ADDITIONAL EXPLANATORY NOTES

1. Concentration of exposure

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

Exposure limits

The Act of 29 August 1997 - Banking Law (Official Journal No. 140, position 939) that became effective on 1 January 1998 defines maximum exposure limits for a bank. Under article 71 paragraph 1 of the Act, total exposure (including: credits, cash loans, bonds acquired and securities other than shares, bank guarantees issued, other guarantees and letters of credit as well as other accounts receivable by the bank from one or more capital and organisationally related entities which jointly take business risk), cannot be greater than 25% of a bank's equity. Equity as at 31 December 2000, for the purpose of setting concentration limits specified in the Banking Law Act, has been established in accordance with resolution No. 8/98 taken by the Banking Supervision Committee on 5 August 1998 regarding specific rules for calculating equity for bank members of banking holding or banking groups pursuant to the Banking Law 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. 19, position 43).
The Bank seeks to limit its large exposures to particular customers. In 2001, the Bank had no exposures in excess of the statutory limit of 25%, nor did it exceed the other exposure limits included in the Banking Act. The figures for December 31, 2001, indicate that the aggregate amount of the Bank's customer exposures in excess of 10% of its capital base stood at 1,349,448 thousand zloty, equivalent to 25.7% of the capital base (at December 31, 2000, the corresponding figure was 1,921,096 thousand zloty, representing 70.3% of the capital base).

Concentration of exposure in individual industry sectors

To avoid excessive concentration of credit risk, the Bank keeps an ongoing watch over the exposure in individual industry sectors, defining the areas in which the exposure should grow and the areas whose 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 a similar function with respect to small and medium enterprises is exercised by the Commercial Banking Division.

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, sectoral analyses are carried out by specialists in particular industries. 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.

As there is a large differentiation between the clients representing the individual industries, the table below shows aggregated data for the Bank's exposure in 20 major industries as at 31 December 2001.

Sector of the economy	***%***
Wholesale trade excluding motor vehicles	16.6
Financial intermediary, excluding insurance and pension funds	10.4
Production of food and beverages	6.6
Construction	5.3
Generation and distribution of electricity, gas, steam and hot water	4.4
Production of basic chemicals, chemical products and artificial fibres	4.1
Post office and telecommunications	4.0
Production of metals	3.3
Production of other transportation equipment	3.0
Production of machinery and equipment, not included elsewhere	2.6
Top 10 business sectors	***60.3***
Other business activity	2.4
Road and pipeline transport	2.2
Sale, service and reparation of motor vehicles, retail sale of fuel	2.1
Production of other transportation means	2.1
Production of rubber and artificial fibres products	1.6
Production of finished goods made from non-metallic row materials	1.6
Production of finished goods made from metal, excluding machinery and equipment	1.5
Production of radio, tv and communication equipment	1.4
Production of wooden pulpe, paper and paper-made products	1.3
Production of furniture; production not included elsewhere	1.2
Top 20 business sectors	***77.7***
Other sectors	***22.3***
Total Bank	***100.0***

2. Off-balance sheet commitments arising from sale/purchase contracts

Off-balance sheet commitments of the Group arising from sale/purchase contracts include transactions concluded by parent entity („Bank”).

Off-balance sheet “commitments arising from sale/purchase contracts” include obligations in respect of the following operations:

in PLN thousand

	Note	31 December 2001
FX contracts	2.1	52,844,749
Interest rate contracts	2.1	56,549,906
Securities contracts	2.1	775,369
Deposits taken pending delivery		352,000
Placements given pending delivery		714,868
Other (underwriting)	2.2	119,260
Total commitments arising on sale/purchase contracts		**111,356,152**

2.1. Off-balance sheet financial instruments

The Bank enters, in the normal course of business, various transactions with financial derivatives for speculation purposes and to manage its own risks arising from movements in currency and interest rates. The Bank also offers these instruments to its customers.

The Bank placed deposits at other institutions to a total value of PLN 26,589 thousand as a collateral against derivatives transactions. The Bank also took collateral of PLN 4,083 thousand against derivatives transactions.

