on changes in the Bank's Statute, which allowed an increase in the Bank's statutory capital up to PLN 500,902,400. The increase is related to conversion of 17,648,500 Special Bonds into shares of the Bank made by Citibank Overseas Investment Corporation („COIC") the parent of Bank Handlowy and a subsidiary of Citibank N.A. A statement on conversion of Special Bonds into shares was made on 12 March 2002. Registration of the Bank's capital increase from PLN 430,308,400 to PLN 500,902,400 in the National Court Register was made on 24 May 2002. The Bank's share capital is divided into 125,225,600 ordinary shares with nominal value of PLN 4 each. After the registration of the capital increase and conversion of Special Bonds into shares COIC holds 116,717,574 shares in the Bank that account for 93.20% of share capital and voting rights at the General Meeting of Shareholders of the Bank.

On 3 June 2002 the Bank informed ZO Bytom SA (the Bank's associated undertaking) about acquiring of ownership of 6,000 shares in "Bytom Collection" Spółka z o.o. located in Radzionków. The nominal value of the shares amounts to PLN 3,000,000.00.
The acquisition of shares was made following the provisions of a lien agreement concluded by the Bank and ZO Bytom SA on 8 June 2001. In this way the Bank partially provided for outstanding loan receivable from ZO Bytom S.A. up to PLN 3,000,000.00.

As a result the Bank became the sole shareholder of "Bytom Collection" Sp. z o.o., Radzionków shares. The total number of shares equals 6.008. The entity became a subsidiary undertaking of the Bank.

Following the decision made by the Banking Supervision Commission dated 24 June 2002 to place Wschodni Bank Cukrownictwa S.A. w Lublinie under administration, the pre-condition defined in the Restructuring Agreement dated 22 June 2002 concluded by the Bank with 11 other banks was fulfilled. This agreement provides for opening a credit line for WBC S.A. and an equity contribution in WBC S.A.

On 2 July 2002, a subscription agreement was concluded between the Bank and the European Investment Bank, whereby the Bank undertook to take up, on the primary market, zero-coupon-bonds to a par value of PLN 100,000,000, to be issued on 12 July 2002 and maturing in December 2011, at an issue price of 53.6250%. This represents a further agreement with the European Investment Bank under a PLN 3 billion bond issuance facility that the latter Bank has put in place. The bonds have a maturity of from 1 to 30 years, have been admitted for public trading, and are being issued in several tranches. By the end of 2001 two issues had been completed, to a value of PLN 200 million at an issue price of 45.7893% and PLN 300 million at an issue price of 45.8696%. On 14 February 2002 a tranche of PLN 300 million at an issue price of 49.53% was issued.

As a result of renouncement by Dom Maklerski Banku Handlowego w Warszawie SA ("DM BH"), which is a subsidiary undertaking of the Bank, of an underwriting contract and recording 600,000 shares H series on a securities account of PIA Piasecki - the issuer as of 25 July 2002, DM BH does not have any shares issued by the entity. The renouncement of the agreement followed default events defined in the contract. Before the execution of renouncement rights DM BH held 600,000 shares in PIA Piasecki SA, which amounted to 5.48% of its equity and voting rights at the General Meeting of Shareholders. Direct holding of the Bank in PIA Piasecki SA remained unchanged after the renouncement and equals to 4.000.000 shares, which amounted to 36.52% of its equity and voting rights at the General Meeting of Shareholders.

On 16 September 2002 the Bank and its subsidiary Handlowy Investments SA, Luxembourg sold its stake in an associated Hortex Holding S.A., Płońsk to BankAmerica International Investment Corporation, Chicago. The stake sold represents 31.09% of the entity's share capital and votes at the General Meeting of Shareholders of the entity. Simultaneously, the conditions precedent of the transfer of rights agreement concluded on 30 July 2002 between Handlowy Inwestycje Sp. z o.o., Warsaw - solely owned by the Bank, and BankAmerica International Investment Corporation, Chicago were met. The transfer of rights agreement relates to the sale of receivables arising on a CP issued by Hortex Holding S.A.

