INTRODUCTION

The consolidated financial statements of Bank Handlowy w Warszawie SA ("Bank") have been prepared in accordance with:

- The Accounting Act dated 29 September 1994 (Official Journal No. 121, position 591, with subsequent amendments),
- Regulation No. 1/98 of the Banking Supervision Commission dated 3 June 1998 on specific accounting principles for banks and the preparation of additional information (Official Journal of the NBP No. 14, position 27),
- Regulation No. 2/98 of the Banking Supervision Commission dated 3 June 1998 on specific accounting principles for banks and the preparation of additional information (Official Journal of the NBP No. 14, position 28),
- Regulation of the Council of Ministers dated 16 October 2001 concerning current and periodical information reported by issuers of securities (Official Journal of NBP No 139, item 1569),
- Regulation of the Council of Ministers dated 19 November 1999 concerning information included in the consolidated financial statements of entities that issue securities for public trading or have applied for the introduction of securities into public trading (Official Journal No. 96, position 1127),
- Regulation of the Council of Ministers dated 19 November 1999 on additional disclosure requirements for entities that issue securities for public trading or have applied for the introduction of securities into public trading (Official Journal No. 96, position 1126),
- Regulation of the Council of Ministers dated 19 November 1999 regarding the scope of additional information included in financial statements and consolidated financial statements of banks that issue securities for public trading or have applied for the introduction of securities into public trading (Official Journal No. 96, position 1128).

1. Principal information on the activities of the Bank Handlowy w Warszawie SA Group ("Group")

1.1. Activities of Bank Handlowy w Warszawie SA - parent entity ("Bank")

Bank Handlowy w Warszawie SA, with the registered office in Warsaw at ul. Chalubinskiego 8, 00-613 Warszawa, was founded on the strength of a Notarial Deed of 13 April 1870. The Bank is registered at the District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS), entered under the registry number: 000 000 1538.

Under the Polish Classification of Economic Activity (PKD), the principal business of the Bank is "other banking activity." According to the classification followed by the regulated market Warsaw Stock Exchange, the business of the Bank is "finance – banks."
The Bank operates on the basis of applicable regulations and its Articles of Association.

The business of the Bank is the performance of domestic and foreign banking operations and all other activity related to banking operations as permitted by law.

Pursuant to the Bank's Articles of Association, the Bank performs the following banking operations:

- opening and handling bank accounts in Poland and abroad,
- taking saving deposits, including term deposits,
- performing cash settlements in all forms accepted in domestic and international banking relations,
- extending loans and cash advances in Poland and abroad,
- conducting operations which involve cheques and bills of exchange,

- taking long-term monetary deposits.
- extending bank guarantees and endorsements,
- performing FX operations,
- issuing bank securities,
- performing operations commissioned by customers and relating to the issue of securities,
- safekeeping valuables and securities, and providing safe deposit facilities,
- issuing payment cards and performing operations which involve the use thereof,
- purchasing and disposing of debts,
- conducting forward financial transactions,
- performing banking operations commissioned by other banks.

The Bank may also:

- take up or purchase shares and rights attaching to shares in banks, and shares in undertakings servicing the Bank,
- service government borrowing,
- provide custody services, including as a custodian bank for pension and investment funds,
- organize and service financial lease projects,
- render factoring services,
- trade in securities on its own account and act as an agency in securities trading,
- render brokerage services and operate security deposit accounts at the Bank's own brokerage house,
- render financial consulting and advisory services ,
- undertake commitments relating to the issue of securities,
- take up or acquire equity interest and rights attaching to equities in non-banking undertakings, and also participation units,
- perform the function of a representative bank within the meaning of the Bonds Act,
- acquire and dispose of real property and debt secured by mortgages,
- perform settlements for trading in securities, property rights and derivative financial instruments,
- exchange debt for assets belonging to the debtor, on terms agreed on with such a debtor,
- purchase and sell derivative financial instruments at the Bank's own account and act as an agency in trading therein,
- render financial services consisting in acquisition activities, within the meaning of the Pension Funds Organization and Operation Act,
- co-operate with domestic and foreign banks and other institutions, within the business line of the Bank,
- accept orders to purchase, sell or subscribe for participation units and investment certificates of investment funds,
- render insurance agency services.

For the purpose of conducting its business, the Bank has the right to hold foreign exchange and trade therein.

1.2. Activities of entities constituting the Group

Principal segments of activities undertaken by subsidiary and associated entities include:

- banking activity,
- brokerage activity,
- providing financial, leasing and factoring services,
- investment activity,
- insurance activity,
- industrial production of various final products (for resale).

2. Reporting periods

The consolidated financial statements of the Bank are prepared for the year from 1 January 2001 to 31 December 2001. Comparable financial data is presented for the period from 1 January 2000 to 31 December 2000. The Bank's financial data for 2000 represent the conditions preceding the Bank's merger in 2001 with Citibank (Poland) SA ("CPSA") and transfer of the Bank's organisational unit V Oddzial w Warszawie – Centrum Operacji Kapitalowych ("COK BH") into the subsidiary undertaking Citibrokerage SA with the registered office in Warsaw ("Citibrokerage"). In the Cash Flow Statement of the Bank, the impact of non-cash movements related to the Bank's merger with CPSA and COK BH's transfer to Citibrokerage as non-financial consideration for equity is eliminated (see sections 3 & 4).

3. Internal organizational units constituting the Bank as parent entity.

The consolidated financial statements of the Bank for 2001 and comparable financial data for 2000 contain the financial data from all of its organisational units through which Bank operations are performed. At 31 December 2001, these included the Head Office in Warsaw, 35 branches around Poland, and 146 other establishments servicing clients in Poland.

In 2001 changes occurred in the make-up of the organizational units through which the Bank performs its operations.

The London Branch of the Bank closed its operations as at 31 December 2001. A resolution on the closure of the London Branch was passed by the Bank's Supervisory Board 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.

On 1 April 2001, the organisationally separated portion of the Bank operating under the name of Bank Handlowy w Warszawie SA V Oddzial w Warszawie – Centrum Operacji Kapitalowych ("COK BH") was transferred to the subsidiary undertaking Citibrokerage SA with the registered office in Warsaw ("Citibrokerage").