Foreign exchange contracts (including currency swaps)

	31 December 2001 PLN thousand Notional value
Spot contracts	2,883,151
Forward contracts	44,668,669
Options – purchased	2,486,432
Options – sold	2,806,497
Total foreign exchange contracts	**52,844,749**

Foreign exchange contracts are agreements to exchange specific amounts of currencies at specified rate of exchange, at a spot date (where the settlement occurs usually two days after the trade date) or a forward date (where the settlement occurs later than at a spot 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. The Bank limits its exposure to market risk by closing its open positions and by establishing and monitoring limits on opened positions. The Bank manages credit risk by dealing only with approved counter-parties under specific credit limits. 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.

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. Market risk arises from changes in currency rates and is managed by the Bank by monitoring limits on unmatched positions. The bank manages credit risk by dealing only with approved counter-parties under specific credit limits. Currency options are used only for trading purposes at present.

Interest rate contracts

	31 December 2001 PLN thousand Notional value
Forward rate agreements:	
Forward rate agreements purchased:	11,360,000
Forward rate agreements sold:	10,405,000
Interest rate options:	
Interest rate options purchased	1,019,511
Interest rate options sold	1,019,511
Interest rate swaps:	
Receive floating pay fixed	
Interest rate swap	
(maturing within 1 year)	4,190,720
(maturing within 2 years)	5,027,273
(maturing within 3 years)	2,362,686
(maturing within 5 years)	15,271,274
Maturing after 5 years)	827,174
Interest rate cross currency swaps	
(maturing within 1 year)	1,017,914
(maturing within 2 years)	332,602
(maturing within 3 years)	1,392,460
(maturing within 5 years)	1,327,034
(maturing after 5 years)	205,500
Receive floating pay floating	
Interest rate cross currency swap	
(maturing within 1 year)	308,405
(maturing within 2 years)	120,000
(maturing within 3 years)	88,995

(maturing within 5 years)	44,645
Receive fixed pay fixed	
Interest rate cross currency swap	
(maturing within 2 years)	31,794
(maturing within 3 years)	15,708
(maturing within 5 years)	181,700
Total interest rate contracts	**56,549,906**

Forward rate agreements ("FRA") are agreements whereby the Bank agrees to either pay or receive on the value date the difference between an agreed upon fixed rate and floating reference rate, calculated on a notional amount of principal for a specified future period. The buyer of a FRA is obliged to pay on the value date a fixed rate and the seller is obliged to pay the floating reference rate. On the value date, only the actual difference between the agreed fixed rate and the floating reference rate is paid.

Forward Rate Agreements used by the Bank are standardised contracts denominated in PLN traded on the interbank market. Market risk arising from changes in interest rates is limited by entering into matching positions and by establishing limits on maximum losses.

Interest rate swaps are agreements with counter-parties to exchange periodic fixed and floating rate interest payment obligations calculated on a notional principal amount. The notional amount is the amount upon which interest rates are applied to determine the payment streams under interest rate swap. Such notional amounts are used to express the volume of these transactions but rarely are actually exchanged between counter-parties.

Market risk arises from changes in interest rates and is limited by entering into matching positions. Credit risk is managed through credit limits for individual counter-parties.

Securities contracts:

	31 December 2001 PLN thousand Notional value
Securities options – purchased	21,132
Securities options – sold	21,131
Purchased securities pending delivery	553,189
Sold securities pending delivery	179,917
	775,369

Total securities contracts

2.2. Issues underwritten by the Bank

As at 31 December 2001 underwriting commitments of the Group in respect of issue of securities by other issuers include agreements concluded by the parent entity („Bank”). 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 2000 (in PLN thousand)
Carcade Invest S.A. – Warszawa	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 – Warszawa	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	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**

3. Off-balance sheet commitments

Off-balance sheet commitments of the Group mainly include commitments granted and received by parent entity („Bank”).