Following the provisions of a strategic partnership agreement concluded on 21 December 2000 between the Bank and NORD/LB Nordeutsche Landesbank Girozentrale, Hannover ("NORD/LB") and a supplemental agreement to the share purchase agreement concluded on 30 September 2002 between the Bank and NORD/LB, on 30 September 2002 the Bank responded to NORD/LB call to sell (as a fulfilment of the call option held by NORD/LB) 1,867 ordinary shares in MHB Mitteleuropaeische Handelsbank Aktiengesellschaft Deutsch - Polnische Bank located in Frankfurt am Main ("MHB").
The sale represented 19.99% of the entity's share capital and votes at the General Meeting of Shareholders of the entity. As a result of the transaction the Bank sold all shares owed in MHB.

On 25 November 2002 following the delegation of power resulting from § 4 par.2 point 3) and par. 3 of the resolution of the Extraordinary Meeting of Shareholders dated 15 April 1997 changed by the resolution of the Extraordinary Meeting of Shareholders dated 19 June 1997 on issuance of convertible bonds, capital increase, exclusion of subscription rights of current shareholder and Statute change, the Management Board decided to set an additional deadline for eligible bondholders to file their declarations relating to conversion of issue I bonds into ordinary shares of the Bank series B. The period for filing was set from 1 January 2003 till 28 February 2003. None of the eligible bondholders filed for the conversion during that period.

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

The Bank does not have a legal predecessor.

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

The financial data reported in these financial statements has not been adjusted for inflation. Over the twelve months ended 31 December 2002, 2001 and 2000, inflation as measured by the Consumer Price Index (June-on-June) did not exceed 100%, running at 0.8%, 3.6% and 8.5% 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

Financial data for 2001 presented in these financial statements was reclassified following regulatory changes introduced as of 1 January 2002.

Reclassifications of the previously published comparative data related to changes in classification and grouping of operations.

Reclassification can be presented as follows:

BALANCE SHEET **in PLN thousand**

	Previously presented balance as of 31.12.2001	Presentation change	Position in changes description	new balance as of 31.12.2001 according to the new presentation
Assets				
I. Cash and due from NBP	2 322 443			2 322 443
II. Treasury bills and other bills eligible for refinancing with NBP				
III. Due from financial sector	6 986 733	139 945		7 126 678
1. Current	741 595	2 556 842	1)	3 298 437
2. Term	6 245 138	(2 416 897)	1) and 2)	3 828 241
IV. Due from non-financial sector	14 170 823	(2 359)		14 168 464
1. Current	3 522 887	0		3 522 887
2. Term	10 647 936	(2 359)	3)	10 645 577
V. Due from budget	29 224	2 359		31 583
1. Current	20 099			20 099
2. Term	9 125	2 359	3)	11 484
VI. Receivables subject to securities sale and repurchase agreements				
VII. Debt securities	2 462 497			2 462 497
VIII. Investments in subsidiary undertakings	347 302	57 614	4)	440 916
IX. Investments in joint ventures		101 829	5)	101 829
X. Investments in associated undertakings	217 185	(100 295)	4), 5)	116 890
XI. Minority investments	57 770			57 770
XII. Other securities and other financial assets	20 119	3 380 623	6)	3 400 742
XIII. Intangible fixed assets	1 482 884	(29 008)	7)	1 453 876
- goodwill	1 388 536			1 388 536
XIV. Tangible fixed assets	902 732	11 944	7)	914 676
XV. Other assets	3 851 119	(3 579 716)		271 403
1. Repossessed assets	7 696	(19)		7 677
2. Other	3 843 423	(3 579 697)	2), 4), 6)	263 726
XVI. Interperiod settlements	299 609	17 064		316 673
1. Deferred tax	271 927			271 927
2. Other interbank settlements	27 682	17 064	7)	44 746
Total assets	**33 150 440**			**33 150 440**

Liabilities				
I. Due to NBP	212 486			212 486
II. Due to financial sector	4 895 223	10 228		4 905 451
1. Current	1 242 712	786 302	8)	2 029 014