The transfer to Citibrokerage of the COK BH brokerage house, constituting a separate organisational unit of the Bank, was performed in order to provide consideration for equity in the increased authorised capital of Citibrokerage, issued under the 7 March 2001 Resolution of the General Meeting of Citibrokerage Shareholders concerning an increase in authorised capital by the issue of 37,300 series B registered shares, each with a par value of PLN 1,500, with the combined par value at PLN 55,950,000. All shares are owned by the Bank. As at 1 April 2001, the book value of all the assets of the COK BH brokerage house, constituting a non-cash consideration for equity in Citibrokerage, as entered in the Bank's books of account, amounted to PLN 231,099 thousand. The net assets value of the COK BH brokerage house, constituting the non-cash consideration for equity, as computed at 31 January 2001, and subsequently revised at 1 April 2001, amounted to PLN 55,950,000.

As of the day of transfer of COK BH to Citibrokerage, the existing name of the Citibrokerage SA undertaking was changed into "Dom Maklerski Banku Handlowego SA" ("Dom BH"). The accounts of Dom Maklerski Banku Handlowego SA, as at 31 December 2001, will be incorporated into the Bank's consolidated accounts according to the full consolidation method.

4. Merger of the Bank with Citibank (Poland) SA („CPSA")

The Bank was merged with CPSA on 28 February 2001, pursuant to the Resolution of the Extraordinary General Meeting of Bank Shareholders of 3 November 2000, under the purchase acquisition method involving the transfer of all CPSA assets onto the Bank in return for the shares which 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 shown in Bank assets as goodwill. As decided by the Management Board, the goodwill will be amortised over 20 years, starting from March 2001, according to the straight-line method. The amortisation charges are counted as other operating expense.

As a result of the merger between the Bank and CPSA, carried out by the purchase acquisition method in compliance with the accounting principles described above, 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 grew 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 grew by PLN 150,638 thousand.

According to CPSA's accounts at 28 February 2001, its 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, at PLN 1,448,907 thousand, and shown in the Bank's balance sheet under the item 'intangible fixed assets'.

5. Going concern

The consolidated financial statements for 2001 are compiled under the assumption of the continued operation in the foreseeable future by the Bank and entities constituting the Group included in consolidation with no circumstances directly indicating any threat to such continued operation. Among the entities constituting the Group which are not included in consolidation Bank Handlowy International S.A., Budowa Centrum Plac Teatralny Sp. z o.o., and PPU Spomasz Sp. z o.o. are in liquidation.

6. Structure of the Group

The Group includes subsidiary and associated undertakings set out below in paragraphs 6.1 and 6.2.

6.1. Entities constituting the Group and consolidated as of 31 December 2001

6.1.1. Entities constituting the Group and fully consolidated

Name of undertaking	Location	Principal activity	Capital relationship	Book value of investment (PLN' 000)	Holding of authorised capital (%)	Voting power at the General Meeting (%)	Date of purchase
Dom Maklerski Banku Handlowego SA	Warsaw	Brokerage	Subsidiary	-	100,00	100,00	28.02.2001

Book value of investment amounting to PLN 70,950 thousand is eliminated in correspondence with own equity of entity.

6.1.2. Entities constituting the Group and accounted for on equity basis

Name of undertaking	Location	Principal activity	Capital relationship	Book value of investment (PLN' 000)	Holding of authorised capital (%)	Voting power at the General Meeting (%)	Date of purchase
PKO/Handlowy PTE S.A.	Warsaw	Insuance	Associate	25,077	50.00	50.00	10.11.1998
Handlowy Inwestycje Sp. z o.o.	Warsaw	Investment activity	Subsidiary	21,304	100.00	100.00	16.08.1994
Handlowy Inwestycje II Sp.z o.o.	Warsaw	Investment activity	Subsidiary	16,517	100.00	100.00	18.02.1997
Handlowy Investments S.A.	Luxembourg	Investment activity	Subsidiary	-	100.00	100.00	27.01.1997
Handlowy Investments II S.a.r.l.	Luxembourg	Investment activity	Subsidiary	13,614	100.00	100.00	05.11.1997

6.2. Subsidiaries and associates included in the Capital Group of the Bank excluded from the consolidation as at 31 December 2001

6.2.1. Direct capital relationship as at 31 December 2001

Name of undertaking	Location	Principal activity	Capital relationship	Book value of investment (PLN' 000)	Holding of authorised capital (%)	Voting power at the General Meeting (%)
Citileasing Sp. z o.o.	Warsaw	Leasing	Subsidiary	120,000	100.00	100,00
Bank Handlowy International S.A.	Luxembourg	Banking	Subsidiary	54,046	73.12	73.12
Bank Rozwoju Cukrownictwa S.A.	Poznań	Banking	Subsidiary	25,039	95.77	86.49
PPU Spomasz Sp. z o.o.	Warsaw	Manufacturing	Subsidiary	13,502	100.00	100.00
Cuprum Bank S.A.	Lubin	Banking	Subsidiary	11,051	55.26	50.20
Towarzystwo Funduszy Inwestycyjnych BH S.A.	Warsaw	Investment activity	Subsidiary	3,330	100.00	100.00
Handlowy Zarządzanie Aktywami S.A.	Warsaw	Brokerage	Subsidiary	4,349	100.00	100.00
Budowa Centrum Plac Teatralny Sp. z o.o.	Warsaw	Construction	Subsidiary	3,060	61.25	61.25
Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A. (1)	Warsaw	Insurance	Subsidiary	1,212	79.27	79.27
Tower Service Sp. z o.o.	Warsaw	Building administration	Subsidiary	101	50.30	50.30
Handlowy Leasing S.A. (2)	Warsaw	Leasing	Subsidiary	0	0.01	0.01
Mostostal Zabrze Holding S.A.	Zabrze	Construction	Associate	55,750	34.44	34.44
Pia Piasecki S.A. (3)	Kielce	Construction	Associate	29,560	36.52	36.52
Hortex Holding S.A.	Płońsk	Food processing	Associate	14,653	31.09	31.09
Elektromontaż Poznań S.A.	Poznań	Construction and power supply services	Associate	13,683	25.30	25.30
Handlowy Heller S.A. (4)	Warsaw	Factoring	Associate	2,752	25.00	25.00
KP Konsorcjum Sp. z o.o.	Warsaw	Investment fund management	Associate	1,260	49.99	49.99
ZO Bytom S.A. (5)	Bytom	Clothing	Associate	121	18.46	18.46
Creditreform PL Sp. z o.o.	Warsaw	Investigation agency	Associate	328	49.03	49.03
Obsługa Funduszy Inwestycyjnych Sp. z o.o	Warsaw	Transfer agent	Associate	0	50.00	50.00
IPC JV Sp. z o.o.	Warsaw	Construction and administration	Associate	0	31.00	31.00
Polska Giełda Finansowa S.A.	Warsaw	Trading of financial instruments	Associate	0	22.90	22.90

(1) As at 31 December 2001 the Bank had an additional indirect investment in Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A. (0.55% of authorised capital) through Cuprum Bank S.A. The Bank owns 79.82% of the authorised capital in total.