	In PLN thousand
	31 December 2001
3.1. Off-balance sheet commitments granted, in this:	**9,765,095**
Letters of credit	248,029
Guarantees	2,737,791
Credit lines granted	6,779,275

Letters of credit are as follows:

	In PLN thousand
	31 December 2001
Letters of credit, in this:	
Opened import letters of credit	184,874
Accepted export letters of credit	63,155

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

The Bank makes specific provisions in compliance with regulation 8/1999 of the Banking Supervision Commission dated 22 December 1999 on the principles of creating provisions for the risks related to the operations of banks (Official Journal of the NBP No. 26, position 43). As at 31 December 2001, the specific provisions for off-balance sheet commitments amounted to PLN 125,913 thousand.

3.2. Off-balance sheet commitments to subsidiary and associated undertakings as at 31 December 2001 are as follows:

Off-balance sheet commitments to subsidiary and associated undertakings fully consolidated as at 31 December 2001.

in PLN thousand

	Subsidiary	**Associated**	**Total**
Off-balance sheet commitments, in this:			
Letters of credit	-	-	-
Guarantees granted	5,000	-	5,000
Credit lines granted	50,000	-	50,000

Off-balance sheet commitments to subsidiary and associated undertakings included in the consolidation on an equity basis as at 31 December 2001.

in PLN thousand

	Subsidiary	**Associated**	**Total**
Off-balance sheet commitments, in this:			
Letters of credit	-	-	-
Guarantees granted	-	771	771
Credit lines granted	-	-	-

Off-balance sheet commitments to subsidiary and associated undertakings excluded from the consolidation as 31 December 2001.

			in PLN thousand
	Subsidiary	**Associated**	**Total**
Off-balance sheet commitments, in this:			
Letters of credit	5,985	412	6,397
Guarantees granted	1,623	82,749	84,372
Credit lines granted	68,656	35,652	104,308
Underwriting agreements	20,000	-	20,000

As at 31 December 2001 specific provisions for off-balance sheet commitments granted to subsidiary and associated undertakings excluded from the consolidation amounted to PLN 11,864 thousand.

3.3. Contingent liabilities received

As at 31 December 2001 total contingent liabilities received amounted to PLN 1,120,926 thousand and related to guarantee contingencies. As at 31 December 2001 the Bank did not report any contingent liabilities received from entities constituting the Group.

4. Amounts due to State budget or local authorities

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

5. Failure to carry on activity

In 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 as a non-cash consideration, for shares in Dom Maklerski Banku Handlowego SA, a wholly-owned subsidiary of the Bank. The accounts of the latter undertaking at 31 December 2001 will be incorporated in the Bank's consolidated accounts at December 31, 2001, by the full consolidation method (see Introduction, section 3). The Bank does not envisage the termination of any business segment in 2002.

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

In 2001, the Bank incurred additional expense of PLN 4,352 thousand for the purchase of the Flexcube software employed at the Bank, an item included in intangible assets. This expense included salaries, social insurance and other benefits for Bank staff employed in implementing the Flexcube IT system.

7. Capital expenditures

Capital expenditures for investments in the Group held at 31 December 2001 amounted to PLN 76,633 thousand. In 2002 capital expenditures in the Group are planned in the amount of PLN 138,391 thousand.

Both investments in progress and planned investments are related mainly for refurbishment and furnishing the buildings.

8. Transactions with related parties

8.1. 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,

8.2. 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 31 December 2001, COIC represented 91.39% of the total votes at the General Shareholders' Meeting..
COIC and other companies from Citigroup Inc. use services rendered by the Bank, in particular deposit and derivative transactions.

As at 31 December 2001, 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 2001
Receivables, including:	3,546,350
Placements	3,172,928
Liabilities, including:	748,993
Deposits	1,782
Loans received	219,795
Off-balance sheet guarantee liabilities issued	55,396
Off-balance sheet guarantee liabilities received	61,622
Derivative transactions	48,502,518

In the fourth quarter of 2001, the Bank sold its loan to OAO Gazprom, amounting to USD 33,800,000, to a related party, namely, OOO Commercial Bank "Citibank T/O", Moscow. This loan represented a sub-participation in a syndicated loan arranged by Dresdner Bank. The Bank received from Citibank T/O 100% of the value of the loan at the transaction date.