2. Term	3 652 511	(776 074)	8), 9)	2 876 437
III. Due to non-financial sector	16 329 179	158 002		16 487 181
1. Savings deposits				
a. Current				
b. Term				
2. Other	16 329 179	158 002		16 487 181
a. Current	3 630 597	3 015 142	8)	6 645 739
b. Term	12 698 582	(2 857 140)	8), 9)	9 841 442
IV. Due to budget	881 006	1 931		882 937
1. Current	137 266	146 827	8)	284 093
2. Term	743 740	(144 896)	8), 9)	598 844
V. Liabilities in respect of securities subject to sale and repurchase agreements				
VI. Securities issued				
1. Short term				
2. Long term				
VII. Other liabilities arising on financial instruments		3 221 513	10)	3 221 513
VIII. Special funds and other liabilities	3 773 452	(3 391 674)	9), 10)	381 778
IX. Accruals and deferred income	727 491			727 491
1. Interperiod settlements	145 403			145 403
2. Negative goodwill				
3. Other deferred income and income in suspense	582 088			582 088
X. Provisions	425 913			425 913
1. Provision for corporate income tax				
2. Other provisions	425 913			425 913
a) short term		74 464	11)	74 464
b) long term	425 913	(74 464)	11)	351 449
XI. Subordinated debt				
XII. Share capital	430 308			430 308
XIII. Unpaid contribution to share capital (negative value)				
XIV. Own shares (negative value)				
XV. Equity reserves	3 044 585			3 044 585
XVI. Revaluation reserve	76 958			76 958
XVII. Other reserves	2 190 203			2 190 203
XVIII. Undistributed profit or (not covered loss) of prior year				
XIX. Net profit (loss)	163 636			163 636
Total liabilities	**33 150 440**			**33 150 440**

Description of changes:

1) overnight placements previously classified as term amounts due from financial institutions (banks) were reclassified in the balance sheet to demand receivables,

2) receivables arising on granted subordinated loans previously presented in „Other assets" were reclassified in balance sheet to amounts due from financial sector,

3) receivables arising on interest subsidies to preferential loans previously presented in „Amounts due from non-financial sector" were reclassified in balance sheet to amounts due from Budget,

4) contribution to entities previously presented in „Other assets" were reclassified in balance sheet to interests in subordinated undertakings,

5) shares and interests in joint ventures previously presented as associated undertakings were reclassified in accordance with their status to the new category in the balance sheet,

6) amounts receivable arising on valuation of operations in derivative instruments previously presented in „Other assets” were reclassified in balance sheet to „Other securities and other financial assets”,

7) organisation costs incurred in establishing or subsequently expanding a public limited company and the overpayment of first payment over annual payment for long-term use of land previously presented in intangible fixed assets were reclassified in the balance sheet to prepaid expenses,

8) overnight deposits previously classified as term amounts due to financial institutions were reclassified in the balance sheet to demand payables,

9) liabilities arising on cash collateral previously presented in „Other liabilities” were reclassified to term amounts due to financial sector, non-financial sector and budget,

10) amounts payable arising on valuation of operations in derivative instruments previously presented in „Other liabilities” were reclassified in balance sheet to „Other liabilities arising on financial instruments”,

11) amounts of other provisions presented in total were reclassified to split them into short term and long-term provisions,

OFF-BALANCE SHEET ITEMS

in PLN thousand

	Previously presented balance as of 31.12.2001	Presentation change	Position in changes description	New balance as of 31.12.2001 according to the new presentation
I. Contingent liabilities granted and received	10 885 821			11 952 689
1. Contingent liabilities granted:	9 764 895			10 479 763
a) lending	6 964 149	714 868	1)	7 679 017
b) guarantees	2 800 746			2 800 746
2. Commitments received:	1 120 926			1 472 926
a) lending		352 000	2)	352 000
b) guarantees	1 120 926			1 120 926
II. Commitments resulting from sale/purchase transactions	111 356 152	(1 066 868)	1), 2)	110 289 284
III. Other, including:	1 391 792			1 391 792
- Rental and similar commitments	54 596			54 596
- Collateral received	1 337 196			1 337 196
TOTAL OFF-BALANCE SHEET ITEMS	123 633 765			123 633 765

Reclassifications of the previously published comparative data related to changes in classification and grouping of operations:

1) placements pending delivery previously recognised as ’ Commitments resulting from sale/purchase transactions’ were reclassified to „Contingent liabilities granted”,

