

ADDITIONAL EXPLANATORY NOTES

1. Concentration of exposure

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 Programmes.

The key elements of credit risk management are presented below:

- while managers are responsible for risk management in their areas of responsibility, the Bank additionally possess a system of controls that includes:
 - independent position of risk manager
 - each credit decision have to be taken by at least two authorised persons. Bigger loans, carrying higher risk, require approval from more competent and authorised persons from higher level
 - Independent Audit Department checking all activities related to risk management
- 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 embrace 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 recommunicated to upper level management, and which additionally include opinions of specialised restructuring units.

Exposure limits

The Act of 29 August 1997 - Banking Law (Official Journal No. 140, position 939) that became effective on 1 January 1998 defines maximum exposure limits for a bank. Under article 71 paragraph 1 of the Act which came into force as of 1 January 2002, total balance sheet and off-balance sheet exposure from one or more capital and organisationally related entities cannot be greater than 20% of 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 30 June 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 regarding specific rules for calculating equity for bank constituting banking groups pursuant to the Banking Law Act, other bank’s balance sheet items included in its supplementary funds, and the terms and procedures for the inclusion thereof, as well as the bank’s balance sheet items, that are deductible for the calculation of equity (Official Journal of NBP No. 22, position 44).

The Bank sets out to limit its exposure to individual clients. In the presented periods the Bank's exposure did not exceed the regulatory limits for a single entity or a group of related entities and did not exceed other concentration limits set by Banking Law. As at 30 June 2002 the Bank's exposure in transactions with customers, which exceeded 10% of the Bank's equity amounted to PLN 726,510 thousand, i.e. 14.7 % of the equity (31 December 2001: PLN 1,349,448 thousand, i.e. 25.7%; 30 June 2001: the Bank did not have exposures to customers that exceeded 10% of bank's equity).

Concentration of exposure in individual industry sectors

To avoid excessive concentration of credit risk, the Bank keeps an ongoing watch over the exposure in individual industry sectors, defining the areas in which the exposure should grow and the areas whose chances for development are poor, and where the exposure should be reduced. In the case of large corporate customers and financial institutions, the divisions of the Bank responsible for its policy concerning exposures to particular sectors are those of Corporate Banking, Investment Banking and Financial Institutions, while a similar function with respect to small and medium enterprises is exercised by the Commercial Banking Division.

The Bank's policy regarding exposures to large corporate customers and financial institutions active in particular sectors is developed through an identification of target markets. A key component in this identification of markets is an assessment of sectoral risk. To this end, sectoral analyses are carried out by specialists in particular industries. Within the framework of the target markets specified, lending programmes are drawn up with documented requirements for approving the risk involved in specific kinds of business. The higher the sectoral risk, the tighter the criteria for risk approval. The assessment made of the financial condition of a given industry and its development prospects is a major element in the internal rating assigned to a customer.

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

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

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

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

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

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

As there is a large differentiation between the clients representing the individual industries, the table below shows aggregated data for the Bank's exposure in 20 major industries in particular reporting periods.

<i>Sector of the economy</i>	<i>30 June 2002 in %</i>	<i>31 December 2001 in %</i>	<i>30 June a 2001 in %</i>
Wholesale trade excluding motor vehicles	19.9	16.6	13.5
Financial intermediary, excluding insurance and pension funds	7.4	10.4	3.9
Generation and distribution of electricity, gas, steam and hot water	6.8	4.4	5.6
Production of food and beverages	6.4	6.6	7.0
Construction	5.2	5.3	5.6
Other business activity	5.0	2.4	1.8
Production of other transportation equipment	3.8	3.0	4.3
Production of basic chemicals, chemical products and artificial fibres	3.8	4.1	5.8
Post office and telecommunications	3.2	4.0	4.1
Production of machinery and equipment, not included elsewhere	3.1	2.6	2.5
<i>Top 10 business sectors</i>	<i>64.6</i>	<i>59.4</i>	<i>54.1</i>
Production of metals	2.6	3.3	2.3
Sale, service and reparation of motor vehicles, retail sale of fuel	2.3	2.1	3.7
Production of rubber and artificial fibres products	2.2	1.6	1.6
Production of machinery and electrical equipment not included elsewhere	2.1	1.1	4.2
Production of coke, oil-based products and nuclear fuel	2.1	1.0	1.9
Production of finished goods made from metal, excluding machinery and equipment	2.0	1.5	1.7
Production of other transportation means	1.9	2.1	1.9
Production of finished goods made from non-metallic raw materials	1.7	1.6	2.3
Production of furniture; production not included elsewhere	1.6	1.2	1.2
Production of wooden pulp, paper and paper-made products	1.5	1.3	0.9
<i>Top 20 business sectors</i>	<i>84.6</i>	<i>75.8</i>	<i>75.8</i>
Other sectors	<i>15.4</i>	<i>24.2</i>	<i>24.2</i>
<i>Total Bank</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