8.3. Transactions with subsidiary and associated undertakings

8.3.1. Transactions with subsidiary and associated undertakings fully consolidated as at 31 December 2001.

As at 31 December 2001 the Bank's amount payable to its subsidiary undertaking - Dom Maklerski Banku Handlowego SA – due to deposits taken and current accounts amounted to PLN 120,593 thousand. As a result of joint operations the Bank recognized in 2001 interest income amounting to PLN 135 thousand and interest expense amounting to PLN 11,017 thousand. Joint operations mentioned, income and expense were eliminated in consolidated Balance sheet, consolidated profit and loss and consolidated cash flow statement.

8.3.2. Transactions with subsidiary and associated undertakings included in the consolidation on an equity basis as at 31 December 2001 .

Amounts due from subsidiary and associated undertakings (without interest) included in the consolidation on an equity basis as at 31 December 2001 are as follows:

in PLN thousand

	Subsidiary	**Associated**	**Total**
Amounts due from:			
other undertakings - in respect of:			
- subordinated loans*	159,791	-	159,791
- contributions to capital of limited liability **	45,150	-	45,150
- bonds convertible into shares	52,384	-	52,384
Total receivables	**257,325**	**-**	**257,325**
Interest and commission income	**21,348**	**4,027**	**21,352**

* Subordinated loans relate to loans granted to subsidiary entities: Handlowy Investments S.A., Handlowy Investments II S.a.r.l., Handlowy Inwestycje Sp. z o.o., to fund equity investments realised by those entities. The notional amount of the granted loans as at 31 December 2001 amounted to PLN 163,771 thousand, with provisions created for them of PLN 3,980 thousand. In the consolidated profit and loss statement, interest from these loans was eliminated (see: Note 16).

** Contributions to capital of limited liability companies relate to subsidiary entities: Handlowy Inwestycje Sp. z o.o. and Handlowy Inwestycje II Sp. z o.o., with a notional amount as at 31 December 2001 of PLN 60,146 thousand. These contributions increased the Bank's investment in these entities. Provisions created against these contributions amounted to PLN 14,996 thousand and were eliminated on consolidation.

Amounts due to subsidiary and associated undertakings (without interest) included in the consolidation on equity basis as at 31 December 2001 are as follows:

in PLN thousand

	Subsidiary	**Associated**	**Total**
Amounts due to:			
financial institutions - in respect of:			
- current accounts	-	164	164
- deposits taken	-	579	579
other undertakings - in respect of:			
- current accounts	15,040	-	15,040
- deposits taken	63,489	-	63,489
Total payable	**78,529**	**743**	**79,272**
Interest and commission expense	**8,968**	**296**	**9,264**

On 27 June 2001, in performance of an agreement concluded on 21 December 2000, the Bank sold part of the shares it held in a subsidiary undertaking, Mitteleuropaische Handelsbank AG, to NORD/LB Nordeutsche Landesbank Girozentrale, Hanover, with the shares concerned representing an interest of 22.80% in the authorised capital of the former company. As a result of this transaction, the Bank now holds 19.99% of the company's capital, and has reclassified this as a minority holding.

On 18 September 2001 the Bank sold its entire shareholding in an associated undertaking, Centro Internationale Handelsbank AG (Centrobank) to Raiffeisen Zentralbank Oesterreich AG (RZB, Austria), with this holding constituting 45.09% of the authorised capital of Centrobank and conferring the right to the same percentage of votes at a General Meeting of Shareholders.

On 27 December 2001 an increase was registered in the capital of an associated undertaking, PKO/Handlowy Powszechne Towarzystwo Emerytalne S.A., with the Bank participating in that increase on equal terms with PKO BP S.A., each taking up half of an additional share issue totalling PLN 60,000 thousand. The proportion of equity held by the Bank remained unchanged, at 50% of the authorised capital.