2) deposits pending delivery previously recognised as ’ Commitments resulting from sale/purchase transactions’ were reclassified to „Contingent liabilities received”,

PROFIT AND LOSS ACCOUNT

in PLN thousand

	Previously presented balance for the period 1 January to 31 December 2001	Presentation change	Position in changes description	New balance for the period 1 January to 31 December according to the new presentation
I. Interest income	2 701 174			2 701 174
II. Interest expense	(1 961 546)	6	1)	(1 961 540)
III. Net interest income (I-II)	739 628	6		739 634
IV. Fee and commission income	529 689			529 689
V. Fee and commission expenses	(45 043)			(45 043)
VI. Net fee and commission income (IV-V)	484 646			484 646
VII. Income from shares and other securities	50 436			50 436
1. Subsidiary undertakings	15 916			15 916
2. Joint ventures	140			140
3. Associated undertakings	34 380			34 380
4. Other entities				
VIII. Gains on financial operations	16 328	(6)	1)	16 322
IX. Foreign exchange profit	783 468			783 468
X. Profit / (loss) on banking activity	2 074 506			2 074 506
XI. Other operating income	80 192			80 192
XII. Other operating expenses	(90 682)	(10)	2)	(90 692)
XIII. General expenses	(1 051 475)			(1 051 475)
XIV. Depreciation	(160 903)			(160 903)
XV. Charges to provisions and revaluation	(1 064 053)	10		(1 064 043)
1. Charges to specific provisions and general risk fund	(962 247)	10	2)	(962 237)
2. Revaluation of financial assets	(101 806)			(101 806)
XVI. Release of provisions and revaluation	560 232			560 232
1. Release of specific provisions and provision for general risk fund	548 778			548 778
2. Revaluation of financial assets	11 454			11 454
XVII. Net (charges to) / release of provisions and decrease in respect of revaluation	(503 821)	10		(503 811)
XVIII. Operating profit	347 817			347 817
XIX. Extraordinary (losses)/gains	13			13
1. Extraordinary gains	13			13
2. Extraordinary losses				
XX. Profit before taxation	347 830			347 830
XXI. Corporate income tax	(184 194)			(184 194)
1. Current	(189 089)			(189 089)
2. Deferred	4 895			4 895
XXII. Other obligatory charges to profit / (loss)				
XXIII. Participation in net profits (losses) of subordinated entities consolidated on the equity basis				
XXIV. Net profit (loss)	163 636			163 636

Reclassifications of the previously published comparative data related to changes in classification and grouping of operations:

1) cost of premium on securities purchased previously recognised in interest expense were reclassified to result from financial operations,

2) charges for permanent diminution in value of fixed assets previously recognised as charges to provisions were reclassified to other operational expense,

In the financial statements for 2002 there were changes in comparison with the previously published quarterly financial statements for the fourth quarter of 2002 in respect of balance sheet data, off-balance sheet data, profit and loss statement and cash flow statement resulting from audit. As a result of these changes, the total assets decreased by PLN 72,313 thousand, the equity decreased by PLN 22,417 thousand, the net profit decreased by PLN 6,419 thousand and the off-balance sheet items decreased by PLN 22,502 thousand.

33. Changes in accounting policy in 2002

On 1 January 2002 the provisions of the Act dated 9 November 2000 on change in the Accounting Act (Official Journal No 113, item 1189) and executory regulations to the Act that take into account nature of banking business came into force for financial statements prepared for 2002.

The changes relate primarily to presentation and valuation of balance sheet and profit and loss account items mentioned below:

– co-operative ownership rights are recognised in tangible fixed assets: previously they were recognised in intangible fixed assets,

– perpetual usufruct of land purchased by the Bank is recognised in tangible fixed assets; previously it was recognised in intangible fixed assets,

– perpetual usufruct of land received free in previous years following regulations being in force at that time are recognised as tangible fixed assets; previously they were recognised off-balance sheet,

– organisation costs incurred in establishing or subsequently expanding a public limited company and the overpayment of first payment over annual payment for long-term use of land are recognised in assets in prepaid expenses; previously they were presented in intangible fixed assets,

– consumer loans and loans related to credit cards issued to individuals are accounted for using effective interest rate and net of specific provisions created; previously they were accounted for at amortised cost with linear interest accrual and net of specific provisions created,