2. Sources and uses of funds

	in PLN thousand		
Source of funds	30 June 2002	31 December 2001	30 June 2001
Funds from banks and other financial institutions	4,353,718	5,117,938	5,817,592
Funds from customers and the State budget	16,946,085	17,370,119	15,543,365
Other external funds	5,190,295	4,756,693	4,178,495
Own funds and net profit	5,881,837	5,905,690	5,882,098
Total source of funds	32,371,935	33,150,440	31,421,550

	in PLN thousand		
Use of funds	30 June 2002	31 December 2001	30 June 2001
Bank placements	5,232,008	5,298,049	3,864,656
Amounts due from customers and the State budget	13,881,021	14,200,047	15,297,141
Securities and shares	7,009,181	6,519,568	6,429,617
Other	6,249,725	7,132,776	5,830,136
Total use of funds	32,371,935	33,150,440	31,421,550

Set out below are amounts due to and from customers and the State Budget as at 30 June 2002, presented by region within which the branches are grouped.

		In PLN thousand
Name of region/geographic operating area by province/district	Amounts due to customers and the State budget	Amounts due from customers and the State budget
<u>Bydgoszcz Region</u>	673,336	1,442,399
provinces:		
kujawsko – pomorskie, pomorskie, warmińsko – mazurskie oraz powiaty z woj. zachodnio – pomorskiego: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin.		
<u>Katowice Region</u>	700,073	1,158,612
provinces:		
śląskie, opolskie and districts chrzanowski, oświęcimski.		
<u>Kraków Region</u>	453,393	847,946
provinces:		
podkarpackie, świętokrzyskie, małopolskie without districts allocated to Katowice Region		
<u>Poznań Region</u>	868,331	1,647,613
provinces:		
lubuskie, wielkopolskie, zachodnio – pomorskie without districts relocated to Bydgoszcz Region		
<u>Warszawski Region</u>	7,872,011	7,321,189
provinces:		
mazowieckie, lubelskie, łódzkie, podlaskie.		
<u>Wrocław Region</u>	121,914	382,532
province:		
dolnośląskie.		
Retail Banking Sector - CITIBANK	6,257,027	1,080,730
<u>Total</u>	16,946,085	13,881,021

Set out below are amounts due to and from customers and the State Budget as at 31 December 2001, presented by region within which the branches are grouped.

Name of region/geographic operating area by province/district	in PLN thousand	
	Amounts due to customers and the State budget	Amounts due from customers and the State budget
<u>Bydgoszcz Region</u>	796,525	1,322,575
provinces:		
kujawsko – pomorskie, pomorskie, warmińsko – mazurskie oraz powiaty z woj. zachodnio – pomorskiego: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin.		
<u>Katowice Region</u>	1,013,666	1,052,013
provinces:		
śląskie, opolskie and districts chrzanowski, oświęcimski.		
<u>Kraków Region</u>	459,020	738,950
provinces:		
podkarpackie, świętokrzyskie, małopolskie without districts allocated to Katowice Region		
<u>Poznań Region</u>	1,194,958	1,867,626
provinces:		
lubuskie, wielkopolskie, zachodnio – pomorskie without districts relocated to Bydgoszcz Region		
<u>Warszawski Region</u>	9,477,548	7,669,390
provinces:		
mazowieckie, lubelskie, łódzkie, podlaskie.		
<u>Wrocław Region</u>	150,289	376,356
province:		
dolnośląskie.		
Retail Banking Sector - CITIBANK	4,278,113	1,173,137
<u>Total</u>	17,370,119	14,200,047

Set out below are amounts due to and from customers and the State Budget as at 30 June 2001, presented by region within which the branches are grouped.