8.3.3. Transaction with subsidiary and associated undertakings excluded from the consolidation

Amounts due from subsidiary and associated undertakings (without interest) excluded from the consolidation as at 31 December 2001 are as follows:

in PLN thousand

	Subsidiary	**Associated**	**Total**
Net amounts due from:			
financial institutions - in respect of:			
- current accounts	18,341	5	18,346
- loans granted	702,915	-	702,915
other undertakings - in respect of:			
- current accounts	-	8,739	8,739
- loans granted	-	92,933	92,933
- contributions to incorporated companies	12.464	1.535	13,999
Total receivables	**733,720**	**103,212**	**836,932**
Interest and commission income	**51,593**	**33,152**	**84,745**

As at 31 December 2000, provisions created for due from subsidiary and associated undertakings excluded from the consolidation equalled PLN 8,784 thousand.

Amounts due to subsidiary and associated undertakings (without interest) excluded from the consolidation as at 31 December 2001 are as follows:

in PLN thousand

	Subsidiary	**Associated**	**Total**
Due to:			
financial institutions - in respect of:			
- current accounts	5,651	208	5,859
- deposits received	70,631	-	70,631
other undertakings - in respect of:			
- current accounts	7,247	6,252	13,499
- deposits received	-	59,299	59,299
Total receivables	**83,529**	**65,759**	**149,288**
Interest and commission income	**6,538**	**6,663**	**13,201**

On 13 February 2001, the Bank acquired from the National Bank of Poland (NBP) 34,549 shares, each with a par value of LUF 10,000, in Bank Handlowy International S.A., Luxembourg ("BHI"), representing an interest of 28.79% in the authorised capital of BHI and conferring the right to the same percentage of votes at a General Meeting of the latter bank's shareholders. Prior to this transaction, the Bank had held an interest of 44.33% in this company's authorised capital and the same proportion of voting rights at a general meeting. This transaction increased the Bank's holding in the share capital of BHI to 73.12%. Subsequently the process of winding down this undertaking has commenced and the Bank lowered the level of its investment in BHI . As a result the Bank did not consolidate BHI as at 31 December 2001 (see Introduction, note 9.1.1.). The full sale of BHI took place on 26 April 2002 (see point 14).

On 14 March 2001, a preliminary agreement was concluded for the sale of all of the Bank's shares in Cuprum Bank S.A., located in Lubin, amounting to 55.2% of the outstanding share capital or 50.2% of votes at the General Shareholders' Meeting. This agreement was conditional and after meeting all conditions all shares were sold as of 26 March 2002 (see note 14).

On 18 May 2001 the Bank carried out the exchange of 400 convertible bonds, which it held, each with a par value of PLN 100,000, for shares in the company of Pia Piasecki S.A. As result of this operation, the Bank acquired 4,000,000 shares in the company at a price of PLN 10 each, which constitutes an interest of 36.52% in that company's authorised capital and confers the same percentage of votes at a General Meeting of Shareholders. Prior to converting these bonds, the Bank did not hold any shares in that company.

On 27 June 2001 the Bank subscribed in full to a share issue of PLN 6,000 thousand that increased the authorised capital of a subsidiary undertaking, Towarzystwo Funduszy Inwestycyjnych BH S.A. The proportion of equity held by the Bank remained unchanged, at 100% of the authorised capital.

On 31 October 2001 the Bank acquired shares in Hortex Holding S.A. equivalent to 14.73% of that company's authorised capital. As a result of this transaction, the Bank now holds an interest of 31.09% in the capital of that company and the same percentage of votes at a General Meeting of Shareholders. The acquisition of these shares was carried out solely for the purpose of resale.

On 30 November 2001 the Bank acquired shares in the private limited company of PPH Spomasz Sp. z o.o. representing 100% of that company's equity and entitling the Bank to 100% of votes at a General Meeting of Shareholders. The company is scheduled for wounding up.

On 30 November 2001 a capital increase of the Bank's wholly owned subsidiary Citileasing Sp. z o.o. was registered. The Bank acquired all shares of the new issue amounting to 20,000 thousand zloty. The proportion of equity held by the Bank remained unchanged, at 100% of the authorised capital.

On 3 December 2001 the Bank concluded an agreement with an associated undertaking, Mostostal Zabrze-Holding S.A., to terminate as of that date the Investment Agreement previously concluded between Mostostal Zabrze-Holding S.A. and the Bank on 27 April 2000, which had provided for the possibility of taking up that company's issue of series VI shares.