– debt securities classified in the trading portfolio are accounted for at market value and changes in market value of debt securities in the trading portfolio are recognised as income or expense on financial operations; previously debt securities in the trading portfolio were recognised at cost – but not higher than their actual fair value and their appreciation in value was recognised in profit and loss account only when realised,

– debt securities classified as available for sale are accounted for at market value and changes in market value are recognised only when realised; previously these debt securities were classified in trading portfolio and accounted for at cost – but not higher than their actual fair value and their appreciation in value was recognised in profit and loss account only when realised,

– debt securities classified by the Bank as held until maturity are recorded at cost net of provisions against any permanent diminution in value; previously these debt securities were classified to investment portfolio and their valuation principles remained unchanged,

– fixed assets - material interests in subordinated undertakings (subsidiaries, joint ventures and associated undertakings) are accounted for under the equity method. Changes in their value as of revaluation date are recognised in the profit and loss account as a participation in net profits (losses) of subordinated undertakings accounted for under the equity method; previously these items were recognised in the balance sheet at cost net of provisions against any permanent diminution in value.

The result of the changes in principles governing valuation of assets and liabilities were incorporated to the financial statements for 2002 as adjustment to the opening balance.

It comprised of PLN 19,418 thousand revaluation increase in debt securities recorded as of 31 December 2001, PLN 31,318 charge for permanent diminution in value of subordinated entities accounted for under the equity method and PLN 36,305 thousand increase in assets/liabilities resulting from the recognition of perpetual usufructs of land in the balance sheet.

The revaluation increase in debt securities and the permanent diminution in value of subordinated entities accounted for under the equity method were presented jointly as an adjustment to the opening balance of the Bank's capital account in "changes in adopted accounting principles" line, representing a PLN 11,900 thousand decrease.

34. Adjustments of fundamental mistakes

In the financial statements for 2002 and 2001 the Bank did not adjust any fundamental mistakes.

35. Going concern assumption

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

36. Merger with CPSA

On 28 February 2001, pursuant to the Resolution of the Extraordinary General Meeting of Bank Shareholders dated 3 November 2000 the Bank merged with CPSA. The purchase was accounted under the purchase method involving the transfer of all CPSA assets to the Bank in return for the shares that the Bank allocated to CPSA shareholders
The merger involved the issue of 37,659,600 series C ordinary bearer shares, each with a par value of PLN 4. The shares in the new issue were allocated to CPSA shareholders according to the following share swap parity: 1,350 series C Bank shares for one CPSA share. The purchase price of the series C shares allocated to CPSA shareholders was defined on the basis of their fair value amounting to PLN 70 each. The fair value reflects the price that Citibank Overseas Investment Corporation announced in 2000 in two tender offers for the Banks' shares. The excess of the purchase price over the fair value of CPSA net assets is recorded in Bank assets as goodwill. As decided by the Management Board, the goodwill is being amortised over 20 years, starting March 2001, according to the straight-line method. The amortisation charges are recorded as other operating expense.
As a result of the merger between the Bank and CPSA, the capital funds and undistributed profits of CPSA were cancelled. The excess of the fair value of shares over their par value was allocated to the Bank's capital surplus, which consequently increased by PLN 2,485,534 thousand (PLN 66 times 37,659,600 shares). The par value of each share (PLN 4 each) was allocated to the authorised capital, which as a result increased by PLN 150,638 thousand.
According to CPSA's accounts at 28 February 2001, net assets amounted to PLN 1,187,265 thousand. The resulting excess of the estimated fair value of shares in the new issue over the acquired undertaking's net assets was allocated to the Bank's assets as goodwill, amounting to PLN 1,448,907 thousand, recorded in the Bank's balance sheet under the item 'intangible fixed assets'.

37. Currency structure of assets and liabilities

The Bank's currency position as at 31 December 2002 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, position 43).

