ADDITIONAL EXPLANATORY NOTES

1. Concentration of exposure

Information on concentration of credit expose in the Group is presented based on the consolidated financial statements following principles and conditions for setting concentration limits set out in the Act of 29 August 1997 - Banking Law (Official Journal No. 140, position 939, with amendments) and the methodology for calculation of consolidated own equity in accordance with principles set out in the regulation No 6/2001 of the Banking Supervision Commission dated 12 December 2001 regarding specific rules for calculating equity for bank constituting banking groups for the purpose of application of standards and limits defined in the Banking Law Act, the value, detailed scope and terms of reduction of bank's basic funds, other bank's balance sheet items included in its supplementary funds, value and terms of their inclusion, other reductions of bank's own funds, the value and terms of their deduction from equity and consideration of banks' relations to other dependent units or units from the same holding when specifying equity calculation method and the terms and procedures for the inclusion thereof, as well as the bank's balance sheet items, that are deductible for the calculation of equity (Official Journal of NBP No. 22, position 44).

Concentration of credit exposure in the Group is presented in the context of policy adopted by parent entity („Bank"), which according to the provisions of 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.

Credit risk management policy

The Credit Policy Committee of the Bank defined main principles for credit risk management, which are documented in „Credit Policy Manual".

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

The key elements of credit risk management are presented below:

- while managers are responsible for risk management in their areas of responsibility, the Bank additionally possess a system of controls that includes:
  - independent position of risk manager
  - each credit decision has to be taken by at least two authorized persons. Bigger loans, carrying higher risk, require approval from more competent and authorized persons from higher levels
  - Independent Audit Department checking all activities related to risk management as well
- each borrower is assigned to appropriate risk scale, receiving its own rating, based both on financial and quality criteria. Risk ratings allow the Bank to assure that the whole credit portfolio generates acceptable risk level.
- each customer of the Bank is assigned to a control unit that manages the whole relationship with the customer. In case of customers being a part of a capital group the solutions mentioned above are combined in order to manage global group risk and avoid exceeding concentration limits.
- the Credit Policy Committee assigns persons competent for approving loans based on their experience and skills
- the Bank has to reduce concentration in order to maintain a differentiated risk bearing assets as well as meet capital requirements for the portfolio. Credit risk may include limitations for customers, sectors and regions.
- the Bank defined principles for periodical monitoring of customers' results from their activity and identification of different negative changes in their standing which have to be immediately communicated to upper level management, and which additionally include opinions of specialized restructuring units.

Exposure limits

The Banking Law Act defines maximum exposure limits for a bank. Under article 71 paragraph 1 of the Act which came into force as of 1 January 2002, total balance sheet and off-balance sheet exposure from one or more capital and organizationally related entities cannot be greater than 20% of a bank's equity in case when one of the entities is a parent entity or subsidiary undertaking of the Bank or is a subsidiary undertaking to a parent entity of the Bank or cannot be greater than 25% of a bank's equity in case when there is no such relationship between bank and the borrower. Equity as at December 31, 2002, for the purpose of setting concentration limits specified in the Banking Law Act, has been established in accordance with resolution No. 6/2001 of the Banking Supervision Committee dated 12 December 2001.

The Bank sets out to limit its exposure to individual clients. In the presented periods, Bank's exposure did not exceed the regulatory limits for a single entity or a group of entities related in respect to capital or organization, and did not exceed other concentration limits set by Banking Law. As at 31 December 2002, Bank's exposure to transactions with customers exceeding 10% of Bank's equity amounted to PLN 935,499 thousand, i.e. 18.6 % of the equity (31 December 2001: PLN 1,349,448 thousand, i.e. 25.7%).

Concentration of exposure in individual sectors of economy

To avoid excessive concentration of credit risk, the Bank keeps an ongoing watch over the exposure in individual sectors of economy, defining areas in which the exposure should grow and areas whose chances for development are poor, and where the exposure should be reduced. In the case of corporate customers and financial institutions, divisions of the Bank responsible for its policy concerning exposure to particular sectors are: 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.

Bank's policy with regard to exposure to corporate customers and financial institutions operating in individual sectors is based on the 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 programs are drawn up with documented requirements for the approval of risk involved in specific kinds of business. The higher the sectoral risk, the tighter the criteria for risk approval. The assessment of the financial condition in an industry and its development prospects is a major element influencing customer's rating.

In terms of small and medium enterprises, Bank's policy on exposure consists of identifying a target market by deselecting particular industries. This involves elimination from the target market of industries where the risk of doing business is considered too high for the standards valid in the Bank.

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

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

B/ industries excluded in view of their sensitivity to market factors and unstable financial results;

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

The target market is defined as all other industries that have not received an adverse assessment. Selective approach can be applied to industries excluded due to sensitivity and instability factors or due to downtrends, which means that customers with the highest ratings in those industries are retained.

Due to considerable differences between clients representing individual industries, the table below presents aggregated data concerning Bank's exposure to sectors grouped in 20 major industries in particular reporting periods.

Economy sectors according to PKD	*December 31, 2002 in %*	*December 31, 2001 in %*
Wholesale and commission trade except in motor vehicles	21.2	16.6
Financial mediation except for insurance and pension funds	8.8	10.4
Generation and distribution of electricity, gas, steam and hot water	6.5	4.4
Production of foodstuffs and beverages	6.3	6.6
Construction	5.6	5.3
Production of machinery and equipment not classified elsewhere	3.8	2.6
Production of basic chemicals, chemical products and artificial fibers	3.3	4.1
Other services related to economic activity	3.0	2.4
Sales, service and repair of motor vehicles, retail sales of car fuel	2.9	2.1
Production of motor cars, trailers and semitrailers	2.9	3.0
Top 10 industries	***64.3***	***57.5***
Post and telecommunications	2.9	4.0
Production of electrical machinery and equipment not classified elsewhere	2.4	1.1
Production of other non-metallic products	2.1	1.6
Production of metals	2.1	3.3
Production of rubber and plastic products	2.0	1.6
Production of furniture, production not classified elsewhere	1.8	1.2
Production of prefabricated metal products except for machinery and equipment	1.8	1.5
Retail trade except for the sales of motor vehicles, repairs of personal use products and household products	1.6	0.3
Production of other transportation equipment	1.6	2.1
Land transport; pipeline transport	1.5	0.3
Top 20 industries	***83.9***	***74.5***
Other industries	***16.1***	***25.5***
Total Bank	***100.0***	***100.0***

2. Sources and application of funds

in thousands PLN

Acquired funds	**December 31, 2002**	**December 31, 2001**
Bank funds	1 976 980	3 462 148
Funds from customers and the State budget sector	18 271 961	19 017 171
Other external funds	5 950 918	4 765 288
Corporate funds with financial result	5 961 896	5 836 510
Total acquired funds	**32 161 755**	**33 081 117**

in thousands PLN

Fund application	**December 31, 2002**	**December 31, 2001**
Bank deposits	3 948 848	5 298 411
Receivables from customers and the State budget sector	14 801 898	15 248 417
Securities, shares and other financial assets	9 242 269	6 402 059
Other application	4 168 740	6 132 230
Total fund application	**32 161 755**	**33 081 117**

Set out below are consolidated customers' funds and consolidated receivables from customers and the State Budget as at December 31, 2002, related to operations completed mainly by branches of the Bank. Their structure is presented divided into Regions within which Bank branches are grouped.

in thousands PLN

Region/Geographical coverage of activity divided into voivodships – poviats	**Funds from customers and the State budget sector**	**Receivables from customers and the State budget sector**
Bydgoszcz region voivodships: Kujawsko – Pomorskie, Pomorskie, Warmińsko – Mazurskie and poviats in the Zachodnio – Pomorskie voivodship: Sławieński, Koszaliński, Kołobrzeski, Białogardzki, Świdwiński, Szczecinecki, Drawski, Grodzki Koszalin.	685 087	1674 596
Katowice region voivodships: Śląskie, Opolskie and the following poviats in the Małopolskie: Chrzanowski, Oświęcimski.	886 872	1 351 368
Cracow region voivodships: Podkarpackie, Świętokrzyskie, Małopolskie without poviats assigned to the Katowice region	601 081	934 399
Poznań region voivodships: Lubuskie, Wielkopolskie, Zachodnio – Pomorskie without poviats assigned to the Bydgoszcz region	868 273	1 773 216
Warsaw region the city of Warsaw, voivodships: Mazowieckie, Lubelskie, Łódzkie, Podlaskie.	8 986 783	7 250 411
Wrocław region voivodship: Dolnośląskie.	154 494	645 661
Country Business Sector – CITIBANK HANDLOWY	6 089 371	1 172 247
Total	**18 271 961**	**14 801 898**

Set out below are consolidated customers' funds and consolidated receivables from customers and the State Budget as at December 31, 2001, related to operations completed mainly by branches of the Bank. Their structure is presented divided into Regions within which Bank branches are grouped.

in thousands PLN

Region/Geographical coverage of activity divided into voivodships – poviats	**Funds from customers and the State budget sector**	**Receivables from customers and the State budget sector**
Bydgoszcz region voivodships: Kujawsko – Pomorskie, Pomorskie, Warmińsko – Mazurskie and poviats in the Zachodnio – Pomorskie voivodship: Sławieński, Koszaliński, Kołobrzeski, Białogardzki, Świdwiński, Szczecinecki, Drawski, Grodzki Koszalin.	800 225	1 393 134
Katowice region voivodships: Śląskie, Opolskie and the following poviats in the Małopolskie: Chrzanowski, Oświęcimski.	1 024 667	1 055 152
Cracow region voivodships: Podkarpackie, Świętokrzyskie, Małopolskie without poviats assigned to the Katowice region	459 609	738 950
Poznań region voivodships: Lubuskie, Wielkopolskie, Zachodnio – Pomorskie without poviats assigned to the Bydgoszcz region	1 196 031	1 872 635
Warsaw region the city of Warsaw, voivodships: Mazowieckie, Lubelskie, Łódzkie, Podlaskie.	11 107 683	8 638 443
Wrocław region voivodship: Dolnośląskie.	150 843	376 966
Country Business Sector – CITIBANK HANDLOWY	4 278 113	1 173 137
Total	**19 017 171**	**15 248 417**

3. Contribution to the London branch

in thousands PLN

Contribution change	2002	2001
Beginning of period	-	102 450
Increases:	-	-
Reduction (title):	-	102 450
- Branch closure		102 450
- exchange differences		
End of period	-	-

The London Branch of the Bank closed its operations as at 31 December 2001. Bank's Supervisory Board passed the resolution concerning the closure of the London Branch on 15 December 2000. The London Branch of the Bank was erased from the Corporate Register at the National Court Register on 14 January 2002, by the District Court for the city of Warsaw – XIX Economic Department of the National Court Register. Other units constituting Bank's Capital Group do not have foreign branches.