Bank Handlowy Finance B.V., a subsidiary undertaking in which the Bank held 100% of the authorised capital, was wound up as of 31 December 2001.

9. Joint undertakings excluded from the consolidation on an equity or full basis

In 2001, the Bank was not involved in joint transactions with others associated companies.

10. Employment

In 2001, average employment in the Group (defined as the Bank and all subsidiary and associated undertakings) amounted to 11,905 persons, including 3,488 blue-collar positions. Average employment in the Bank and its subsidiaries in this period amounted to 6,203 persons, including 57 blue-collar positions.

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

Remuneration for the current members of the Management Board and managing directors amounted to PLN 6,675 thousand (gross) in 2001 .

Total remuneration of the members of the Management Board for holding positions in subsidiary and associated undertakings in 2001 amounted to PLN 187 thousand.

Remuneration of the Supervisory Board of the Bank in 2001 amounted to PLN 476 thousand. Remuneration was not made for holding positions in subsidiary and associated undertakings.

12. Loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank

The Bank's commitments arising on loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank as at 31 December 2001 is as follows:

in PLN thousand

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

* Loans' yield and repayment schedules are at normal market conditions.

As at 31 December 2001, the Bank had guarantee commitments granted to members of the Management amounting to PLN 2 thousand. The Bank did not have any guarantee commitments granted to members of the Management and Supervisory Boards of the Bank.

As at 31 December 2001, subsidiary and associated undertakings of the Bank did not have any guarantee commitments granted to members of the Management and Supervisory Boards of the Bank.

13. Events relating to previous years presented in the financial statements for 2001

In 2001, no significant events occurred, resulting from previous periods, which would have a material impact on the 2001 financial statements.

14. Post balance sheet events excluded from the annual financial statements for 2001

On 4 February 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, bonds to a par value of PLN 300,000,000, the issue of which took place on 14 February 2002, at an issue price equivalent to 49.53% This represents a further agreement with the European Investment Bank under a PLN 3 billion bond issuance facility which 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 performed, to a value of PLN 200 million and PLN 300 million.

On 7 March 2002 Citibank Overseas Investment Corporation, New Castle, USA („COIC"), a subsidiary od 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 per share and 376,650 shares from Foremost Investment Corporation at PLN 67 per share. Both those companies are members of Citigroup Inc.

On 26 March 2001, after fulfilment of the relevant covenants resulting from Preliminary Act of Sale of shares in Cuprum Bank S.A., Lubin the Bank sold to Dominet S.A. entire shareholding in the latter bank, representing an interest of 55.2% in its authorised capital and carrying 50.2% of voting rights at the general meeting shareholders.

On 26 April 2002, pursuant to a share sale contract, the Bank disposed off its full holding of 87,741 shares in Bank Handlowy International S.A., besed in Luxembourg ("BHI") for an amount of EUR 22,666.43. The transfer of shares took place on 6 May 2002. The shares sold represent an interest of 73.12% in the authorised capital and carry 73.12% of voting rights at the general meeting of shareholders of BHI.

On 6 May 2002 the Bank received a decision of the Banking Supervisory Commission dated 26 April 2002 on changes in the Bank's Statutes, which permitted the Bank to introduce relevant changes therein relating to an increase of authorised capital of the Bank to an amount of PLN 500,902,000. The increase is a result of the conversion by Citibank Overseas Investment Corporation ("COIC"), the parent of Bank Handlowy and a subsidiary of Citibank N.A., of 17,648,500 Special Participating Convertible Bonds („Special Bonds") into B series shares of Bank Handlowy. All the Special Bonds held by COIC were presented for conversion on 14 March 2002.

15. Financial data and inflation

The financial data reported in these financial statements have not been adjusted for inflation. Over the twelve months ended 31 December 1999, 2000, and 2001, inflation as measured by the Consumer Price Index (December-on-December) did not exceed 20%, running at 9.8%, 8.5% and 3.6% in the respective periods concerned. The above inflation rates have been taken from the Statistical Bulletin published by the Central Statistical Office.