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

in PLN thousand

Country	Currency	Assets	Liabilities	Off-balance assets	Off-balance liabilities	Indexed assets	Indexed liabilities	Position long (+) short (-)
USA	**USD**	4 243 062	3 422 376	17 264 588	17 880 296	-	-	**204 977**
EU	**EUR**	2 919 732	2 250 121	2 971 559	3 158 178	-	-	**482 992**
Great Britain	**GBP**	189 083	143 246	100 442	144 499	-	-	**4 781**
Switzerland	**CHF**	1 026 176	41 948	33 310	1 019 956	-	-	**(2 418)**
Sweden	**SEK**	13 353	9 924	2 688	5 164	-	-	**954**
Denmark	**DKK**	4 869	2 620	-	417	-	-	**1 832**
Australia	**AUD**	2 751	199	-	2 171	-	-	**382**
Norway	**NOK**	8 307	3 287	-	4 202	-	-	**818**
Canada	**CAD**	5 488	2 263	-	2 435	-	-	**790**
Japan	**JPY**	35 724	71 017	74 707	39 109	-	-	**306**
Czech Republic	**CZK**	186 990	3 191	172 827	358 329	-	-	**(1 704)**
Hungary	**HUF**	485	292	931	852	-	-	**272**
Unconvertible currencies total		198 459	198 459	198 519	-	-	-	**(60)**
Total		**8 834 480**	**6 149 002**	**20 621 052**	**22 612 608**	-	-	
Total currency position								**698 103**

In 2002 the Bank did not exceed existing FX risk limits. As at 31 December 2002 the total capital requirement for FX risk was calculated at PLN 70,662 thousand.

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

The currency position for core currencies at 31 December 2001 is as follows:

in PLN thousand

Country	Currency	Assets	Liabilities	Off-balance assets	Off-balance liabilities	Indexed assets	Indexed liabilities	Position long (+) short (-)
USA	**USD**	14 842 551	12 764 705	22 864 093	24 975 642	-	-	**(33 703)**
EU	**EUR**	8 535 719	8 029 594	3 608 498	3 915 730	-	-	**198 893**
Great Britain	**GBP**	486 140	589 879	116 100	13 131	-	-	**(770)**
Switzerland	**CHF**	1 198 555	644 112	443 794	995 571	-	-	**2 666**
Sweden	**SEK**	223 982	228 555	49 218	44 648	-	-	**(3)**
Denmark	**DKK**	46 329	47 733	-	1 611	-	-	**(3 015)**
Australia	**AUD**	2 854	2 592	-	1 220	-	-	**(958)**
Norway	**NOK**	7 295	6 502	-	1 811	-	-	**(1 018)**
Canada	**CAD**	94 426	94 788	-	102	-	-	**(464)**
Japan	**JPY**	69 183	34 067	18 889	54 360	-	-	**(355)**
Czech Republic	**CZK**	463 658	279 797	315 980	505 668	-	-	**(5 827)**
Hungary	**HUF**	814	664	-	-	-	-	**150**
Unconvertible currencies total		199 259	199 903	-	-	-	-	**(644)**
Total		**26 170 765**	**22 922 891**	**27 416 572**	**30 509 494**	-	-	
Total currency position								**201 709**

In 2001 the Bank did not exceed existing FX risk limits. As at 31 December 2001 the total capital requirement for FX risk was calculated at PLN 15.493 thousand.
In calculating its capital requirement against foreign exchange risk as at 31 December 2001, the Bank applied the standardised method, as specified in Resolution No. 2/2000 of the Commission for Banking Supervision dated 8 November 2000 (Official Journal of NBP No 15, pos. 27).

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

1. The balance sheet as at 31 December 2002 shows assets and liabilities amounting to PLN 32,181,606,698.53;
2. Off-balance sheet items as at 31 December 2002 amounted to PLN 133,676,804,870.40, including off-balance liabilities granted of PLN 9,600,257,206.52;
3. The profit and loss account for the year from 1 January 2002 to 31 December 2002 shows net profit of PLN 242,688,826.90;
4. The cash flow statement for the year from 1 January 2002 to 31 December 2002 shows a net cash outflow amounting to PLN 1,717,735,253.57.

Signatures of all Management Board Members

Date	Name	Position	Signature
12.03.2003	Cezary Stypułkowski	President	
12.03.2003	Shirish Apte	Vice President	
12.03.2003	Wiesław Kalinowski	Vice President	
12.03.2003	Philip King	Vice President	
12.03.2003	Witold Walkowiak	Vice President	