4. Financial instruments of Bank's Capital Group

The obligation to disclose information related to financial instruments arose for the first time as of the delivery of financial statements for reporting periods in 2002. As a result, only data for the current reporting period are presented below.

4.1. Financial instruments divided into individual categories of assets and financial liabilities as at December 31, 2002

in thousands PLN

	December 31, 2002
Financial assets for trading purposes	6 082 840
Financial liabilities for trading purposes	4 182 578
Credits and loans granted and own receivables	14 193 749
Financial assets retained until maturity	305 707
Financial assets available for sale	2 520 163
Total financial instruments	**27 285 037**

4.1.1. Financial instruments for trading purposes as at December 31, 2002

Financial assets for trading purposes divided into asset groups:

in thousands PLN

	December 31, 2002
Debt securities	1 557 522
Shares in non-subordinated entities	1 868
Receivables from the valuation of operations involving derivative instruments	4 523 450
Total financial assets for trading purposes	**6 082 840**

Change in financial assets for trading purposes in 2002

in thousands PLN

	2002
Beginning of period	**3 612 881**
increases (title)	62 917 830
- purchases	61 739 640
- revaluation	1 169 547
- other (discount, awards, interest)	8 643
reductions (title):	(60 447 871)
- sales	(60 446 668)
- reductions resulting from permanent loss of value	(660)
- other (discount, awards, interest)	(543)
End of period financial assets for trading purposes	**6 082 840**

Debt securities for trading purposes

Debt securities for trade are securities acquired to gain on short-term price fluctuations. Debt securities for trade are accounted for in their fair value, and the result of valuation is recognized in financial revenues or expenses.. Interest, discount or award on such securities are settled in the profit and loss account according to the line method.

Shares in non-subordinated entities

Stock and shares in non-subordinated entities are accounted for in their fair value, and the result of valuation is recognized in financial revenues or expenses.

Receivables from the valuation of operations involving derivative instruments

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

The Bank enters into various transactions involving derivative instruments for speculation purposes and to manage the exchange risk and the interest rate risk. The settlement date of positions open in derivative instruments depends mainly on the nature of the instrument. For the presented transactions, floating interest rate is based on interbank interest rates prevailing at the beginning of the interest period and fixed interest rate depends on the nature of an instrument and the objective of a transaction.

As at December 31, 2002, the Bank placed deposits at other institutions to a total value of PLN 149 789 thousand, as a collateral against transactions in derivative instruments and received collateral amounting to PLN 1 225 thousand against transactions involving derivative instruments.

Forward FX transactions

The Bank concluded forward and FX swaps in 2002. Forward transactions are agreements concerning the purchase or sales of foreign currencies at a specified exchange rate, at a forward date (where the settlement occurs later than two days after the transaction date). Foreign currency swaps are combinations of spot FX transaction (settlement on the second working day of the transaction date) and a forward transaction whereby a specific amount of currency is exchanged at a current rate at a spot date and the same amount of currency is exchanged back at a forward rate on the specified future date. Nominal value of foreign exchange transactions is the amount of foreign currency purchased or sold and does not represent any actual market risk or credit risk associated with these transactions.

Foreign exchange contracts are used for closing daily open foreign currency positions and for trading purposes. Foreign currency swaps are mainly used to manage Bank's liquidity and funds in nostro accounts.

Forward FX contracts are valuated and accounted for in the profit and loss statement in their market value. The discounted cash flows model is used in the valuation of FX transactions. Unrealized profits and losses from the valuation of forward FX transactions are accounted for in the balance sheet as “Other securities and other financial assets” or as „Other liabilities arising on financial instruments” in their gross value, i.e. without netting.

FX option transactions

FX option transactions involve the sale or purchase by the Bank of the right to exchange one currency into another at a future date at a specified exchange rate and on the specified settlement day or period; the option can be executed by means of a physical exchange transaction with currency delivery or by means of the settlement of a difference between the option execution rate and a reference rate valid for the option execution date. Two types of options are distinguished: call options grant the holder the right to buy a contractual amount of foreign currency in exchange for an amount of local or another foreign currency according to an option exercise rate; and put options that give the holder the right to sell a contractual amount of foreign currency in exchange for an amount of local or another foreign currency defined according to the option execution rate. The buyer of an option pays to its drawer a premium for the purchased right to buy or sell of currency.

FX options are valuated and accounted for in the profit and loss statement in their market value. Garman-Kohlhagen valuation model is used in the valuation of options. Unrealized profits and losses from the valuation of options are accounted for in the balance sheet as “Other securities and other financial assets” or as „Other liabilities arising on financial instruments” in their gross value, i.e. without compensation. Premiums received from written options are accounted for as „Other liabilities arising on financial instruments” while premiums paid for purchased options are accounted for as “Other securities and other financial assets” and included in the profit and loss statement at the transaction end date.

	in thousands PLN
FX transactions	**December 31, 2002**
	nominal value
Spot contracts	3 413 935
Forward contracts including FX swaps	34 750 721
Options purchased	3 060 758
Options sold	3 123 501
Total FX transactions	**44 348 915**

Interest rate contracts

In 2002, the Bank concluded interest rate swaps (IRS), cross-currency interest rate swaps (CIRS) and forward rate agreement contracts (FRA).

Interest rate swaps are agreements to exchange periodic interest payment obligations. On the interest payment date, the Bank and its counterparty are obliged to exchange periodic fixed and floating rate interest payments defined in a contract. The objective of CIRS concluded in 2 different currencies, is the exchange of contracting party’s obligation expressed in one currency into its obligation in other currency as a result of which, the Bank and its counterparty are obliged on interest payment date to exchange interest payments defined in a CIRS contract. Additionally, parties may also exchange nominal amounts of contracts. The Bank concludes IRS and CIRS contracts on interbank market and with its customers.
The objective of FRA contracts is to define interest rate level for contracting party’s receivables, which arose or will arise on set future dates or to define interest rate level for contracting party’s payables, which arose or will arise on set future dates. The Bank concludes FRA contracts on interbank market and with its customers.

Interest rate instruments are valuated and accounted for in the profit and loss statement in their market value. The discounted cash flows model is used in the valuation of interest rate transactions. Unrealized profits and losses from the valuation of such instruments are accounted for in the balance sheet as “Other securities and other financial assets” or as „Other liabilities arising on financial instruments” in their gross value, i.e. without compensation.

Interest rate options

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

Interest rate options are valuated and accounted for in the profit and loss statement in their market value. Unrealized profits and losses from the valuation of options are accounted for in the balance sheet as “Other securities and other financial assets” or as „Other liabilities arising on financial instruments” in their gross value, i.e. without compensation. Premiums received from written options are accounted for as „Other liabilities arising on financial instruments” while premiums paid for purchased options are accounted for as “Other securities and other financial assets” and included in the profit and loss statement at the transaction end date.

	in thousands PLN
Interest rate contracts	**December 31, 2002**
	nominal value
Forward rate agreements	
Purchased:	8 550 000
Sold:	8 455 000
Interest rate options	
Purchased:	1 735 597
Sold:	1 735 597
Interest rate swaps	
Receive floating pay fixed	
Interest rate swap	
(maturing within 1 year)	7 854 302
(maturing within 2 years)	9 649 933
(maturing within 3 years)	10 597 621
(maturing within 3-5 years)	14 090 075
(maturing after over 5 years)	3 828 208
Interest rate cross currency swaps	
(maturing within 1 year)	703 402
(maturing within 2 years)	656 793
(maturing within 3 years)	416 504
(maturing within 3-5 years)	341 204
(maturing after over 5 years)	370 981
Receive floating pay floating	
Interest rate swap	
(maturing within 1 year)	7 500
(maturing within 3-5 years)	7 719
Interest rate cross currency swaps	
(maturing within 1 year)	120 000
(maturing within 2 years)	194 021
(maturing within 3 years)	236 282
(maturing within 3-5 years)	956 835
(maturing after over 5 years)	4 060
Receive fixed pay fixed	
Interest rate cross currency swaps	
(maturing within 1 year)	17 453
(maturing within 2 years)	15 708
(maturing within 3 years)	
(maturing within 5 years)	277 016
(maturing after over 5 years)	488 970
Total interest rate contracts	**71 310 781**

Securities contracts

The Bank concludes purchase and sale contracts in debt securities at a fixed price with settlement after over two working days of the contract conclusion date (forward contracts).

Such contracts are accounted for in their market value while unrealized profits and losses from the valuation are shown in the balance sheet as “Other securities and other financial assets” or as „Other liabilities arising on financial instruments”.

Share options

Share options give the buyer the right to receive a difference between a share price or share index value defined in option contract and the value of base (reference) instrument at an exercise date depending on type of option (call or put) in the event of an increase or a decrease in the reference instrument price. The buyer of an option pays to its drawer a premium for the purchased rights.

Options are valuated and accounted for in the profit and loss statement in their market value. Unrealized profits and losses from the valuation of options are accounted for in the balance sheet as "Other securities and other financial assets" or as „Other liabilities arising on financial instruments" in their gross value, i.e. without compensation. Premiums received from written options are accounted for as „Other liabilities arising on financial instruments" while premiums paid for purchased options are accounted for as "Other securities and other financial assets" and included in the profit and loss statement at the transaction end date.

	in thousands PLN
Securities contracts	**December 31, 2002**
Securities options – purchase	380 949
Securities options – sales	380 949
Purchased securities pending delivery	241 549
Sold securities pending delivery	68 997
Total securities contracts	**1 072 444**

4.1.2. Financial liabilities for trading purposes as at December 31, 2002

Financial liabilities for trading purposes divided into liability groups:

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

Change in financial liabilities for trading purposes in 2002

	in thousands PLN
	2002
Beginning of period	**3 175 314**
increases (title)	1 007 264
- increased negative valuation of derivative instruments	1 007 264
reductions (title):	-
End of period financial liabilities for trading purposes	**4 182 578**

The item "liabilities arising on valuation of transactions in financial instruments" presents negative valuation of derivative instruments.

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

4.1.3. Credits and loans granted and corporate receivables as at December 31, 2002

Credits and loans granted and corporate receivables by category

	in thousands PLN
	December 31, 2002
Credits and loans	14 623 497
Purchased receivables	463 310
Realized guarantees	20 973
Interest receivable	590 305
Total credits and loans granted and own receivables (gross)	15 698 085
Reserve established	(1 504 336)
Total credits and loans granted and own receivables (net)	**14 193 749**

Change credits and loans granted and corporate receivables in 2002

	in thousands PLN
	2002
Beginning of period	**16 530 752**
increases (title)	27 920 982
- new contracts*	27 730 803
- interest receivable	190 179
reductions (title):	(28 753 649)
- repayment*	(28 753 649)
End of period credits and loans granted and corporate receivables (gross)	**15 698 085**

* considering roll-over short term loans

Change in provision for loans and own receivables in 2002

	in thousands PLN
	2002
Beginning of period	**1 217 373**
increases (title)	785 275
- charges to provision	763 159
- exchange differences	6 634
- reclassification from other category of assets	15 482
reductions (title):	(498 312)
- release of provision	(435 308)
- write-offs against provision	(46 170)
- reclassification to another category of assets	(12 120)
- exchange differences	(4 714)
End of period provisions for loans and own receivables	**1 504 336**

Consumer loans and loans related to credit cards issued to individuals are accounted for at amortized cost considering effective interest rate and net of specific provisions created.