16. Changes in accounting policy in 2001

In the financial statements as at 31 December 2001 and for the year then ended the Bank introduced two accounting policy and management estimate changes (see: Introduction p. 9):

- for the first time ever the Bank created an accrual for retirement and jubilee bonuses for employees covered by the Collective Labour Agreement; this accrual, in the amount of PLN 25,000 thousand, directly increased the Bank's general expenses for the period,
- the Bank adopted the 22% tax rate for the measurement of the deferred tax asset on specific provisions for loan losses in place of the 28% tax rate used previously; this rate has been enacted and will come into force starting from 2004; as the Bank now assumed that the loan losses for which provisions have been created will not generally crystallize earlier for tax purposes. The new rate used increased income tax expense reported by PLN 60,312 thousand.

17. Differences between the information in the financial statements and the comparable information in the previously published financial statements.

Financial data for 2000 presented in these financial statements was not reclassified and conform to the previously published financial statements for 2000.

In the consolidated financial statements for the year ended 31 December 2001 there were changes in comparison with the previously published consolidated financial statements for four quarter of 2001 resulting from audit. As a result of these changes, the total assets increased by PLN 34,367 thousand, the net profit decreased by PLN 31,042 thousand and total off-balance sheet commitments increased by PLN 1,333,488 thousand.

18. Merger with Citibank (Poland) S.A. („CPSA")

Consolidated financial statement of the Bank for 2001 contains data of merged Bank Handlowy w Warszawie SA and Citibank (Poland) S.A.(„CPSA") (see Introduction, note 4).

19. Currency structure of assets and liabilities

The Bank's currency position as at 31 December 2001 is presented in accordance with principles stated in regulation No. 2/2000 of the Banking Supervision Commission dated 8 November 2000 on settling limits of acceptable currency risk levels for the Bank's activity (Official Journal of NBP No. 15, position 27).

The currency position for core currencies at 31 December 2000 is as follows:

in PLN thousand

Country	Currency	Assets	Liabilities	Off-balance assets	Off-balance liabilities	Position long (+) short (-)
USA	**USD**	14,842,551	12,764,705	22,864,093	24,975,642	**(33.703)**
European Union	**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	0	1,611	**(3.015)**
Australia	**AUD**	2,854	2,592	0	1,220	**(958)**
Norway	**NOK**	7,295	6,502	0	1,811	**(1.018)**
Canada	**CAD**	94,426	94,788	0	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	0	0	**150**
Unconvertible currencies total		199,259	199,903	0	0	**(644)**
Total		**26,170,765**	**22,922,891**	**27,416,572**	**30,509,494**	
Total currency position						**201,709**

Currencies that are included within the EUR:

in PLN thousand

Country	Currency	Assets	Liabilities	Off-balance assets	Off-balance liabilities	Position long (+) short (-)
Germany	**DEM**	367,610	299,922	97	0	**67,786**
European Union	**EUR**	8,019,977	7,696,045	3,608,401	3,914,629	**17,704**
Belgium	**BEF**	108,679	2,459	0	0	**106,220**
Austria	**ATS**	1,915	1,992	0	0	**(77)**
France	**FRF**	17,348	16,169	0	1,101	**78**
Italy	**ITL**	12,485	6,564	0	0	**5,921**
Netherlands	**NLG**	4,250	3,484	0	0	**766**
Spain	**ESP**	1,476	1,259	0	0	**217**
Finland	**FIM**	1,682	1,473	0	0	**209**
Ireland	**IEP**	232	200	0	0	**32**
Portugal	**PTE**	31	27	0	0	**4**
Greece	**GRD**	33	0	0	0	**33**
Total		**8,535,644**	**8,029,594**	**3,608,498**	**3,915,730**	**198,893**

In 2001, individual foreign currency positions did not exceed existing limits. At 31 December 2001 the Bank's FX risk capital amounted to PLN 2,262,381 thousand, which was greater than the Bank's capital requirement against foreign exchange risk, being PLN 15,493 thousand.

In calculating its capital requirement against foreign exchange risk, the Bank applies the standardised method, as specified in Resolution No. 2/2000 of the Commission for Banking Supervision dated 8 November 2000.