(2) As at 31 December 2001, the Bank had an additional indirect investment in Handlowy Leasing S.A. (99.99% of authorised capital) through Handlowy Inwestycje Sp. z o.o. (see point 11.2.2). The Bank owns 100% of the authorised capital in total.

(3) As at 31 December 2001, the Bank had an additional indirect investment in Pia Piasecki S.A. (5.48% of authorised capital) through Dom Maklerski Banku Handlowego w Warszawie SA. The Bank owns 42.00% of the authorised capital in total.

[4] As at 31 December 2001, the Bank had an additional indirect investment in Handlowy Heller S.A. (25% of authorised capital) through Handlowy Inwestycje Sp. z o.o. (see point 11.2.2.). The Bank owns 50% of the authorised capital in total.

[5] As at 31 December 2001, the Bank had an additional indirect investment in ZO Bytom S.A. (9.18% of authorised capital) through Handlowy Inwestycje II Sp. z o.o. The Bank owns 27.64% of the authorised capital in total.

6.2.2. Subsidiaries and associates held indirectly at 31 December 2001

Name of undertaking	Location	Principal activity	Capital relationship	Held under	Book value of investment (PLN '000)	Holding of authorised capital (%)	Voting power at the General Meeting (%)
Polimex – Cekop S.A. [1]	Warsaw	Foreign trade	Associate	Handlowy Investments S.A.	53,947	36.64	36.64
NIF Fund Holdings PCC Ltd.	Guernsey	Investment activities	Associate	Handlowy Investments S.A.	22,936	22.68	22.68
Handlowy Leasing S.A.	Warsaw	Leasing	Subsidiary	Handlowy Inwestycje Sp. z o.o.	184	99.99	99.99
Handlowy Heller S.A.	Warsaw	Factoring	Associate	Handlowy Inwestycje Sp. z o.o.	2,752	25.00	25.00

[1] As at 31 December 2001, the Bank had an additional indirect investment in Polimex – Cekop S.A. (0.01%) through Elektromontaż Poznań (0.28%) through Mostostal Zabrze Holding S.A. The Bank owns 36.93% of the authorised capital in total.

6.3. Entities excluded from the consolidation

Entities constituting the Group that have been excluded from the consolidation in accordance with the provision of art. 56, p. 2 of the Accounting Act dated 29 September 1994 (Official Journal No. 121, position 591, with subsequent amendments) and the provision of par. 3, p. 3, item 2 of the Regulation 2/98 of the Banking Supervision Commission dated 3 June 1998 concerning specific principles for the preparation of consolidated financial statements by banks are as follows:

Name of entity	Total assets	Share of total assets of the entity in total assets of the Bank	Interest income on banking activity or net income on the sale of goods and financial operations	Share in interest income of the Bank
	PLN thousand	(%)	PLN thousand	(%)
Subsidiaries:				
Financial entities				
1. Handlowy Leasing S.A., Warsaw	664,633	2.00%	132,464	4.90%
2. Handlowy Zarządzanie Aktywami S.A., Warsaw	5,087	0.02%	3,443	0.13%
3. Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A., Warsaw	1,993	0.01%	10	0.00%
4. Towarzystwo Funduszy Inwestycyjnych BH S.A., Warsaw	10,641	0.03%	2,560	0.09%
5. Citileasing Sp. z o.o., Warsaw	356,073	1.07%	114,628	4.24%
Other entities				
6. Tower Service Sp. z o.o., Warsaw	3,239	0.01%	16,332	0.60%
Associated undertakings:				
Financial entities				
7. Polska Giełda Finansowa S.A., Warsaw	312	0.00%	1,297	0.05%
8. Handlowy Heller S.A., Warsaw	221,730	0.67%	31,301	1.16%
Other entities				
9. KP Konsorcjum Sp. z o.o., Warsaw	13,927	0.04%	14,235	0.53%
10. Obsługa Funduszy Inwestycyjnych Sp. z o.o., Warsaw	4,249	0.01%	12,056	0.45%
Total entities excluded from consolidation	1,281,884		328,326	
Total Group without exclusions	33,335,699		2,735,281	
Share of entities excluded from consolidation		3.85%		12.00%

Financial data presented in the table above was extracted from the unaudited financial statements, with the exception of the financial statements of Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A., Handlowy Zarządzanie Aktywami S.A., Handlowy Heller S.A., KP Konsorcjum Sp. z o.o., Obsługa Funduszy Inwestycyjnych Sp. z o.o. - the data are drawn from audited statements as of 31 December 2001

The entities show in their financial statements as of 31 December 2001 values which are immaterial when comparing to the financial statement of the Bank, i.e. total assets represent less than 5% of the total assets of the Bank, and/or interest income from banking activity or sale of goods and products and financial revenues from non-banking activity represents less than 5% of the Bank’s revenues.

When total assets and liabilities, the total amount of interest revenues from banking activity and net income from sale of goods and financial operations from non-banking activities do not exceed 20% of the relevant captions in the consolidated financial statements calculated based on the assumption that all subsidiary and associated undertakings are included without eliminating inter-company balances or transactions.