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

4.1.4. Financial assets held until maturity as at December 31, 2002

Financial assets held until maturity by category of asset groups

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

Change in financial assets held until maturity in 2002

	in thousands PLN
	2002
Beginning of period	**717 618**
increases (title)	259 486
- purchases	238 575
- exchange differences	9 374
- revaluation	11 402
- other	135
reductions (title):	**(671 397)**
- sales	(657 648)
- reductions resulting from permanent loss of value	(6 807)
- other (discount, awards, interest)	(6 942)
End of period financial assets held until maturity	**305 707**

Debt securities held until maturity include, in particular, NBP bonds issued as a result of a decrease in the rate of obligatory reserve.

Debt securities held until maturity are valuated at acquisition prices reduced by amortization costs and deductions in virtue of permanent loss of value. Interest and discount on such securities are settled in the profit and loss account according to the line method.

4.1.5. Financial assets available for sale as at December 31, 2002

Financial assets available for sale by asset groups:

	in thousands PLN
	December 31, 2002
Debt securities	2 493 036
Shares in non-subordinated entities	23 127
participating units in investment funds	4 000
Total financial assets available for sale	**2 520 163**

Change in financial assets available for sale in 2002

	in thousands PLN
	2002
Beginning of period	**1 565 517**
- change in adopted accounting principles	25 913
Beginning of period status after adjustment to comparable data	1 591 420
increases (title)	21 489 900
- purchases	21 463 278
- exchange differences	5 419
- settlement of discount, premium, interest	21 193
- other	10
reductions (title):	(20 561 167)
- sales	(20 553 617)
- reductions resulting from permanent loss of value	(118)
- valuation update	(5 250)
- settlement of discount, premium, interest	(2 174)
- other (losses)	(8)
End of period financial assets available for sale	**2 520 163**

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

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

4.1.6. Risk management

Market risk management in Bank's Capital Group is based on principles and procedures approved by the Assets and Liabilities Committee (ALCO) and the Management Board, and reflecting requirements set by Polish supervisory bodies as well as meeting recommendations applied within Citigroup.
Market risk management encompasses two key risk areas:
– liquidity risk
– pricing risk
Liquidity risk is defined as Bank's potential inability to repay its financial liabilities to customers and contracting parties when due.
Pricing risk is defined as a risk that a change in market interest rates, exchange rates, stock prices or any parameters affecting these rates and prices may have an adverse affect on Bank's results.

Liquidity risk management

Measurement and limitation of the liquidity risk

The fundamental measure for liquidity risk of the Bank is the report showing the gap in cash flows in particular tenors that illustrates potential exposure of the Bank for additional funding needs - Market Access Report („MAR"). MAR report includes all cash flows related to balance sheet and off-balance sheet transactions. Liquidity management encompasses all liabilities and receivables of the Bank and is focused on the tenors up to 3 months. The report is prepared on a daily basis by the Market Risk Department and includes total balance sheet and balance sheets in PLN, USD and EURO. Gap limits decided by the Market Risk Department are set for the following tenors: O/N, 2-7 days, 8-15 days, 1 month, 2 months, 3 months, 6 months, 1 year, 2 years and over 2 years. Statistical research related to i.e. core deposits and structure of balance sheet, renewals of loans and withdrawals of deposits are taken into account when calculating liquidity gap. The report is prepared for the situation described as „business as usual", however, once in a quarter some stress analyses considering potential risks resulting from e.g. a crisis in banking system and limited market liquidity, problems within Citigroup, etc., are prepared. Additionally, in order to assess liquidity risk the Market Risk department monitors balance sheet structure of the Bank and its changes in time.

Pricing risk management

Scope of risk

Pricing risk management refers to all portfolios whose profitability is at risk due to adverse influence of changing market conditions such as interest rates, FX rates, prices of goods and parameters affecting these rates and prices. When managing pricing risk trading and non-trading portfolios were segregated. Trading portfolios include transactions in financial instruments (balance sheet and off-balance sheet), with objective to gain on change in market parameters (and, as a result prices of the instruments) in short period of time. Trading portfolios are market-to-market. The Treasury Department manages trading portfolios encompassing interest rate risk and the exchange risk. Trading activity related to portfolios including shares and share derivative instruments is conducted by Dom Maklerski Banku Handlowego SA („DM BH"). Non-trading portfolios include all other items of assets and liabilities not classified among trading portfolios and off-balance sheet transactions that fulfill requirements for hedge accounting. The objective of such transactions is realization of the result in the whole contractual life of the transaction. The Treasury Department acquires interest rate risk items from non-trading portfolios of the Corporate and Investment Banking and Consumer Banking, leasing subsidiaries and DM BH. The mechanics of the interest rate risk transfer is based on an internal transfer pricing system. Result on non-trading portfolios is calculated on an accrual basis.

Measurement of pricing risk for non-trading portfolios

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

- Earnings at Risk EaR
- Cost to Close CtC

Pricing risk measurement for trading portfolios

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

The two methods are supplemented by the following limits:

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

Operational risk management

Operational risk includes risk of losses resulting from operational mistakes and data processing errors arising due to mistakes made by the Bank employees and due to incorrect operations of IT systems as well as impact of external events. Particular aspects of operational risk are losses resulting from frauds that include swindle, forgery and dishonest conduct of the personnel and customers.

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

Detailed risk analysis including the analysis of operational risk is an inherent part of each product program, which includes, *inter alia*, the description of controls implemented in order to minimize the identified risk. Important control functions included in particular product programs and in operational procedures are reflected on checklists in individual operational units of the Bank. All organizational units of the Bank perform initial, current and subsequent control functions on a daily, weekly, monthly or quarterly basis (depending on requirements). Performance of control functions is confirmed by appropriate documentation or by signatures on lists of control functions. Additionally, control functions related to the operational risk are fulfilled by specialized control units within Operations and Finance.

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

The Bank has implemented procedures defining principles and the way for settlement of operational losses that define details of authority to make decisions related to the approval of deductions of operational losses, their presentation in the accounting books and the mode of reporting of operational losses.

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

The Bank did not have subscription option contracts or ordinary shares sale contracts concluded on December 31, 2002.

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

Assets being used as a pledge against the Group's own obligations or third part obligations as on December 30, 2002 and in other presented reporting periods of 2001 are shown in explanatory notes to balance sheet no. 1, 2 and 6.

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

As on December 30, 2002, repurchase transactions not included in the balance sheet can be presented as follows:

Sell-buy-back transactions by maturity

in thousands PLN

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

Buy-sell-back transactions by maturity

in thousands PLN

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

8. Financial commitments granted

Financial commitments granted include undrawn credit lines, open import L/Cs and commitments arising on concluded deposit contracts (placements given pending delivery), for which realization date depends only on the time necessary for technical preparation of funds transfer. Data related to financial commitments granted as on December 30, 2002 and December 31, 2001 are presented in the Additional Explanatory Note no. 9.

9. Off-balance sheet commitments

		in thousands PLN
	December 31, 2002	**December 31, 2001**
9.1. Commitments granted including:	**9 600 258**	**10 479 763**
L/Cs including:	199 130	248 029
on behalf of subordinated entities including:	12 265	6 397
- consolidated	-	-
- accounted for under the equity method	12 265	5 985
Guarantees issued including:	2 738 719	2 737 591
on behalf of subordinated entities including:	84 553	90 143
- consolidated	1 500	5 000
- accounted for under the equity method	10 953	2 740
Credit facilities granted including:	6 662 409	6 779 275
on behalf of subordinated entities including:	255 972	154 308
- consolidated	-	50 000
- accounted for under the equity method	254 730	58 664
Placements given pending delivery	-	714 868

L/Cs are divided as follows:

		in thousands PLN
	December 31, 2002	**December 31, 2001**
L/Cs including:	**199 130**	**248 029**
Import L/Cs issued	187 117	184 874
on behalf of subordinated entities including:	12 265	6 397
- consolidated	-	-
- accounted for under the equity method	12 265	5 985
Confirmed export L/Cs	12 013	63 155

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

The Bank makes specific provisions in compliance with regulation of the Ministry of Finance dated 10 December 2001 on the principles of creating provisions for the risks related to the operations of banks. As on December 30, 2002 the provisions created for off-balance commitments amounted to PLN 145,307 thousand, including the provisions for off-balance sheet commitments granted to subordinated entities and amounting to PLN 21,405 thousand (31 December 2001: PLN 125,913 thousand, in this subordinated entities: PLN 11,864 thousand).

In the general amount of reserves established for commitments on behalf of subordinated entities, PLN 9,491 thousand was related to units included in equity method accounting while the remaining PLN 11,913 thousand was related to units excluded from consolidation and equity method accounting. As on December 31, 2002, the amount of provisions created against off-balance sheet commitments granted to subordinated undertakings was related to entities excluded from consolidation and equity method accounting.

9.2. Contingent liabilities received

As at December 30, 2002, total contingent liabilities received amounted to PLN 2,757,436 thousand including PLN 2,213,436 thousand by virtue of guarantee contingencies (31 December 2001: PLN 1,472,926 thousand, including PLN 1,120,926 thousand of guarantee contingencies). As on December 31, 2002, the Bank reported contingent liabilities received from a subordinated entity amounting to PLN 10,855 thousand (As on December 30, 2001, the Bank did not report any contingent liabilities received from subordinated, joint ventures and associated undertakings).

9.3. Issues underwritten by the Bank

As on December 31, 2002 and December 31, 2001, liabilities of Bank's Capital Group by virtue of underwriting of securities to other issuers include contracts concluded by the parent entity ("Bank").

The underwriting agreements entered into by the Bank in force on December 31, 2002, are presented in the table below.

Name of Issuer – location	**Type of agreement**	**Term of agreement**	**Bank's remuneration**	**Type of security**	**Negotiability of security**	**Amount underwritten by the Bank (in thousands PLN)**	**Commitments as on 31.12.2002 (in PLN thousand)**
Can Pack SA - Cracow	Bond acquisition	10.07.2002-10.07.2003	discount or f/x gains, dealer's commission	Bonds	secondary market, private placement	30 000	7 000
Polski Koncern Naftowy Orlen SA – Płock	bond acquisition	06.07.2001-21.11.2003	discount or f/x gains, dealer's commission	Bonds	secondary market, private placement	50 000	30 310
Urtica Finanse SA – Wrocław	Bond issue within the Securitization Program	25.08.2002-24.08.2003	Interest coupon, commission	Bond	secondary market, private placement	10 000	3 800
The city of Gdańsk	Agency	31.10.1996-26.06.2003	Interest coupon	Municipal bonds	secondary market, private placement	33 100	**-**
						Total	**41 110**

The underwriting agreements entered into by the Bank in force on December 31, 2001, are presented in the table below.