Name of region/geographic operating area by province/district	in PLN thousand	
	Amounts due to customers and the State budget	Amounts due from customers and the State budget
<u>Bydgoszcz Region</u>	926 ,207	1,369,462
provinces:		
kujawsko – pomorskie, pomorskie, warmińsko – mazurskie oraz powiaty z woj. zachodnio – pomorskiego: sławieński, koszaliński, kołobrzeski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin.		
<u>Katowice Region</u>	1,026,158	1,273,611
provinces:		
śląskie, opolskie and districts chrzanowski, oświęcimski.		
<u>Kraków Region</u>	700,300	929,411
provinces:		
podkarpackie, świętokrzyskie, małopolskie without districts allocated to Katowice Region		
<u>Poznań Region</u>	1,168,695	1,857,130
provinces:		
lubuskie, wielkopolskie, zachodnio – pomorskie without districts relocated to Bydgoszcz Region		
<u>Warszawski Region</u>	8,479,835	8,261,876
provinces:		
mazowieckie, lubelskie, łódzkie, podlaskie.		
<u>Wrocław Region</u>	257,446	490,335
province:		
dolnośląskie.		
Retail Banking Sector - CITIBANK	2,984,724	1,115,316
<u>Total</u>	15,543,365	15,297,141

3. Contribution to London branch

Change in balance of contribution	First half/2002	2001	in PLN thousand
			First half /2001
Opening balance	-	102,450	102,450
increases	-	-	-
decreases (resulting from)	-	102,450	9,667
- Branch closure		102,450	-
- FX differences			9,667
Closing balance	-	-	92,783

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

4. Financial instruments

Obligation to disclose information related to financial instruments arose for the first time in the semi-annual financial statements for 2002. As a result only data for current reporting period are presented below.

4.1. Financial instruments by particular categories of financial assets and liabilities as of 30 June 2002.

	in PLN thousand
	30 June 2002
Financial assets for trading purposes	4,048,272
Financial liabilities for trading purposes	3,302,433
Loans granted and own receivables	15,225,584
Financial assets held until maturity	327,834
Financial assets available for sale	2,152,473
Total financial instruments	25,056,596

4.1.1. Financial assets for trading purposes as of 30 June 2002

Financial assets for trading purposes by particular group of assets

	in PLN thousand
	30 June 2002
Debt securities	665,833
Amounts receivable from valuation of derivative instruments	3,382,439
Total financial assets for trading purposes	4,048,272

Change in financial assets for trading purposes in the first half of 2002

in PLN thousand

	First half/2002
Opening balance	3,612,461
increases (resulting from)	30,436,188
- purchases	30,395,334
- revaluation	28,188
- other (amortisation of premium, discount and interest accrual)	12,666
decreases (resulting from)	(30,000,377)
- sale	(29,999,228)
- other (amortisation of premium, discount and interest accrual)	(1,149)
Closing balance	4,048,272

Debt securities for trading purposes

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

Amounts receivable from valuation of derivative instruments

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

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

As at 30 June 2002 the Bank placed deposits at other institutions to a total value of PLN 47,289 thousand, as a collateral against derivatives transactions. The Bank also took collateral of PLN 4,042 thousand against derivatives transactions.

Forward FX contracts

In the first half of 2002 the Bank concluded forward and swap FX contracts. Forward foreign exchange contracts are agreements to exchange specific amounts of currencies at specified rate of exchange, at a forward date (where the settlement occurs later than at a spot date). Foreign currency swaps are combinations of spot and forward foreign exchange contracts whereby a specific amount of currency is exchanged at a spot rate at a spot date and the agreed amount of currency is exchanged back at a forward rate and date. The notional value of foreign exchange contracts expresses the amount of foreign currency purchased or sold under the contracts and does not represent the actual market or credit risk associated with these contracts.