20. Sources and uses of funds

in PLN thousand

Source of funds	**31 December 2001**
Funds from banks and other financial institutions	5,030,553
Funds from customers and the State budget	17,251,922
Other external funds	4,962,132
Own funds and net profit	5,836,510
Total source of funds	**33,081,117**

in PLN thousand

Use of funds	**31 December 2000**
Bank placements	5,298,049
Amounts due from customers and the State budget	14,201,928
Securities and shares	3,005,133
Other	10,576,007
Total use of funds	**33,081,117**

Set out below are 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 the State budget**	**Amounts due from customers and the State budget**
<u>Bydgoszcz Region</u> provinces: kujawsko – pomorskie, pomorskie, warmińsko – mazurskie oraz powiaty z woj. zachodnio – pomorskiego: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin.	796,525	1,322,575
<u>Katowice Region</u> provinces: śląskie, opolskie and districts chrzanowski, oświęcimski.	1,013,666	1,052,013
<u>Kraków Region</u> provinces: podkarpackie, świętokrzyskie, małopolskie without districts allocated to Katowice Region	459,020	738,950
<u>Poznań Region</u> provinces: lubuskie, wielkopolskie, zachodnio – pomorskie without districts relocated to Bydgoszcz Region	1,194,958	1,867,626
<u>Warszawski Region</u> *provinces:* mazowieckie, lubelskie, łódzkie, podlaskie.	9,359,351	7,671,271
<u>Wrocław Region</u> province: dolnośląskie.	150,289	376,356
Retail Banking Sector - CITIBANK	4,278,113	1,173,137
<u>Total</u>	**17,251,922**	**14,201,928**

21. 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. The financial statements of Dom Maklerski Banku Handlowego S.A. at 31 December

2001 is incorporated in the Bank's consolidated accounts at 31 December 2001, by the full consolidation method (see Introduction, section 3).

Profit and loss statement of the entity was reclassified to conform with presentation and groupping methodology for profit and loss statement adopted by the Bank.

Income and expense of Dom Maklerski Banku Handlowego SA after reclassifications is presented as follows:

in PLN thousand

	12 months ended 31 December
	2001
Income	
Interest income	12,167
Commission income	21,941
Income from shares, other securities and other financial operations	11,093
Other operating income	1,176
Release of provisions and revaluation	5
Total income	**46,382**
Expense	
Interest expense	2,526
Commission expense	7,937
Expense from shares, other securities and other financial operations	10,110
General expenses	13,470
Depreciation of tangible and intangible fixed assets	685
Other operating expense	188
Charges to provisions and revaluation	169
Total expense	**35,085**
Profit before taxation	**11,297**
Corporate income tax	**3,452**
Net profit	**7,845**

22. Extracted financial data

Extracted financial data presented on the cover page of these annual financial statements is presented in two currencies: PLN and EUR.

Extracted items of assets and liabilities were translated at the average rate of EUR/PLN equal to 3.5219 at 31 December 2001 as published by the National Bank of Poland. Items from the profit and loss account and the annual diluted profit per ordinary share were translated at the EUR/PLN rate equal to 3.6509 which is an arithmetic average of the average EUR rates at the last day of each month of 2001 as published by the National Bank of Poland.

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

1. Consolidated balance sheet as at 31 December 2001 with assets and liabilities amounting to PLN 33,081,116,570.18;

2. Off-balance sheet commitments as at 31 December 2001 amounted to PLN 123,633,965,216.59, including off-balance liabilities granted – PLN – 9,765,094,836.60;

3. Profit and loss account for the year from 1 January 2001 to 31 December 2001 with a net profit amounting to PLN 163,286,000.16;

4. Cash flow statement for the year from 1 January 2001 to 31 December 2001 with a net cash inflow amounting to PLN 1,892,083,953.42,

Signatures of all Management Board Members

Date	Name	Position	Signature
22.05.2002	Cezary Stypułkowski	President	
22.05.2002	Shirish Apte	Vice President	
22.05.2002	Wiesław Kalinowski	Vice President	
22.05.2002	Philip King	Vice President	
22.05.2002	Witold Walkowiak	Vice President	
22.05.2002	Edward Brendan Ward	Vice President	