Name of Issuer – location	**Type of agreement**	**Term of agreement**	**Bank's remuneration**	**Type of security**	**Negotiability of security**	**Amount underwritten by the Bank (in thousands PLN) PLN)**	**Commitments as on 31.12.2001 (in PLN thousand)**
Carcade Invest S.A. Warsaw	readiness to take over bills	18.10.1999-18.11.2002	discount or f/x gains	Commercial papers	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 papers	secondary market, private placement	20 000	14 360
Handlowy – Leasing SA – Warsaw(1)	guaranteed	18.01.2001-18.01.2002	discount or f/x gains, commission	Commercial papers	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 papers	secondary market, private placement	30 000	16 970
Polski Koncern Naftowy Orlen SA – Płock	bond acquisition	06.07.2001-06.07.2006	discount or f/x gains, commission	Bonds	secondary market, private placement	50 000	39 590
Pia Piasecki S.A. –Kielce(2)	readiness to take over bills	03.01.2001-03.01.2002	discount or f/x gains, commission	Commercial papers	secondary market, private placement	25 000	-
Pol Am Pack S.A. – Brzesko	guaranteed takeover of bills	28.09.1999-29.03.2002	discount or f/x gains, commission	Commercial papers	secondary market, private placement	30 000	26 690
Techmex S.A. – Bielsko Biała	bond purchase	29.08.2001-31.07.2002	discount or f/x gains	Bonds	secondary market, private placement	35 000	-
Węglokoks S.A. – Katowice	Agency	23.01.2000-23.01.2002	discount or f/x gains	Commercial papers	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
The city of Gdańsk	Agency	31.10.1996-26.06.2003	Interest coupon	Municipal bonds	secondary market, private placement	33 100	-
						Total	**119 260**

(1) subsidiary entity

(2) associated entity

10. Suggested payment of dividend

On March 12, 2003, the Management Board adopted the resolution concerning the suggested distribution of profit for 2002. The Management Board suggested to assign PLN 241,720,260.00 for a dividend. This suggestion means that the dividend falling to a single share and a single Special Participating Replaceable Bond is 1 zloty 85 grosz. The Management Board suggested that the definition of right to dividend should take place as on July 25, 2003 and the dividend payment date should be September 1, 2003. This proposal by the Management Board shall be submitted to the Supervisory Board for opinion and, subsequently, to the General Meeting of Shareholders for approval.
The Bank did not issue privileged shares.

11. Commitments in virtue of dividend approved

As on December 31, 2002, the Bank did not have any commitments by virtue of any approved dividend from the previous years' profit distribution.

12. Amounts due to the State budget or commune authorities

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

13. Failure to carry on activity

In 2002, entities constituting the Group did not terminate any activity and no termination of any activity is planned except for units in liquidation Budowa Centrum Plac Teatralny Sp. z o.o. and PPH Spomasz Sp. z o.o. as well as planned sale or liquidation of Polskie Towarzystwo Emerytalne DIAMENT S.A.

In 2001, the Bank completed legal separation of its brokerage business. On April 1, 2001, the brokerage business of COK BH, an organizationally 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 London Branch of the Bank closed its operations as at 31 December 2001. Bank's Supervisory Board passed the resolution concerning the closure of the London Branch on 15 December 2000. The London Branch of the Bank was erased from the Corporate Register at the National Court Register on 14 January 2002, by the District Court for the city of Warsaw – XIX Economic Department of the National Court Register.

14. Cost of fixed assets under construction, fixed assets for corporate needs

In 2002 and 2001, units of the Group did not incur any expense related to fixed assets under construction and fixed assets for corporate needs.

15. Capital expenditure borne and planned

Expenditures borne by the Group on fixed assets under construction and intangible assets as on December 31, 2002 amounted to PLN 15,598 thousand (on December 31, 2001: PLN 76,633 thousand). Investments planned in 2003 amount to PLN 44,596 thousand and are mainly related to IT expenditures and expenditures for modernization and furnishing of buildings.

16. Transactions with related entities

16.1. Transactions with shareholders of the Bank owning at least 10% votes on the General Meeting of Shareholders

A shareholder of the Bank owning at least 10% votes in the General Meeting of Shareholders is Citibank Overseas Investment Corporation with headquarters in New Castle, USA (COIC), a subsidiary of Citibank N.A., owning 93.20% votes in the General Meeting of Shareholders of the Bank as on December 31, 2002. COIC and other entities included in Citigroup Inc. conclude a range of transactions with the Bank.

As on December 31, 2002, the balance of accounts receivable and payable (without interest) and off-balance sheet commitments towards Citigroup Inc. entities is as follows:

in thousands PLN

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

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

16.2. Transactions with subordinated entities

16.2.1. Transactions with a fully consolidated subordinated entity

As on December 31, 2002, Bank's liabilities to a subsidiary undertaking of Dom Maklerski Banku Handlowego SA amounted to PLN 95,484 thousand (December 31, 2001: PLN 120,593 thousand). As a result of joint operations, the Bank acquired interest gains amounting to PLN 14 thousand in 2002 (December 31, 2001: PLN 135 thousand), interest costs on behalf of DM BH in 2002 amounted to PLN 8,861 thousand (December 31, 2001: PLN 11,017 thousand). Joint operations and expenses mentioned above were duly excluded in consolidated balance sheets, consolidated profit and loss statements and consolidated cash flow statements.

16.2.2. Transactions with subordinated entities accounted for under the equity method

Amounts due from and revenues received from subordinated entities accounted for under the equity method as on December 31, 2002 are as follows:

in thousands PLN

	Subsidiary	Joint venture	Associated	Total
Net amounts due from:				
financial institutions – in respect of				
- current accounts	666 746	9	-	666 755
- loans granted	165 977	-	-	165 977
-subordinated loans*	99 572	-	-	99 572
- bonds convertible into shares	59 795	-	-	59 795
from other entities – in respect of				
- current accounts	-	-	1	1
- loans granted	-	-	16 220	16 220
Total amounts due	**992 090**	**9**	**16 221**	**1 008 320**
Interest and commission revenues	**33 096**	**250**	**3 015**	**36 361**

The amount of subordinated loans refers to loans granted to the following subsidiary entities: Handlowy Investments S.A. and Handlowy Investments II S.a.r.l. assigned to the financing of equity investments made by these entities. Nominal value of loans granted as on December 31, 2002 amounted to PLN 133 471 thousand while the amount of reserves established for these loans amounted to PLN 33 899 thousand. Interest from subordinated loans is recorded in the annual financial statement of the Bank at the day of payment. In 2002, interest amounted to PLN 5 418 thousand. Interest on these loans was subject to consolidation exemptions in the consolidated profit and loss statement.

Amounts due from and revenues received from subordinated entities accounted for under the equity method as on December 31, 2002 are as follows:

Bank's commitments (without interest) and costs borne on behalf of subordinated entities accounted for under the equity method as on December 31, 2002 are as follows:

in thousands PLN

	Subsidiary	Joint venture	Associated	Total
Amounts due to:				
financial institutions – in respect of				
- current accounts	165 437	9 756	21	175 214
- deposits taken	97 619	21	-	97 640
other entities in respect of				
- current accounts	-	-	3 144	3 144
- deposits taken	-	-	4 016	4 016
Total payable	**263 056**	**9 777**	**7 181**	**280 014**
Interest and commissions expense	**9 491**	**167**	**189**	**9 848**

Receivables of the Bank in their balance value (without interest and revenues acquired from subordinated entities accounted for under the equity method as on December 31, 2002 are as follows:

in thousands PLN

	Subsidiary	Joint venture	Associated	Total
Net amounts due from:				
financial institutions – in respect of				
-subordinated loans*	159 791	-	-	159 791
- bonds convertible into shares	52 384	-	-	52 384
Total amounts due	**212 175**	**-**	**-**	**212 175**
Interest and commission revenues	**21 348**	**4**	**-**	**21 352**

The amount of subordinated loans refers to loans granted to the following subsidiary entities: Handlowy Investments S.A., Handlowy Investments II S.a.r.l., Handlowy Inwestycje Sp. z o.o. assigned to the financing of equity investments made by these entities. Nominal value of loans granted as on December 31, 2001 amounted to 163,771 thousand PLN, the amount of reserves established for these loans amounted to 3,980 thousand PLN. Interest on these loans were subject to consolidation exemptions in the consolidated profit and loss statement.

Bank's commitments (without interest) and costs borne on behalf of subordinated entities accounted for under the equity method as on December 31, 2002 are as follows:

in thousands PLN

	Subsidiary	Joint venture	Associated	Total
Amounts due to:				
financial institutions – in respect of				
- current accounts	15 040	164	-	15 204
- deposits taken	63 489	579	-	64 068
Total payable	**78 529**	**743**	**-**	**79 272**
Interest and commissions expense	**8 968**	**296**	**-**	**9 264**

16.2.3. Transactions with subordinated entities excluded from consolidation and equity method accounting

Amounts due from and revenues received from subordinated entities excluded from consolidation and equity method accounting as on December 31, 2002 are as follows:

in thousands PLN

	Subsidiary	Joint venture	Associated	Total
Net amounts due from:				
from other entities – in respect of				
- current accounts	125		5 523	5 648
- loans granted	2 130	-	3 250	5 380
Total amounts due	**2 255**	**-**	**8 773**	**11 028**
Interest and commission revenues	**291**		**3 964**	**4 256**

As on December 31, 2002, the amount of provisions created against receivables from subordinated entities excluded from consolidation and equity method accounting amounted to PLN 41 257 thousand.