Entities constituting the Group that have been excluded from the consolidation in accordance with the provision of art. 56, p. 2 of the Accounting Act dated 29 September 1994 (Official Journal No. 121, position 591, with subsequent amendments) and the provision of par. 3, p. 3, item 1 of the Regulation 2/98 of the Banking Supervision Commission dated 3 June 1998 concerning specific principles for the preparation of consolidated financial statements by banks are as follows:

Name of entity	Total assets	Share of total assets of the entity in total assets of the Bank	Interest income on banking activity or net income on the sale of goods and financial operations	Share in interest income of the Bank
	PLN thousand	(%)	PLN thousand	(%)
Subsidiaries:				
Financial entities				
Bank Rozwoju Cukrownictwa S.A., Poznań	85,979	0.26%	18,793	0.70%
Cuprum Bank S.A., Lubin	524,369	1.58%	83,909	3.11%
Associated undertakings:				
Other entities				
Creditreform PL. Sp. z o.o., Warsaw	553	0.00%	4,276	0.16%
Elektromontaż Poznań S.A., Poznań	76,635	0.23%	88,583	3.28%
Hortex Holding S.A., Płońsk	357,603	1.08%	492,867	18.25%
IPC JV Sp. z o.o., Warsaw	74,116	0.22%	14,781	0.55%
Mostostal Zabrze Holding S.A., Zabrze	354,319	1.07%	455,909	16.88%
NIF FUND Holdings PCC Ltd., Guernsey	132,504	0.40%	6,275	0.23%
Pia Piasecki S.A., Kielce	294,660	0.89%	270,240	10.00%
Polimex - Cekop S.A., Warsaw	399,996	1.21%	317,203	11.74%
Zakłady Odzieżowe Bytom S.A., Bytom	31,014	0.09%	55,872	2.07%

Financial data presented in the table above was extracted from the unaudited financial statements, with the exception of the financial statements of of Bank Rozwoju Cukrownictwa S.A., Cuprum Bank S.A.- the data are drawn from audited statements as of 31 December 2001, in the case of Hortex Holding SA - the data are drawn from the audited company statements as of 31 May 2001.

The entities were purchased for resale.

Additionally, the following entities under liquidation were not consolidated:

Bank Handlowy International S.A., Luxembourg
Budowa Centrum Plac Teatralny Sp. z o.o., Warsaw
PPU Spomasz Sp. z o.o., Warsaw

6.4. Holdings held by entities constituting the Group in equity of other entities constituting the Group

Handlowy Inwestycje Sp. z o.o. holds 25.00% stake in the equity of Handlowy Heller S.A.

Handlowy Inwestycje Sp. z o.o. holds 99.99% stake in the equity of Handlowy Leasing S.A.

Handlowy Inwestycje II Sp. z o.o. holds 9.18% stake in the equity of ZO Bytom S.A.

Mostostal Zabrze Holding S.A. holds 0.81% stake in the equity of Polimex – Cekop S.A.

Elektromontaż Poznań S.A. holds 0.03% stake in the equity of Polimex – Cekop S.A.

Handlowy Investments S.A. holds 19.03% stake in the equity of Handlowy Investments II S.a.r.l.

Cuprum Bank S.A. holds 1.00% stake in the equity of Polskie Pracownicze Towarzystwo Emerytalne Diament S.A.

Handlowy Investments II S.a.r.l. holds one share in Handlowy Investments S.A.

Dom Maklerski Banku Handlowego w Warszawie SA holds 5.48% stake in the equity of Pia Piasecki S.A.

6.5 Changes in the Group

6.5.1. Shares in subsidiary and associated undertakings sold in 2001

Name of the entity	Location	31 December 2000				~Net result for 2000	Sale Method	Result on sale Including release of depreciation provisions
		Equity relationship	Share in authorised capital	Book value of investment PLN thousand	Own equity PLN thousand	PLN thousand		PLN thousand
Danuta S.A.	Malbork	Associated undertaking	28.77	20,063	19,577	(9,957)	All shares	-63
Mitteleuropäische Handelsbank AG *	Germany	Associated undertaking	42.80	79,971	227,811	15,499	Partial	12,039
Centro Internationale Handelsbank AG *	Austria	Associated undertaking	45.09	99,530	254,742	267	All shares	2,187

* In the consolidated financial statements of the Bank for 2000 the entities were consolidated on equity basis.
As a result of partial sale of shares in Mitteleuropäische Handelsbank AG, the Bank holds a 19,99% stake in the entity as of 31 December 2001.

6.5.2. Shares in subsidiary and associated undertakings purchased in 2001

Name of entity	Location	Equity relationship	Purchase method
PPH Spomasz Sp. z o.o.	Warsaw	Subsidiary undertaking	Purchase of shares

6.5.3. Other changes in the ownership of subsidiary and associated undertakings

Name of entity	Location	Equity relationship	31 December 2000 r.		31 December 2001 r.		Reason of changes
			Share in authorised capital	Book value of shares PLN thousand	Share in authorised capital	Book value of shares PLN thousand	
Citileasing Sp. z o.o.	Warsaw	Subsidiary undertaking	-	-	100,00	120.000	Takeover of shares as a result of merger between Bank Handlowy w Warszawie SA and Citibank (Poland) S.A. and participation in capital increase
Dom Maklerski Banku Handlowego SA	Warsaw	Subsidiary undertaking	-	-	100.00	70,950	Participation in capital increase

Name of entity	Location	Equity relationship	31 December 2000 r. Share in authorised capital	31 December 2000 r. Book value of shares PLN thousand	31 December 2001 r. Share in authorised capital	Name of entity	Location
Bank Handlowy International S.A. *	Luxembourg	Subsidiary undertaking	44.33	55,192	73.12	54,046	Purchase of shares and simultanuous redemption of equity
Towarzystwo Funduszy Inwestycyjnych BH S.A.	Warsaw	Subsidiary undertaking	100.00	3,691	100.00	3,330	Participation in capital increase
Budowa Centrum Plac Teatralny Sp. z o.o.	Warsaw	Subsidiary undertaking	-	-	61.25	3,060	Takeover of shares as a result of merger between Bank Handlowy w Warszawie SA and Citibank (Poland) S.A.
Handlowy Finance B.V.	Netherlands	Subsidiary undertaking	100.00	100,00	-	-	Liquidation of the entity
PKO/Handlowy PTE S.A.	Warsaw	Associate undertaking	50.00	69,077	50.00	99,077	Participation in capital increase
Polimex Cekop S.A.	Warsaw	Associate undertaking	27.63	38,337	36.64	53,947	Participation in capital increase
Pia Piasecki S.A.	Kielce	Associate undertaking	-	-	36.52	29,560	Onversion of bonds into shares
Hortex Holding S.A.	Płońsk	Associate undertaking	16.36	29,503	31.09	14,653	Purchase of additional shares

* In the consolidated financial statements for 2000 the entity was consolidated on an equity basis.