Bank's commitments (without interest) and costs borne on behalf of subordinated entities excluded from consolidation and equity method accounting as on December 31, 2002 are as follows:

in thousands PLN

	Subsidiary	Joint venture	Associated	Total
Amounts due to:				
other entities in respect of				
- current accounts	-	-	4 235	4 235
- deposits taken	-	-	15 238	15 238
Total payable	**-**	**-**	**19 473**	**19 473**
Interest and commissions expense	**1 247**		**2 651**	**3 898**

The following transactions related to subordinated entities took place in 2002:

- the purchase of additional shares in Bank Rozwoju Cukrownictwa SA. As a result of this transaction, the Bank owns 100% shares in the equity and 100% votes in the GMS of that entity. The purchase of that entity is aimed solely for resale (liquidation);
- the sale of all owned shares in Cuprum Bank SA representing 55.26% of equity and 50.20% votes in the GMS of that entity;
- the sale of all shares in Tower Service sp. z o.o. where the Bank used to own 50.30% of the equity and the same number of voting rights in the GMS of the entity;
- the sale of all owned shares in Bank Handlowy International S.A. with headquarters in Luxembourg, representing 73.12% of the equity and the same number of votes in the GMS of that entity;
- the purchase of shares of “Bytom Collection” sp. z o.o. with headquarters in Radzionków as a result of indebtedness restructuring. As a result of this transaction, the Bank owns 100% shares in the equity and 100% votes in the GMS of that entity. The purchase of that entity is aimed at its resale or liquidation;
- the sale of all shares in Obsługa Funduszy Inwestycyjnych Sp. z o.o., which gave the Bank the right to 50.00% of equity and voting rights in the GMS of the entity;
- the sale of the whole share pack in Polska Giełda Finansowa S.A. where the Bank used to own 22.90% of equity and the same number of voting rights in the GMS of the entity;
- the sale of the whole share pack of the associated unit: Hortex Holding S.A. with headquarters in Płońsk, where the Bank used to own 31.09% of equity and the same number of voting rights in the GMS of the entity;

Amounts due in their balance value (without interest) and revenues acquired from subordinated entities excluded from consolidation and equity method accounting as on December 31, 2002 are as follows:

in thousands PLN

	Subsidiary	Joint venture	Associated	Total
Net amounts due from:				
financial institutions – in respect of				
- current accounts	18 341	5	-	18 346
- loans granted	702 915	-	-	702 915
from other entities – in respect of				
- current accounts	-	-	8 739	8 739
- loans granted	-	-	92 933	92 933
Total amounts due	**721 256**	**5**	**101 672**	**822 933**
Interest and commission revenues	**51 593**	**512**	**32 640**	**84 745**

As on December 31, 2002, provisions created against receivables from subordinated undertakings excluded from consolidation or equity method accounting amounted to PLN 41,257 thousand.

Bank's commitments (without interest) and costs borne on behalf of subordinated entities excluded from consolidation and equity method accounting as on December 31, 2002 are as follows:

in thousands PLN

	Subsidiary	Joint venture	Associated	Total
Amounts due to:				
financial institutions – in respect of				
- current accounts	5 651	-	208	5 859
- deposits taken	70 631	-	-	70 631
other entities in respect of				
- current accounts	7 247	-	6 252	13 499
- deposits taken	-	-	59 299	59 299
Total payable	**83 529**	**-**	**65 759**	**149 288**
Interest and commissions expense	**6 538**	**40**	**6 622**	**13 200**

16.3. The Bank did not conclude any material transactions with related entities, i.e. transfers of rights and liabilities from:

- persons managing and supervising the Bank,
- spouses, immediate relatives by blood or marriage up to the second degree of kinship or affinity, of members of the Board and the supervisory bodies of the Bank.

17. Joint ventures excluded from full consolidation and equity method accounting

In 2002 and 2001, the Bank did not participate in any joint ventures with related entities.

18. Revenues and expenses related to brokerage activity

As of April 1, 2001, the Bank no longer conducts brokerage activity within its structures. Brokerage activity is carried out via Bank's wholly-owned subsidiary: Dom Maklerski Banku Handlowego SA. The financial statement of Dom Maklerski Banku Handlowego SA as on December 31, 2002 and December 31, 2001 is fully consolidated in the financial statement of the Bank (see: Introduction, par. 5).

19. Bad debts write-offs

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

20. Employee payments provisions

As on December 31, 2002, provisions for future liabilities on behalf of employees amounted to PLN 86,749 thousand (December 31, 2001: PLN 97,838 thousand) including:

- the provision for remuneration and charges to remuneration amounting to PLN 32,417 thousand (December 31, 2001: PLN 37,802 thousand).
- the provision for personnel restructuring expenses created in connection with Bank's merger with Citibank (Poland) SA amounting to PLN 29,332 thousand (December 31, 2001: PLN 35,036 thousand).
- the provision for employees' retirement and jubilee payments amounting to PLN 25 000 thousand (December 31, 2001: PLN 25,000 thousand).

21. Financing of Employee Pension Funds

The Bank is a co-owner of the Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A. („PPTE DIAMENT S.A.") holding 79.% shares and a co-arranger of the Intercompany Pension Program DIAMENT. The Bank created Pracownicze Programy Emerytalne („Program") for employees, aimed at the saving and amassing of financial assets coming from premiums paid within the Program to individual accounts of its participants in order to assure retirement or disability pensions. Funds are invested by the Polish Employee Pension Fund DIAMENT (Fund). For employees who joined the Program, the Bank pays premiums amounting to 7% of each participant's remuneration. Each employee participating in the Program can also pay additional premium from own funds. PPTE DIAMENT SA manages assets of the Fund. Premiums paid to the Fund are entirely invested in the units of the Specialist Open Investment Fund Commercial Capital Senior, managed by Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A.

22. Custody services for securities

The Bank provides custody services for securities via its Securities Custody Department. Securities Custody Department operates in line with the Polish law as well as international standards for custody services. This is why it is able to meet requirements of the biggest and most demanding institutional clients. The Department is an integral part of the global Citibank N.A. network operating under the name *Global Securities Services*, which renders services related to securities.

The Bank is one of Poland's leading depositories. It offers its services both to foreign institutional investors and to domestic financial entities, especially to investment and pension funds.

Custody services provided by the Bank include operating securities and cash accounts, settlement of transactions in securities, handling of dividend and interest payments, valuation of asset portfolios, individual reports and arrangements for customer representation during general meetings of shareholders of publicly traded companies. Apart from that, the Bank also provides maintenance of a foreign securities register including intermediation in the settlement of transactions concluded by domestic customers and depositing securities in foreign markets.

The Bank makes active efforts aimed at the improvement of legal regulations related to the securities market participating in activities pursued by the Depositories Board at the Polish Banking Association through its representatives. Strong position of the Bank justifies presentation of it's own proposals concerning changes in legal regulations or the creation of practices approximating the market with international standards. Utilizing its resources, expertise and experience, Bank's employees co-operate with the Securities and Stock Exchange Commission, the National Depository of Securities, the Warsaw Stock Exchange and the Insurance and Pension Funds Supervision Commission for the implementation of new system solutions.

In the 4th quarter of 2002, the Bank initiated the implementation of a changed service of foreign financial agents involving simplification of the existing structure of securities accounts for the recording of transactions executed by foreign brokers on behalf of international investors. The objective of the account structure modification is the utilization of opportunities defined in article 34a of the Law concerning public trade in securities currently in force and executive regulations coming into force as of January 1, 2003. The new transaction settlement process will be fully compatible with standards applied in developed capital markets.

In the latest ranking by the international specialist magazine "Global Custodian Magazine", the Bank occupied the first place for custody services rendered in the Polish market and was granted the "Top Rated" rating. The ranking organized each year in the category "Global Custodian Agent Bank" is aimed at the assessment of the quality of securities custody services offered to foreign customers by depositaries operating in developing markets.

The ranking is prepared on the basis of meetings and questionnaires sent to global custodian banks, brokerage and insurance companies, and other financial institutions. Ratings are awarded on the basis of achievements in individual categories, such as: settlement of transactions in securities, customer representation during general meetings of shareholders of publicly traded companies, information about issuers' activities and operations executed with regard to securities, technologies and operating systems, communications concerning changes in legal regulations in force in the market. Customer service is subject to particularly strict assessment.

Number of securities accounts
As on December 31, 2002, the Bank maintained 4,155 securities accounts.

Depository for Pension Funds

The Bank acted as depository for five Pension Funds:
- AIG OFE
- SAMPO OFE
- OFE Pocztylion
- Pekao OFE
- Zurich OFE

and for the Employee Pension Fund of Telekomunikacja Polska S.A.

Depositary for investment funds
The Bank acted as depositary for 19 investment funds managed by the following Investment Fund Associations:
- SKARBIEC TFI S.A.
- BZ WBK AIB TFI S.A.
- SEB TFI S.A.
- PIONEER PEKAO TFI S.A.
- DWS Polska TFI S.A.

23. Asset securitization

As on December 31, 2002, and in the remaining presented reporting periods of 2001, units included in the Capital Group did not have securitised receivables.

24. Employment

Average employment in Bank's Capital Group (comprising the Bank and subordinated entities) in 2002 amounted to 5,469 FTE including 371 blue-collar positions.

In 2001 average employment in the Group (defined as the Bank and all subsidiary and associated undertakings) amounted to 11,905 FTEs, including 3.488 blue-collar positions. Average employment in the Bank and subsidiary undertakings at that time amounted to 6,203 including 57 blue-collar positions.

25. Remuneration and awards (in cash and in kind) including bonuses from retained profit paid or due to managers and supervisors

Gross remuneration paid to persons managing the Bank in 2002 (members of the Management Board and Managing Directors) amounted to PLN 8,598 thousand (in 2001: PLN 6,675 thousand).

Total remuneration paid to the members of the Management Board included base salary amounting to 3,067 thousand, awards and bonuses amounting to PLN 4,916 thousand and paid insurance premiums amounting to 538 thousand.

Gross remuneration paid to persons managing the Bank in 2002 by virtue of functions performed in agencies of subordinated entities amounted to PLN 11 thousand (in 2001: PLN 187 thousand).

Gross remuneration paid to persons supervising the Bank in 2002 amounted to PLN 314 thousand (in 2001: PLN 476 thousand). Persons supervising the Bank did not receive remuneration for functions performed in agencies of subordinated entities in above-mentioned periods.

Remuneration paid to persons managing subordinated entities amounted to PLN 12,020 thousand in 2002.

Remuneration paid to persons supervising subordinated entities amounted to PLN 2,289 thousand in 2002.

26. Advances, loans, credits and guarantees granted to employees, managers and supervisors

Exposure of the Bank and subordinated entities arising on advances, loans, credits and guarantees granted to employees, managers and supervisors of the Bank as on December 31, 2002 is as follows:

in thousands PLN

	Advances	**Guarantees**	**Bank loans ***	**Loans from the Social Benefit Fund**
Employees	1 466	1 780	47 920	47 200
Managers	-	677	545	-
Supervisors	-	-	-	-
Persons personally related to managers and supervisors	-	-	-	-
Total	**1 466**	**2 457**	**47 465**	**47 200**

* Loans' yield and repayment schedules are on normal market terms.

As on December 31, 2002, employees, managers and supervisors of the Bank as well as persons personally related to managers and supervisors did not benefit from advances, loans, credits or guarantees granted by subordinated entities.

Exposure of the Bank arising on advances, loans, credits and guarantees granted to employees, managers and supervisors of the Bank as on December 31, 2002 is as follows:

in thousands PLN

	Advances	**Guarantees**	**Bank loans ***	**Loans from the Social Benefit Fund**
Employees	295	2 852	59 290	47 304
Managers	2	519	-	-
Supervisors	-	-	-	-
Total	**297**	**3 371**	**59 290**	**47 304**

* Bank loans' yield and repayment schedules are on normal market terms.

As on December 31, 2002, employees, managers and supervisors of the Bank did not benefit from advances, loans, credits or guarantees granted by subordinated entities.

27. Material events concerned with previous years included in the 2002 financial report

No significant events related to previous years with material influence on the 2002 consolidated financial statement of the Bank occurred in the Capital Group in 2002.

28. Material post balance sheet events not included in the 2002 consolidated financial statement

As a result of transactions concluded in January and February 2003, the Bank and its subordinated entity Handlowy Inwestycje II sp. z o.o. sold all the owned shares in the associated entity ZO Bytom SA. Shares sold constituted 27.64% of equity of ZO Bytom SA and 27.64% of the total number of voting rights in the general meeting of shareholders of the company.

On March 12, 2003, the Management Board adopted the resolution concerning the suggested distribution of profit for 2002. The Management Board suggested to assign PLN 241,720,260.00 for a dividend. This suggestion means that the dividend falling to a single share and a single Special Participating Replaceable Bond is PLN 1.85. The Management Board suggested that the definition of right to dividend should take place as on July 25, 2003 and the dividend payment date should be September 1, 2003. This proposal by the Management Board shall be submitted to the Supervisory Board for opinion and, subsequently, to the General Meeting of Shareholders for approval.

On March 17, 2003, Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU") submitted the statement concerning the conversion of owned issue I bearer's shares to series B shares of the Bank. The number of bonds to be converted by PZU is 5,434,000. Pursuant to par. 10 of the Resolution by the Special General Meeting of Shareholders of the Bank dated April 15, 1997 concerning the issue of convertible bonds (Resolution), PZU presented owned bonds for conversion regardless of limitations set out in par. 4 of the Resolution permitting conversion by the bearer with its subordinated and dominating entities in a calendar year of only those bonds whose nominal value does not exceed PLN 4,480,000. Pursuant to par. 10 of the Resolution, limitations concerning the number of bonds to be converted do not apply in the event of Bank's merger with another entity or if another entity becomes the holder of shares of the Bank with at least 50% of voting rights in the general meeting of shareholders of the Bank. Both premises mentioned in par.10 of the Resolution were met. After PZU announced conversion of the above-mentioned number of bonds, no bonds convertible to Bank's shares remain in the market.

As a result of bond conversion into shares of the Bank by Powszechny Zakład Ubezpieczeń Spółka Akcyjna in line with the statement dated March 17, 2003, concerning the conversion of 5,434,000 convertible bonds, the application for the increase in Bank's initial capital was submitted to the District Court for the city of Warsaw, XIX Economic Department KRS. In return for bonds presented for conversion, 5,434,000 Bank's shares from series B with nominal value PLN4 per share will be issued.

Bank's shareholding structure after bond conversion will be as follows:

	Number of shares	% initial capital
Citibank Overseas Investment Corporation, entity subordinated to Citibank N.A.	116,717,574	89.33%
Other shares	13,942,026	10.67%
Total number of Bank's shares	130,659,600	100%

After conversion, the value of the initial capital of the Bank will amount to PLN 522,638,400 and will be divided into 130,659,600 shares with nominal value PLN 4 per share.
The share of new shares in Bank's initial capital will amount to 4.15% and will provide 5,434,000 voting rights on the general meeting of shareholders of the Bank.

29. Material events related to the current period, influencing a material change in the structure of consolidated balance sheet entries and the consolidated profit and loss statement

As of January 1, 2002, the amended accounting law entered into force with executive regulations issued on its basis, considering specific accounting issues of units comprising Bank's Capital Group with vital influence on the structure of balance entries and the financial result of Bank's Capital Group. The influence of modifications introduced to accounting rules was presented in Additional Explanatory Note 31 and 32.

On March 7, 2002, Citibank Overseas Investment Corporation with headquarters in New Castle, USA (COIC), a subsidiary of Citibank N.A., purchased the total number of 753,3000 series C ordinary bearer's shares of the Bank. COIC is a dominating entity in relation to the Bank. COIC purchased 376,650 shares at the unit price PLN 67 from Centaur Investment Corporation and 376,650 shares at the unit price PLN 67 from Foremost Investment Corporation. Sellers belong to Citigroup Inc.
On March 26, 2002, the Bank sold all owned shares of Cuprum Bank SA to Dominet SA as all the suspending conditions resulting from the preliminary agreement concerning the sale of shares of Cuprum Bank SA concluded between the Bank and Dominet SA. The Bank owned 55.2% of equity of Cuprum Bank SA and 50.2% of voting rights in the General Meeting of Shareholders.

On April 26, 2002, the Bank sold all the 87,741 shares of Bank Handlowy International S.A. with headquarters in Luxembourg („BHI") on the basis of the concluded share sales agreement. The transfer of ownership of shares to the buyer took place on May 6, 2002.
Shares sold constituted 73.12% of equity and 73.12% of voting rights in the general meeting of shareholders of BHI.

On May 6, 2002, the Bank received the decision by the Banking Supervision Commission dated April 26, 2002 concerning changes in the Statute of the Bank, which allows for the modification of the content of Bank's Statute with regard to the increase in Bank's equity up to PLN 500,902,400. Equity increase takes place in connection with the replacement by Bank's dominating entity: Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A. of 17.648.500 issue I convertible bonds into shares of the Bank series B. COIC submitted the statement concerning the conversion of all owned shares on March 14, 2002. Registration of equity increase from PLN 430.308.400 to PLN 500,902,400 in the National Court Register took place on May 24, 2002. The existing equity of the Bank amounts to PLN 500.902.400 and is divided into 125,225,600 bearer's shares with nominal value PLN 4 per share. After equity increase registration and aver bond conversion into shares COIC is the owner of 116,717,574 shares of the Bank constituting 93.20% of Bank's equity and representing the same percentage of voting rights in the General Meeting of Shareholders of the Bank.

On June 3, 2002, the Bank supplied ZO Bytom SA (entity associated with the Bank) with the statement concerning the acquisition of 6,000 shares in “Bytom Collection” sp. z o.o. with headquarters in Radzionków. Nominal value of acquired shares amounts to PLN 3.000.000,00.
Share acquisition took place on the basis of the registered lien agreement concluded by the Bank with ZO Bytom SA on June 8, 2001 – by virtue of partial satisfaction of the outstanding loan receivable from ZO Bytom S.A. up to PLN 3,000,000.00. As a result of the takeover the Bank became the sole shareholder of "Bytom Collection" Sp. z o.o. with headquarters in Radzionków on June 3, 2002, i.e. of the total number of 6,008 shares so that the above-mentioned company became Bank’s subordinated entity.

Following the decision made by the Banking Supervision Commission on June 24, 2002 concerning the establishment of the commissioner management in Wschodni Bank Cukrownictwa S.A. in Lublin the pre-condition defined in the Agreement concerning support for Wschodni Bank Cukrownictwa S.A. in Lublin in the scope of restructuring dated June 22, 2002 concluded by the Bank with 11 other banks was fulfilled. The agreement provides for the opening of a credit facility for WBC S.A. and an equity contribution to WBC S.A.

On July 2, 2002, a subscription agreement was concluded between the Bank and the European Investment Bank pursuant to which the Bank undertook to take over zero-coupon bonds worth PLN 100,000,000 in the primary market with tenor in December 2011. Bonds were issued on July 12, 2002, at the issue price amounting to 53.6250%. This is the fourth agreement concluded with the European Investment Bank within the launched program of that Bank’s bonds issue worth PLN 3 billion. Publicly traded bonds with tenor 1-30 years are issued in a few batches. Until the end of 2001, two issues took place – PLN 200 million at the issue price 45.7893% and PLN 300 million at the issue price 45.8696% and on February 14, 2002 – PLN 300 million at the issue price 49.53%.

After Dom Maklerski Banku Handlowego w Warszawie SA ("DM BH"), entity subordinated to the Bank, cancelled the agreement concerning service sub-issue and after the registration of 600.000 shares in series H of PIA Piasecki SA in the securities account of PIA Piasecki SA on July 25, 2002, DM BH does not own any shares of that company. Agreement cancellation took place as a result of provided cancellation prerequisites. Before the cancellation right was executed, DM BH owned 600,000 shares of PIA Piasecki SA and their share in equity amounted to 5.48%, which entailed the same percentage of voting rights in the general meeting of shareholders. The number of shares of PIA Piasecki SA owned by the Bank remained unchanged after cancellation and amounts to 4.000.000 shares; share in equity of PIA Piasecki SA amounts to 36.52%, which entails the same percentage of voting rights in the general meeting of shareholders.

On September 16, 2002, the Bank and its subordinated entity Handlowy Investments SA with headquarters in Luxembourg sold all shares of associated company Hortex Holding SA with headquarters in Płońsk to BankAmerica International Investment Corporation with headquarters in Chicago. Shares sold by the Bank constitute 31.09% of equity and give 31.09% of voting rights in the general meeting of shareholders of Hortex Holding SA. At the same time, suspending conditions of the receivable assignment agreement concluded on July 30, 2002 between Handlowy Inwestycje sp. z o.o. with headquarters in Warsaw, in which the Bank is the only shareholder, and BankAmerica International Investment Corporation with headquarters in Chicago were met. The assignment agreement is related to the sale of liabilities by virtue of the commercial bond issued by Hortex Holding SA.

Pursuant to the Strategic Partnership Agreement concluded on December 21, 2000 between the Bank and NORD/LB Nordeutsche Landesbank Girozentrale with headquarters in Hanover (NORD/LB) and the supplement to the share purchase agreement concluded on September 30, 2002, between the Bank and NORD/LB, the Bank answered the call of NORD/LB on September 30, 2002, concerning the sale (within the call option by NORD/LB) of 1,867 ordinary shares of MHB Mitteleuropaeische Handelsbank Aktiengesellschaft Deutsch - Polnische Bank with headquarters in Frankfurt am Main (MHB).
Shares sold by the Bank constituted 19.99% of MHB equity and the same percentage of voting rights in the general meeting of shareholders. As a result of that transaction, the Bank sold all owned MHB shares.

On November 25, 2002, pursuant to the authorization included in par. 4 clause 2 point 3) and clause 3 of the Resolution by the Special General Meeting of Shareholders dated April 15, 1997 amended in the Resolution by the Special General Meeting of the Bank dated June 19, 1997 concerning the issue of convertible bonds, increase in stock capital, exclusion of the takeover right of the existing shareholder and Statute modification, the Management Board decided to specify an additional date in 2003 for the submission of statements by bond issuers concerning the conversion of issue I bearer's bonds convertible into ordinary Bank's shares series B for the period as of January 1, 2003 until February 28, 2003. No statement concerning the coverage mentioned above was submitted in the specified period.

30. Relations between the Bank and its legal predecessor

The Bank has no legal predecessor.

31. Basic balance and the profit and loss statement entries adjusted to inflation

Financial data in these financial statements have not been adjusted to inflation. Over the twelve months ending on December 31, 2002, 2001 and 2000, inflation measured by the Consumer Price Index (December-on-December) did not exceed 100%, running at 0.8%, 3.6% and 8.5% in the respective periods concerned. Inflation rates mentioned above have been taken from the Statistical Bulleting published by the Central Statistical Office.