7. Reclassification of financial data for 2000

Financial data for 2000 presented in these consolidated financial statements were not reclassified and are in compliance with data presented in previously published financial statements for 2000.

8. Qualifications to the opinion issued by auditors

The consolidated financial statements of the Group for 2000 were audited by KPMG Polska Audyt Sp. z o.o. and received an unqualified opinion.

9. Accounting principles

9.1. Accounting principles of the Group

Accounting principles applied by the Bank, the parent entity, are in accordance with the Accounting Act dated 29 September 1994 (Official Journal No. 121, position 591, with subsequent amendments) and Regulation 1/98 of the Banking Supervisory Commission Dated 3 June 1998 concerning specific accounting principles for banks and preparing additional information (Official Journal of NBP No. 14, position 27).
Accounting principles applied by the consolidated domestic entities are, in all significant respects, in accordance with those applied by the Bank.

Accounting principles applied by the consolidated overseas entities are in accordance with laws of the country in which the given entity's headquarters is located. Differences resulting from the application of different accounting principles by those entities have no significant influence on the Bank's consolidated financial statements.

9.1.1. Consolidation principles

Entities included in the consolidation

Under the Accounting Act and Regulation 2/98 of the Banking Supervisory Commission ('BSC'), the Bank is obliged to consolidate subsidiaries and account for associated undertakings that:

1. exceed the size criteria specified in Regulation 2/98 of the BSC and;
2. have not been acquired exclusively for resale.

Investments are classified as subsidiaries, associated undertakings or other investments according to the accounting principles of the parent entity.

Subsidiaries are included in the consolidated financial statements in accordance with the accounting policies of the parent entity with the exception of the following investment companies that are included on an equity basis due to their impact on the results of the Group:

Subsidiaries:

- Dom Maklerski Banku Handlowego w Warszawie SA
- Handlowy Inwestycje Sp. z o.o.
- Handlowy Inwestycje II Sp. z o.o.
- Handlowy Investments S.A.
- Handlowy Investments S.a.r.l.

Associated undertakings:

- PKO/Handlowy Powszechne Towarzystwo Emerytalne S.A.

The financial statements of Dom Maklerski Banku Handlowego w Warszawie SA („DM BH") was fully consolidated for the first time in semi-annual consolidated financial statements for 2001. Consolidation of balance sheets, profit and loss statements and cash flow statements was made by summing up appropriate items of balance sheets, profit and loss statements and cash flow statements of the Bank and DM BH including adjustments and consolidation eliminations. Balance sheet and profit and loss account of DM BH were appropriately changed in order to conform with grouping and presentation standards applied by the Bank.

Financial statements of other subsidiary and associated undertakings are consolidated on an equity basis by recognition of the Bank's share in results of the entities. Value of shares in entities consolidated on an equity basis is calculated and recognized in consolidated balance sheet proportionally to the share of parent entity in own equity of the entity as of balance sheet date, including consolidation adjustments.

Changes in consolidation principles

In 2001 the Bank sold its stake in Mitteleuropaische Handelsbank AG and Centro Internationale Handelsbank AG and continued liquidation of Bank Handlowy International S.A. Until sale or liquidation the value of shares in these entities was calculated and recognised in consolidated balance sheet in proportion to percentage share in own equity of the entity as of the last financial statements date prior to the Management Board decision on their sale (30 June 2000).

Partial sale of stake in Mitteleuropaische Handelsbank AG, previously consolidated on an equity basis was done on 27 June 2001. The transaction was concluded with NORD/LB Nordeutsche Landesbank Girozentrale, located in Hanover and settled in cash. The stake sold represents 22.8% share in capital and voting rights on General Meeting of Shareholders of the entity. As a result of the sale the Bank's stake in the entity decreased and constitutes 19.99% of its share capital. In the consolidated balance sheet as of 31 December 2001 the stake in Mitteleuropaische Handelsbank AG is recognized at cost in investment portfolio as minority interest. The result on partial sale of shares in this entity was calculated as a difference between the sale proceeds and the value of the net assets of the entity attributable to parent entity as of 30 June 2000 (including FX differences on structural positions) decreased by the cost of remaining stake. The book value of sold shares amounted to PLN 29,735 thousand and the result on sale amounted to PLN 12.039 thousand and was recognised in consolidated profit and loss statement as of 31 December 2001 as an extraordinary gain.

Sale of the stake in Centro Internationale Handelsbank AG, previously consolidated on an equity basis took place on 18 September 2001. The stake was sold to Raiffeisen Zentralbank Oesterreich AG (RZB – Austria) in cash. Sold shares represented 44.09% stake in the equity and voting rights on the General Meeting of Shareholders of the entity. The result on sale of the shares was calculated as difference between sale proceeds and the value of the net assets of the entity attributable to parent entity as of 30 June 2000 (including FX differences on structural positions, un-amortized equity reserve from consolidation and previously created provisions). Book value of sold shares was estimated at PLN 81,063 thousand and the result on sale amounted to PLN 2,187 thousand and was recognised in consolidated profit and loss statement as of 31 December 2001 as an extraordinary gain.

As of 31 December 2001 Bank Handlowy International S.A. was not consolidated due to liquidation process and redemption of equity stake in the entity.

Entities excluded from consolidation

Shares in subsidiaries and associated undertakings excluded from consolidation are stated at cost less any provision for permanent diminution in value.

Stockholders equity

Stockholders equity is stated at nominal value. “Other equity reserves” are adjusted for amortization of equity reserves from consolidation, provisions made against shares in subsidiary and associated entities charged to the profit and loss account of previous periods, the parent entity's share in the change in the equity of associated undertakings which took place during the period under consolidation and any dividends received from the associated undertakings.

Profit and loss account

The profit and loss account is prepared taking into account the principles of prudence, matching and accrual accounting. Income and expenses are recognized and accounted for on an accrual basis. The consolidated profit and loss account includes the result of the parent entity, adjusted for charges to the equity reserve from consolidation, dividends received from associated undertaking, unrealized gains/losses occur during transactions and provisions for shares in the consolidated entities and the share in the profit of consolidated entities.

Equity reserve from consolidation

The equity reserve from consolidation represents the underlying share of net assets over the purchase price of additional shares in Centro Internationale Handelsbank AG acquired in 1998. From July 1998 the difference is recognized in the profit and loss account on a straight-line basis over five years. Following the sale of shares on 18 September 2001 un-amortised part of equity reserve from consolidation diminished the cost of sale of the shares.

Corporate income tax

Corporate income tax includes current tax liability of the Bank and DM BH (fully consolidated in 2001) resulting from taxable revenue and deferred tax liability/asset (see point 9.2.).

Exchange rates

The following exchange rates were applied in the process of consolidation of foreign subsidiaries and associates:

	NBP rate as at 31 December 2001	average for 2001	NBP rate as at 31 December 2000	average for 2000
ATS	-	-	0.2801	0.2910
LUF	0.087306	0.090504	0.095548	0.099272
DEM	-	-	1.9707	2.0475
EUR	-	-	3.8544	4.0046

Foreign exchange differences resulting from the translation of the investments in foreign entities included in the consolidation are recognized under the caption ‘foreign exchange differences from consolidation” in equity at the balance sheet date.

9.2. Accounting principles of parent entity

Tangible and intangible fixed assets

The tangible and intangible fixed assets are presented at cost less accumulated depreciation. Previously, fixed assets were periodically subjected to value adjustments with the indices published by the President of the Central Statistical Office. The results of revaluation are reflected in the revaluation reserve in the Bank’s equity. No revaluation has taken place since 31 December 1995.

Depreciation is taken on the basis of equal annual instalments (accepted by the Management Board in the form of a depreciation schedule) in accordance with the Corporate Income Tax Act dated 15 February 1992 (Official Journal from 1993 No. 106, position 482, with subsequent amendments).

Example annual depreciation rates employed by the Bank are as follows:

Buildings and structures	1.5 %	-	4.5 %

Motor vehicles	7.0 %	-	20.0 %
Computers		34.0 %	
Other tangible fixed assets	7.0 %	-	28.0 %
Computer software and licences		50.0 %	
Other intangible fixed assets	2.5 %	-	20.0 %

Fixed assets costing from PLN 2,000 to PLN 3,500 are fully depreciated as they are brought into use.

Fixed assets costing less than PLN 2,000 are expensed as they are brought into use.

Foreign currencies

Balance sheet and off-balance sheet items denominated in foreign currencies are translated at the average exchange rate at the balance sheet date as published by the National Bank of Poland.

Foreign exchange differences arising on the revaluation of “operational foreign exchange positions” are recognised in the profit and loss account in the net result on foreign exchange.

Foreign exchange differences arising on the revaluation of “structural foreign exchange positions” are not recognised in the profit and loss account. They are presented in liabilities as income in suspense under the caption “Deferred income”.

Long term assets classified as “structural currency positions” comprise:
- investments in foreign currencies in foreign financial and non-financial institutions,
- long term contribution to the equity of Mitteleuropäische Handelsbank AG in the form of certificates.

Other positions denominated in foreign currencies are treated as operational items.

Exchange rates applied to the financial statement are as follows:

PLN

		31 December	
		2001	**2000**
1	USD	3.9863	4.1432
1	DEM	1.8007	1.9707
1	GBP	5.7722	6.1903
1	CHF	2.3760	2.5309
100	BEF	8.7306	9.5548
1	FRF	0.5369	0.5876
1	ATS	0.2559	0.2801
1	NLG	1.5982	1.7491
1	EUR	3.5219	3.8544

Loans and other receivables

Loans and other receivables are presented in the balance sheet at their nominal value together with interest receivable and net of specific provisions established to cover credit risk.

The Bank makes specific provisions, prescribed by regulation No. 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 NBP No. 26, position 43), in the full amount required by law. The provision for possible credit losses has been calculated by the classification of credit facilities extended to customers. After categorisation, the following minimum provision percentages have been applied:

1) Normal (only consumer loans excluding housing loans) and watch loans	1.5 %
2) Substandard loans	20 %
3) Doubtful loans	50 %
4) Loss loans	100 %

Certain collateral, specified in Regulation No. 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 NBP No. 26, position 43) is taken into account in a calculation of the provisions. In accordance with the regulation noted above, provisions against normal loans noted above are covered by an allocation of up to 25% of the balance of the general provision held by the Bank.

Investments

Investments in subsidiary and associated undertakings

Investments in subsidiary undertakings include all equity investments under the control of the Bank due to majority voting power on the supervisory bodies arising from holding over 50% of the votes at the General Shareholders' Meeting or the Partners Assembly.

Investments in associated undertakings include all equity investments that give the Bank significant influence arising from having 20-50% of the votes at the General Shareholders' Meeting or the Partners Assembly.

Investments in subsidiary and associated undertakings are presented in the financial statements in the investment portfolio as part of financial assets. For the majority of investments in subsidiary and associated undertakings intended for resale, there is no apparently liquid market where they could be sold and therefore they have been held for more than 6 months from their purchase date and as a result are carried in the investment portfolio.

Significant investments in subsidiary and associated undertakings were consolidated.

Investments in subsidiary and associated undertakings intended for resale are recognized in the balance sheet at cost less provisions against any permanent diminution in value.

Investments in other undertakings

Investments in undertakings other than subsidiaries and associates are disclosed in the balance sheet at cost less provisions against any permanent diminution in value.

Investments in trade and operational undertakings are shown in the balance sheet at cost but not higher than market value. Any difference between cost and market value is recognized as a cost of financial operations.

Debt securities

Debt securities are classified in the trading portfolio when they are purchased for trading purposes as liquidity regulating or speculative instruments.

Debt securities are classified in the investment portfolio when the Bank intends to hold them until redemption.

Debt securities classified in the trading portfolio are recorded in the balance sheet at cost increased by accrued interest, and amortized discount or decreased by amortized premium - but not higher than their actual net market value. In cases where the cost adjusted for accrued interest, discount and premium exceeds the actual net market value, the difference is recognized as cost of financial operations.

Debt securities classified in the investment portfolio are recorded in the balance sheet at cost increased by accrued interest, and amortized discount or decreased by amortized premium and provisions against any permanent diminution in value.

Repossessed assets in lieu of bad debts

Assets repossessed in lieu of bad debts are recognized in the balance sheet at amounts equal to the value of outstanding debt net of any specific provisions established for the difference between the outstanding debt and the asset's estimated market value.