32. Differences between the information in the financial statement, comparable financial data and previously published financial statements

Financial data for 2001 presented in this financial statement were reclassified following regulatory changes introduced as of 1 January 2002.
Reclassifications of the previously published comparative data related to changes in classification and grouping of operations and the presentation of data resulting from the introduction of a new arrangement of financial statements for banks defining the required scope of disclosures.

These reclassifications are presented in summaries below:

CONSOLIDATED BALANCE in PLN thousand

	31.12.2002 presented previously	Change in entry presentation	Change description	31.12.2002 in the new arrangement
A s s e t s				
I. Cash at hand, operations with the central bank	2 322 443			2 322 443
II. Debt securities rediscounted in the central bank				
III. Receivables from the financial sector	7 004 484	18 019		7 022 503
1. Short-term receivables	756 939	2 574 902		3 331 841
a) in the current account	756 939	2 541 625	1), 9)	3 298 564
b) Other short-term receivables		33 277	9)	33 277
2. Long-term receivables	6 247 545	(2 556 883)	1), 9)	3 690 662
IV. Receivables from the non-financial sector	14 172 702	31 690		14 204 392
1. Short-term receivables	3 524 766	41		3 524 807
a) in the current account	3 524 766	(1 879)	9)	3 522 887
b) Other short-term receivables		1 920	9)	1 920
2. Long-term receivables	10 647 936	31 649	2), 3)	10 679 585
V. Receivables from the State budget sector	29 226	2 524		31 750
1. Short-term receivables	20 101	165		20 266
a) in the current account	20 101	(2)	9)	20 099
b) Other short-term receivables		167	9)	167
2. Long-term receivables	9 125	2 359	2)	11 484
VI. Receivables arising on purchased securities with guaranteed repurchase				
VII. Debt securities	2 462 497	0		2 462 497
VIII. Receivables from subordinated entities valuated in equity	0	176 258		176 258
1. Subordinated		176 258	4)	176 258
2. Joint ventures		0		0
3. Associated		0		0
IX. Shares in subordinated entities valuated in equity	51 435	0		51 435
X. Shares in joint ventures valuated in equity	25 077	0		25 077
XI. Shares in associated entities valuated in equity		0		0
XII. Shares in other entities	446 005	(20 010)	3), 5)	425 995
XIII. Other securities and other financial assets	20 119	3 380 623	6)	3 400 742
XIV. Intangible assets including	1 483 538	(29 008)	7)	1 454 530
- goodwill	1 388 536	0		1 388 536
XV. Goodwill of subordinated entities		0		0
XVI. Fixed assets	903 448	11 944	7)	915 392
XVII. Other assets	3 860 507	(3 589 104)		271 403
1. Acquired assets – for sale	7 696	(19)	8)	7 677
2. Stock		0		0
3. Other	3 852 811	(3 589 085)	4), 5), 6), 8), 9)	263 726
XVIII. Prepayments	299 636	17 064		316 700
1. Assets in virtue of deferred income tax	271 927	0		271 927
2. Other prepayments	27 709	17 064	7)	44 773
TOTAL ASSETS	**33 081 117**	**0**		**33 081 117**

	31.12.2002 presented previously	Change in entry presentation	Change description	31.12.2002 in the new arrangement
L i a b i l i t i e s				
I. Commitments on behalf of the central bank	212 486			212 486
II. Commitments on behalf of the financial sector	4 817 806	31 197		4 849 003
1. Short-term commitments	1 164 999	826 685		1 991 684
a) in the current account	1 164 999	804 495	9), 10)	1 969 494
b) Other short-term commitments		22 190	9)	22 190
2. Long-term commitments	3 652 807	(795 488)	10), 11)	2 857 319
III. Commitments on behalf of the non-financial sector	16 292 383	162 956		16 455 339
1. Short-term commitments	3 637 431	3 020 096		6 657 527
a) in the current account including:	3 637 431	3 018 238	9), 10)	6 655 669
- savings				
b) Other short-term commitments including:		1 858	9)	1 858
- savings				
2. Long-term commitments including:	12 654 952	(2 857 140)	10), 11)	9 797 812
- savings				
IV. Commitments on behalf of the budget sector	881 010	2 209		883 219
1. Short-term commitments	137 270	147 105		284 375
a) in the current account	137 270	146 828	10)	284 098
b) Other short-term commitments		277	9)	277
2. Long-term commitments	743 740	(144 896)	10), 11)	598 844
V. Commitments by virtue of sold securities with guaranteed repurchase		0		0
VI. Commitments by virtue of issue of debt securities	0	0		0
1. Short-term		0		0
2. Long-term		0		0
VII. Other commitments by virtue of financial instruments		3 221 513	12)	3 221 513
VIII. Commitments on behalf of subordinated entities valuated in equity	79 272	0		79 272
1. Subordinated	78 529	0		78 529
2. Joint ventures	743	0		743
3. Associated		0		0
IX. Special funds and other commitments	3 799 629	(3 417 851)	9), 10), 12)	381 778
X. Costs and revenues settled in time and reserved	729 049	(24)		729 025
1. Accruals	146 902	0		146 902
2. Negative goodwill		0		0
3. Other deferred and reserved income	582 147	(24)	9)	582 123
XI. Negative goodwill of subordinated entities				
XII. Reserves	432 972	0		432 972
1. Reserve for deferred income tax		0		0
2. Other reserves	432 972	0		432 972
a) short-term		81 523	13)	81 523
b) long-term	432 972	(81 523)	13)	351 449
XIII. Subordinated commitments				0
XIV. Minority capitals				0
XV. Initial capital	430 308			430 308
XVI. Contributions due to the initial capital (negative value)		0		0
XVII. Corporate shares (negative value)		0		0
XVIII. Reserve capital	3 059 638			3 059 638
XIX. Revaluation capital	76 958	0		76 958
XX. Other reserve capitals	2 098 089	0		2 098 089
XXI. Exchange differences from conversion of subordinated entities	8 231	0		8 231
a) positive exchange differences	8 231	0		8 231
b) negative exchange differences		0		0
XXII. Profit (loss) from previous years		0		0
XXIII. Net profit (loss)	163 286	0		163 286
TOTAL LIABILITIES	**33 081 117**			**33 081 117**

Explanation of changes:
1) overnight deposits previously classified as term amounts due from financial institutions (banks) were presented in the balance sheet as current receivables;
2) receivables by virtue of contributions to interest rates of preferential loans previously classified as amounts due from the non-financial sector were presented in the balance sheet as receivables from the State budget sector;
3) receivables from agreements concerning service sub-issues previously classified as shares in other entities were presented in the balance sheet as long-term receivables,
4) receivables arising on granted subordinated loans previously presented as „Other assets" were reclassified in the balance sheet as amounts due from subordinated entities valuated in equity,
5) contributions to companies not valuated in equity previously classified as "Other assets" are presented in the balance sheet as shares in other entities,
6) receivables arising on the valuation of derivative operations previously presented as „Other assets" were reclassified in the balance sheet as "Other securities and other financial assets",
7) organization costs incurred in the establishment or subsequent expansion of a joint-stock company and the overpayment of the first payment over annual fee for perpetual usufruct previously presented as intangible assets were reclassified in the balance sheet as prepaid expenses while the co-operative ownership right to the utility and residential premises previously presented as intangible assets were reclassified to fixed assets,
8) stock for sale acquired in return for receivables previously classified as assets taken over for sale are presented in the balance sheet as other assets,
9) reclassifications resulting from the introduced new arrangement of the consolidated balance sheet considering the specific structure of the balance sheet of consolidated entities other than banks,
10) overnight deposits previously classified as term liabilities on behalf of financial, non-financial and State budget institutions were presented in the balance sheet as current liabilities;
11) liabilities arising on cash collaterals previously presented in „Other liabilities" were reclassified to term commitments on behalf of financial, non-financial and State budget institutions,
12) liabilities arising on the valuation of derivative operations previously presented as „Other liabilities" were reclassified in the balance sheet as "Other liabilities arising on financial instruments",
13) the amount of other reserves previously presented in the balance sheet as aggregate is presented divided into short-term and long-term reserves.

OFF-BALANCE ENTRIES **in PLN thousand**

	31.12 2001 presented previously	Change in entry presentation	Change description	31.12 2001 in the new arrangement
I. Conditional guarantees granted and received	10 886 021			11 952 889
1. Guarantees granted:	9 765 095			10 479 963
a) financial	6 964 149	714 868	1)	7 679 017
b) guarantee	2 800 746			2 800 946
2. Guarantees received:	1 120 926			1 472 926
a) financial		352 000	2)	352 000
b) guarantee	1 120 926			1 120 926
II. Commitments related to the execution of purchase/sale operations	111 356 152	(1 066 868)	1), 2)	110 289 284
III. Other (title)	1 391 792			1 391 792
- Bank's commitment arising on lease agreements or other agreements of a similar nature	54 596			54 596
- Collaterals received by the Bank	1 337 196			1 337 196
TOTAL OFF-BALANCE ENTRIES	123 633 965			123 633 965

Modifications concerned with reclassification and grouping of business operations:

1) deposits to be issued previously presented as commitments arising on the execution of purchase/sale operations were presented as financial conditional commitments granted

2) deposits to be received previously presented as commitments arising on the execution of purchase/sale operations were presented as financial conditional commitments received.

CONSOLIDATED
PROFIT AND LOSS STATEMENT

in thousands PLN

	01.01.-31.12 published previously	Change in entry presentation	Change description	01.01.-31.12 after modification
I. Interest revenues	2 680 851			2 680 8512
II. Interest costs	(1 952 920)	6	1)	(1 952 914)
III. Interest result (I-II)	727 931	6		727 937
IV. commission revenues	551 630			551 630
V. Commission costs	(52 980)			(52 980)
VI. Commission result (IV-V)	498 650			498 650
VII. Net revenues from the sales of products, goods and materials				
VIII. Costs of sold products, goods and materials				
IX. Sales costs				
X. Sales result (VII-VIII-IX)				
XI. Revenues arising on shares, other securities and other financial instruments – variable yield	11 180	14 226		25 406
1. From subordinated entities	2 962			2 962
2. From joint ventures	140			140
3. From associated entities	8 078	14 226	2)	22 304
4. From other entities				
XII. Result on financial operations	17 311	(6)	1)	17 305
XIII. Result on exchange positions	783 468			783 468
XIV. Result on banking activity	2 038 540	14 226		2 052 766
XV. Other revenues from operations	81 368			81 368
XVI. Other costs of operations	(90 870)	(10)	3)	(90 880)
XVII. Costs of bank's activity and general management costs	(1 064 945)			(1 064 945)
XVIII. Amortization of fixed assets and intangible assets	(161 588)			(161 588)
XIX. Deductions for reserves and revaluation	(1 001 374)	10		(1 001 364)
1. Deductions for appropriated reserves and reserves for general banking risk	(932 968)	10	3)	(932 958)
2. Revaluation of financial assets	(68 406)			(68 406)
XX. Reserve liquidation and revaluation	571 082			571 082
1. Liquidation of appropriated reserves for general banking risk	559 628			559 628
2. Revaluation of financial assets	11 454			11 454
XXI. Difference between reserves and revaluation (XIX-XX)	(430 292)	10		(430 282)
XXII. Result of operations	372 213	14 226		386 439
XXIII. Result of special operations	14 226	(14226)		13
1. Special profits	14 226	(14226)	2)	13
2. Special losses				
XXIV. Deducted goodwill of subordinated entities				
XXV. Deducted negative goodwill of subordinated entities				
XXVI. Gross profit (loss)	386 452			386 452
XXVII. Income tax	(187 646)			(187 646)
1. Current part	(192 541)			(192 541)
2. Deferred part	4 895			4 895
XXVIII. Other obligatory profit reduction (loss increase)				
XXIX. Share in net profits (losses) of subordinated entities valuated in equity	(35 520)			(35 520)
XXX. Minority profits (losses)				
XXXI. Net profit (loss)	163 286			163 286

Modifications concerned with reclassification and grouping of business operations:

1) costs of commission on purchased securities previously classified as interest costs are presented as the result of financial operations,

2) profit from the sales of shares of subordinated units consolidated in equity previously presented as special profit is classified as profit from shares,

3) deductions resulting from the permanent value loss by fixed assets previously presented as deductions resulting from reserves are classified among other costs of operations.