Provisions

The Bank establishes specific provisions and other provisions in accordance with the requirements of the Accounting Act, Regulation No. 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 NBP No. 26, position 43) and Regulation No. 1/98 of the Banking Supervision Commission dated 3 June 1998 on specific accounting principles for banks and the preparation of additional information (Official Journal of NBP No. 14, position 27).

Specific provisions are made based on the assessed risk arising on any particular asset or off-balance sheet commitment.

Specific provisions held against amounts due from the financial sector, non-financial sector and the State Budget sector and specific provisions against any permanent diminution in the value of securities and other assets are deducted from the carrying value of the related assets in the balance sheet. Provisions held against off-balance items are disclosed in the position "Other provisions" in liabilities.

According to the Banking Act dated 29 August 1997 (Official Journal No. 140, position 939), the Bank creates a general risk provision to cover potential risk inherent in banking activity. This general risk provision was created by a charge to costs. The provision is presented in the position "Other provisions" in liabilities.

Furthermore the Bank makes deferred tax provisions, due to timing difference between the moment of realizing income and expense according to the Accounting Act and tax regulations. This provision is disclosed in the position "Provision against corporate income tax" in liabilities and a negative temporary difference is disclosed in the position "Interperiod settlements – deferred tax" in assets.

Special Bonds

Special Bonds are recognized at their nominal value as a part of the Bank's equity. Special Bonds of the first issue do not bear interest, and if not converted into shares they will be repurchased at their nominal value. Each Special Bond gives its holder a right to participate in profit distributions on the same basis as ordinary shares commencing 1997. Furthermore, holders of Special Bonds have the right to acquire newly issued shares on the same basis as shareholders of the Bank.

Prepayments and accruals

Income and expense are recognized and accounted for on an accrual basis. In particular, this includes general expenses of the Bank.

Off-balance sheet financial instruments

Interest rate instruments

Interest rate instruments are marked to market and differences are included in the profit and loss account. Unrealized profits and losses on valuation of these instruments are recognized in the balance sheet in the position "Other assets" or "Other liabilities" at their gross value (i.e. without offsetting).

Interest income and expense from interest rate instruments is recognized in the profit and loss account on an accrual basis. Amounts of interest receivable and interest payable are recognized in the balance sheet in the position "Other assets" or "Other liabilities" at their gross value (i.e. without offsetting).

Term currency transactions

Term currency transactions are marked to market and differences are included in the profit and loss account. Unrealized profit and loss on valuation of term currency transactions is recognized in the balance sheet in the position “Other assets” or “Other liabilities” at its gross value (i.e. without offsetting).

Options

Options are marked to market and differences are included in the profit and loss account. Unrealized profit and loss on valuation of options is recognized in the balance sheet in the position “Other assets” or “Other liabilities” at its gross value (i.e. without offsetting).

Premiums received on written options are recognized as deferred income in “other liabilities” while premiums paid on purchased options are recognized as deferred expense in “other assets” and recognized in the profit and loss account on completion of the transaction.

Interest income/expense

Interest income includes interest accrued on loan amounts classified as normal or watch, which are not overdue by more than 30 days at the date of the financial statements. Interest overdue by more than 30 days and interest accrued on amounts classified as substandard, doubtful or loss is disclosed in liabilities as interest in suspense under “Accruals and deferred income”. Interest in suspense is recognized in income on a cash basis. Interest expense is presented on an accrual basis.

Bonuses, retirement and anniversary bonuses

Performance bonuses for management are accrued in the year in which the performance is measured. Furthermore, bonuses in the form of “phantom stock options” are awarded to members of the management. These are recorded at prices at the balance sheet date and an accrual is made, where applicable, over the three-year vesting period from the date the option is granted to the date when the option may be exercised. The accrual for bonuses and stock options is disclosed in Accruals and Deferred Income.

Within its salary scheme, the Bank guarantees its employees retirement and anniversary bonuses that are based on the number of years in employment with the Bank, or number of years in employment (for staff joining the Bank prior to 1997). In the previous years these payments were accounted for as they were paid and no accrual was made for future payments. The Management Board of the Bank considered as more appropriate accruing for future payments and decided on the change in accounting principles in this respect starting from 2001. The provision for retirement and jubilee payments was estimated at the level of PLN 25.000 thousand. The amount was fully recognised in 2001 general expenses.

Other operating income/expenses

Other operating income/expenses are comprised of income and expenses that that are not directly related to banking activity. These include income and expenses due to sale or liquidation of fixed assets and repossessed assets, compensation, penalties and fines.

Corporate income tax

In accordance with the adopted accounting principles, the Bank either establishes a deferred tax provision or recognises a deferred tax asset by assessing the timing differences between the recognition of income and expense for accounting and tax purposes.

As of 31 December 2001, the Bank reports a negative interim timing difference with respect to deferred income tax of PLN 271,927 thousand, recognised in interperiod settlements in assets.

Towards the end of 2001, the Bank changed the method of assessing deferred tax asset.

Previously, deferred tax had been calculated at the rate in force for the period following the given balance sheet date. At 31 December 2001, the Bank analyzed individual items of timing differences, focusing on the expected time of their realization (i.e. the year in which the tax liability arises or negative differences become tax deductible. Such an analysis is complex due to significant differences between accounting and tax principles and uncertainty as to the time horizon for the realization of timing differences.

In the course of this, the Bank found that the largest sensitivities occur in establishing the timing of the charge to specific provisions for income tax purposes. As a result, and in accordance with the requirement of prudence, the Bank found it most appropriate that the tax rate applied to this item of interim timing differences should be the last and lowest tax rate coming into force on January 2004, which is already enacted - and not the rate in force next year - as most of the specific provisions are likely to be realized for income tax purposes in later reporting periods. The rate change from the present 28% to 22% in 2004 and later years, arising from the provisions of the Corporate Income Tax Act, additionally reduced the net earnings by PLN 60,312 thousand.

Accelerated capital allowances

Based on the Ordinance of the Council of Ministers dated 25 January 1994 (Official Journal No. 18, position 62 with subsequent amendments) and in compliance with article 18a of the Corporate Income Tax Act (Official Journal from 1993 No. 106 position 482 with amendments) the Bank in the period 1994-1999 deducted from taxable income total expenditures amounting to PLN 187,102 thousand.

Additionally, in 1995-2000, the Bank charged a further PLN 93,551 thousand, which accounted for up to 50% of investment spending charged against income in previous financial years (the so-called investment premium). Additionally, Citibank (Poland) SA, over 1994-1997, reduced the taxable income by PLN 91,401 thousand in capital allowances and by PLN 21,599 thousand in investment premium .

The depreciation of fixed assets subject to capital allowances and made using the depreciation rates defined in the depreciation plan, is treated as a non-deductible expense for tax purposes. As at 31 December 2001, a balance of PLN 156,114 thousand, representing the non-amortized value of fixed assets subject to capital allowances, is included as a timing difference in the deferred tax calculation.

The premium, treated as a permanent difference, is not recognized in the deferred tax calculation.

10. EURO/Zloty rates

The following rates of exchange of PLN against EUR, as set by the NBP, obtained in periods covered by the accounts and the comparable financial data:

	2001	**2000**
Exchange rate in force at December 31	3.5219	3.8544
Average rate, computed as the arithmetical mean of the rates in force on the last day of each month in a year	3.6509	4.0046
The highest rate for the last month of the year in the period	3.8843	4.2075
The lowest rate for the last month of the year in the period	3.3783	3.8544

11. Major items of the balance sheet, profit and loss statement and cash flow statement converted into euro terms

The major items of the balance sheet and the cash flow statement concerning these financial statements and comparatives are converted into the EUR at average rates of exchange announced by the National Bank of Poland, in force on the last day of period.

The major items of the profit and loss statement are converted into the EUR at rates being the arithmetical averages of the average zloty/euro rates of exchange announced by the National Bank of Poland, in force on the last day of each month of, respectively, 2000 and 2001.

EUR thousand

CONSOLIDATED BALANCE SHEET	**31 December**	
	2001	**2000**
Cash and due from Central Bank	659,429	181,433
Due from financial institutions	1,784,043	1,274,919
Due from customers and budget	4,003,594	2,579,023
Due from non-consolidated subsidiary and associated undertakings	233,662	128,058
Due from subsidiary and associated undertakings consolidated on an equity basis	-	106,282
Debt securities	699,196	377,317
Equity investments, including:	154,075	163,013
- Investments in non-consolidated subsidiary and associated undertakings	100,456	40,281
- Investments in consolidated subsidiary and associated undertakings	21,725	94,807
Tangible and intangible fixed assets	677,755	189,712
Other assets	1,181,221	434,610
Total assets	**9,392,975**	**5,434,367**
Due to Central Bank	60,333	81,850
Due to financial institutions	1,346,239	1,302,550
Due to customers and budget	4,855,503	2,578,720
Due to non-consolidated subsidiary and associated undertakings	42,388	44,828
Due to subsidiary and associated undertakings consolidated on an equity basis	22,508	101,094
Securities issued	-	1
Other liabilities	1,285,862	428,009
Provisions	122,937	77,680
Equity reserve from consolidation	-	652
Equity	1,654,868	816,583
FX differences arising from consolidation	2,337	2,400
Total liabilities	**9,392,975**	**5,434,367**

EUR thousand

Consolidated profit and loss	**12 months ended 31 December**	
Statement	**2001**	**2000**
Net interest income	199,384	164,397
Net fee and commission income	136,583	82,822
Resut on equity investments	3,062	1,338
Result on financial operations	4,742	(363)

FX result	214,595	120,526
Result on banking activity	558,366	368,720
Result on operational activity	101,951	48,874
Change in equity reserve from consolidation		251
Gross profit/(loss)	105,851	49,130
Participation in profit/(loss) of entities consolidated on an equity basis	(9,729)	16,567
Net profit/(loss)	**44,725**	**45,532**

EUR thousand

Consolidated cash flow statement	**12 months ended 31 December**	
	2001	**2000**
Net cash flow from operating activities – indirect method	942,640	159,167
Net cash flow from investing activities	5,729	178,899
Net cash flow from financing activities	(411,135)	(311,981)
Net cash flow, total	537,234	26,086
Change in net cash and cash equivalents	**537,234**	**26,086**
Cash and cash equivalents at beginning of period	236,901	183,236
Cash and cash equivalents at end of period	774,135	209,322

12. Main differences between Polish and International Accounting Standards

12.1 The Bank prepares financial statements in accordance with both Polish Accounting Standards (PAS) and International Accounting Standards (IAS). There are some differences in accounting principles introduced in both cases. The principal differences can be presented as follows:

- in the financial statements prepared according to PAS, a general risk provision was created for the first time in 1998 based on Banking Law (simultaneously the risk fund constituting a part of equity under the previous Banking Law was dissolved). In the financial statements prepared according to IAS, a general risk provision was established in previous years as a result, temporary timing differences in the level and charges to the general risk provision arise,
- according to PAS, debt securities and quoted shares in trading portfolio are valued at the lower of cost and market. In the financial statements prepared according to IAS, debt securities, state debt and quoted shares in trading portfolio are presented on the balance sheet date at market value,
- in the financial statements prepared according to PAS, the Bank's investments in certain non-banking subsidiaries were consolidated on an equity basis while in the financial statements prepared according to IAS, those investments would be fully consolidated,
- according to PAS, the annual charge to the Employees' Social Fund is made in the form of a profit distribution. In the financial statements prepared according to IAS, such charges to the fund are presented as an additional general expense in the following year,

12.2. The net assets and results of the consolidated financial statements prepared according to PAS may be reconciled to the financial statements prepared according to IAS as at 31 December 2001 as follows:

- Reconiliation of the net assets as of 31 December:

PLN thousand

Net assets under consolidated PAS	**5,836,510**
Marking trading instruments to market value	26,970
Difference from consolidation and valuation of equity investments on an equity basis	29,039
Capitalised interest	19,599
Difference in deferred tax provision resulting from different accounting policies applied	(21,170)
Net assets under IAS	**5,890,948**

– The summary reconciliation of profit after taxation for the period from 1 January 2001 to 31 December 2001 is as follows:

	PLN thousand
Profit after taxation under consolidated PAS	**163,286**
Marking trading instruments to market value	23,463
Timing difference in charges to general provision	50,000
Profit distribution to staff benefit funds	(3.000)
Difference from consolidation and valuation of equity investments	(5,558)
Capitalised interest	5,595
Timing difference in charge to provision for contracted bonuses for length of services and retirement	25,000
Timing differences in deferred tax resulting from different accounting policies applied	(27,621)
Profit after taxation under IAS	**231,165**