There were changes in the consolidated semi-annual financial statements for 2002 in comparison to the previously published quarterly consolidated financial statements for the 4th quarter of 2002 in respect of balance sheet data, off-balance sheet data, profit and loss statement and the cash flow statement resulting from verification of the financial data. As a result of these changes, the total assets decreased by PLN 70,987 thousand, equity decreased by PLN 22,571 thousand including net profit decreased by 9,663 thousand while the off-balance entries decreased by PLN 22,502 thousand.

33. Changes in the accounting policy in 2002

On January 1, 2002, provisions of the Act dated November 9, 2000, concerning the amendment of the Accounting Act (Official Journal No 113, item 1189) and executive regulations to the Act that for the first time fully apply to the financial statements prepared for the turnover year begun in 2002, came into force.
As a result of changes in the accounting principles previously applied during the preparation of financial statements for 2002 adopted changes were introduced as of January 1, 2002 in the above-mentioned legal regulations and executive deeds issued. In particular, the changes are related to the presentation and valuation of balance sheet and profit and loss statement items mentioned below

- co-operative ownership right to the utility and residential premises is presented in tangible fixed assets: previously classified among intangible fixed assets,
- perpetual usufruct acquired by the Bank from owners is presented among fixed assets; previously presented among intangible assets;
- perpetual usufruct acquired by the Bank free of charge in previous years pursuant to regulations previously in force is presented among fixed assets; previously presented off-balance;
- organization costs incurred in establishing or subsequently expanding a public limited company and the overpayment of first payment over annual payment for perpetual usufruct are presented among assets in prepaid expenses; previously they were presented in intangible fixed assets,
- consumer loans and loans related to credit cards recorded in the IT system used in the Consumer Banking Sector are accounted for using effective interest rate and net of specific provisions created; previously accounted for at amortized cost with linear interest accrual and net of specific provisions created,
- securities including debt securities included in the trading portfolio are accounted for in their fair value and changes in fair value of debt securities in trading portfolio are recognized as income or expense on financial operations; such securities were previously included in commercial categories and recognized at the purchase price not higher than their fair value while their appreciation in value was recognized in profit and loss statement when realized,
- debt securities classified as available for sale are accounted for in their fair value and changes in their fair value are recognized in capital from revaluation and they are recognized in the profit and loss statement at realized value; previously these debt securities were classified in the investment portfolio and their valuation principles remained unchanged,
- fixed assets – material shares in subordinated undertakings (subsidiaries, joint ventures and associated entities) are accounted for under the equity method. Changes in their value on the revaluation date are recognized in the profit and loss statement as share in net profits (losses) of these entities; previously, they were valuated at the purchase price net of the reserve for the permanent loss of value.

Results of changes in the principles of asset and liability valuation were introduced to the consolidated financial report for 2002 as adjustments of the opening balance.
Changes result from the increased value of debt securities observed as on December 31, 2001, amounting to PLN 19,418 thousand, valuation in equity of shares in subordinated units not valuated according to that method in previous reporting periods as well as adjustment of the valuation of entities consolidated under than method as on the valuation date, expressed in the positive valuation of their value amounting to PLN 33,895 thousand and the introduction of perpetual usufruct worth PLN 36,305 thousand to the balance of assets and liabilities.

The increase in the value of debt securities and the effect of presented changes in valuation of shares in subordinated entities according to the equity method were presented as the adjustment of the opening balance of Bank's equity as "modification of adopted accounting principles (policy)" increasing their balance as on January 1, 2002 by PLN 53,313 thousand.

34. Adjustments of basic mistakes

No adjustments of basic mistakes were made in the consolidated financial statements for 2002 and 2001.

35. Going concern by entities constitution Bank's Capital Group

There are no doubts in respect of the ability of entities included in Bank's Capital Group to continue operations except for the Centrum Plac Teatralny Sp. z o.o. and PPH Spomasz Sp. z o.o. – subsidiaries under liquidation – and the subsidiary Polskie Towarzystwo Emerytalne DIAMENT S.A., planned for sale or liquidation (see Introduction par. 7).

36. Merger with CPSA

Merger with CPSA took place on February 28, 2001 on the basis of the Resolution of the Special General Meeting of Shareholders of the Bank passed on November 3, 2000. The merger was settled according to the acquisition method involving the transfer of all CPSA assets to the Bank in return for the shares the Bank allocated to SPCA shareholders.
The merger took place as a result of issue of 37,659,600 common bearer shares series C with nominal value PLN 4 per share. The shares in the new issue were allocated to CPSA shareholders according to the following share swap parity: 1,350 series C Bank shares in return for one CPSA share. The purchase price of series C shares allocated to CPSA shareholders was defined on the basis of their fair value amounting to PLN 70 per share. The fair value reflects the price that Citibank Overseas Investment Corporation offered in 2000 in two tender offers for Banks' shares. The surplus purchase price over the fair value of CPSA net assets is shown in Bank assets as goodwill. As decided by the Management Board, goodwill will be amortized over 20 years, starting from March 2001, according to the straight-line method. Amortization deductions are included among other costs of operations.
As a result of the merger between the Bank and CPSA carried out according to the purchase acquisition method in compliance with accounting principles described above capital funds and undistributed profits of CPSA were eliminated. As the same time, surplus fair value of shares over their nominal value was allocated to Bank's reserve capital, which consequently grew by PLN 2,485,534 thousand (PLN 66 * 37,659,600 shares). Nominal value of each share (PLN 4) was allocated to the initial capital, which grew by PLN 150,638 thousand as a result.
According to CPSA's financial statement dated February 28, 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 net assets of the acquired company was presented in Bank's balance assets as goodwill, at PLN 1,448,907 thousand, and shown among 'intangible fixed assets'.

37. Exclusions from the obligation of consolidation or equity method accounting

Information related to exclusions from consolidation or equity method accounting with the data describing the activities of subordinated entities were presented in the Introduction to this financial statement (clause 9).

38. Currency structure of assets and liabilities

Bank's currency position as on December 30, 2002 was calculated according to principles stated in Regulation No. 5/2001 of the Banking Supervision Commission dated December 12, 2001 on detailed principles for calculation of capital requirements for individual types of risk, including excesses of concentration limits, principles of solvency ratio calculation considering relationships with subordinated entities or entities operating in the same holding and definition of additional balance sheet items presented with corporate equity in the capital adequacy statements as well as the scope and methodology for their calculation (Official Journal of NBP No 22, position 43).

Currency position in key currencies as on December 31, 2002 is as follows:

in thousands PLN

Country	Currency	Assets	Liabilities	Off-balance assets	Off-balance liabilities	Indexed assets	Indexed liabilities	Position: long (+) short (-)
USA	**USD**	4 243 062	3 422 376	17 264 588	17 880 296	-	-	**204 977**
European Union	**EUR**	2 919 732	2 250 121	2 971 559	3 158 178	-	-	**482 992**
United Kingdom	**GBP**	189 083	143 246	100 442	144 499	-	-	**4 781**
Switzerland	**CHF**	1 026 176	41 948	33 310	1 019 956	-	-	**(2 418)**
Sweden	**SEK**	13 353	9 924	2 688	5 164	-	-	**954**
Denmark	**DKK**	4 869	2 620	-	417	-	-	**1 832**
Australia	**AUD**	2 751	199	-	2 171	-	-	**382**
Norway	**NOK**	8 307	3 287	-	4 202	-	-	**818**
Canada	**CAD**	5 488	2 263	-	2 435	-	-	**790**
Japan	**JPY**	35 724	71 017	74 707	39 109	-	-	**306**
Czech Republic	**CZK**	186 990	3 191	172 827	358 329	-	-	**(1 704)**
Hungary	**HUF**	485	292	931	852	-	-	**272**
Total non-convertible currencies		198 459	198 519	-	-	-	-	**(60)**
Total		**8 834 480**	**6 149 002**	**20 621 051**	**22 612 608**	-	-	
Total currency position								**698 103**

Valid FX risk limits were not exceeded in 2002. As on December 31, 2002, capital required for FX risk was calculated as amounting to PLN 70 662 thousand.

The basic method defined in Resolution No. 5/2001 of the Commission for Banking Supervision dated 12 December 2001 was applied to calculate capital required against the FX risk as on December 31, 2002.

Currency position as on December 31, 2001, was calculated according to principles defined in Resolution No. 2/2000 by the Banking Supervision Commission dated November 8, 2000 concerning the specification of permitted FX risk in banking activities (NBP Official Journal No. 15, clause 27).

Currency position in key currencies as on December 31, 2001 is as follows:

in thousands PLN

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

Valid FX risk limits were not exceeded in 2001. As on December 31, 2002, capital required for FX risk was calculated as amounting to PLN 15 493 thousand.
The basic method defined in Resolution No. 2/2001 of the Banking Supervision Commission dated November 8, 2000 was applied to calculate capital required against the FX risk as on December 31, 2002.

39. The consolidated financial statements for the year 2002 will be published on the Internet website of Bank Handlowy w Warszawie SA (www.handlowy.com.pl).

Signatures of all Members of the Management Board

Date	First name and family name	Position/function	Signature
19.05.2003	Cezary Stypułkowski	President of the Management Board	
19.05.2003	Shirish Apte	Vice-President of the Management Board	
19.05.2003	Wiesław Kalinowski	Vice-President of the Management Board	
19.05.2003	Philip King	Vice-President of the Management Board	
19.05.2003	David J. Smith	Vice-President of the Management Board	
19.05.2003	Witold Walkowiak	Vice-President of the Management Board	