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

Forward FX contracts are revalued and accounted for in their market value. Unrealised profits and losses from revaluation of forward FX contracts are recognised in balance sheet in "Other securities and other financial assets" or in "Other liabilities arising on financial instruments" in their gross value, i.e. without netting.

Currency option contracts

Currency option contracts grant the buyer the right, but not obligation, to purchase or sell at a specified price a stated number of units of an underlying currency, at a future date. Exercise of an option may be done by physical exchange of currencies or by settlement of the difference between contract rate and market reference rate prevailing at the exercise date. There are two types of options: call options – that give their owner the right to buy a contracted amount of foreign currency in exchange of a defined by an option exercise price amount of domestic currency or other foreign currency, and, put options: – that give their owner the right to sell a contracted amount of foreign currency in exchange of a defined by an option exercise price amount of domestic currency or other foreign currency. The buyer of an option pays to its drawer a premium for the purchased right to buy or sell of currency.

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

	in PLN thousand
Foreign exchange contracts	30 June 2002
	Notional value
Spot contracts	7,984,689
Forward contracts including swaps	39,520,125
Options – purchased	3,632,820
Options – sold	4,105,085
Total foreign exchange contracts	55,242,719

Interest rate contracts

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

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

The contracts are accounted for in their market value and unrealised revaluation gains and losses are recognised in the balance sheet in „Other securities and other financial assets” or in „Other liabilities arising on financial instruments” in their gross value, i.e. without netting.

Interest rate option contracts

The object of interest rate option contract is the right to receive in defined moments in future a compensation amount, which is dependant on future interest rates levels. There are two types of interest rate options: cap

option – where the seller agrees to pay the buyer a difference between reference rate (usually 3M or 6M LIBOR) and agreed exercise rate – when the reference rate exceeds exercise rate, and, floor option – where the seller agrees to pay the buyer a difference between reference rate and agreed exercise rate – when the exercise rate exceeds reference rate. In both cases the seller receives a premium paid in advance.

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

	in PLN thousand
Interest rate contracts	30 June 2002
	Notional value
<i>Forward rate agreements</i>	
Forward rate agreements purchased:	9,660,000
Forward rate agreements sold:	9,530,000
<i>Interest rate options:</i>	
Interest rate options purchased	1,098,729
Interest rate options sold	1,098,729
<i>Interest rate swaps:</i>	
<u>Receive floating pay fixed</u>	
Interest rate swap	
(maturing within 1 year)	5,201,979
(maturing within 2 years)	7,300,251
(maturing within 3 years)	6,569,020
(maturing within 5 years)	13,062,207
Maturing after 5 years)	1,876,951
Interest rate cross currency swaps	
(maturing within 1 year)	1,163,183
(maturing within 2 years)	1,292,526
(maturing within 3 years)	439,364
(maturing within 5 years)	1,200,369
(maturing after 5 years)	370,524
Receive floating pay floating	
Receive floating pay floating	
(maturing within 1 year)	7,500
(maturing within 3 and 5 years)	140,000
Interest rate cross currency swap	
(maturing within 1 year)	375,549
(maturing within 2 years)	125,836

(maturing within 3 years)	63,145
(maturing within 5 years)	
(maturing after 5 years)	80,075
Receive fixed pay fixed	
Interest rate cross currency swap	
(maturing within 2 years)	19,291
(maturing within 3 years)	15,708
(maturing within 5 years)	181,700
(maturing after 5 years)	488,970
Total interest rate contracts	61,361,606

Securities contracts

The Bank concludes purchase and sale contracts in debt securities at a fixed price where the settlement occurs later than at a spot date (forward contracts).

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

Share options

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

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

	in PLN thousand
Securities contracts	30 June 2002
	Notional value
Securities options – purchased	24,055
Securities options – sold	24,054
Purchased securities pending delivery	544,865
Sold securities pending delivery	415,460
Total securities contracts	1,008,434

4.1.2. Financial liabilities for trading purposes as of 30 June 2002

Financial liabilities available for trading purposes by category

	in PLN thousand
	30 June 2002
Liabilities arising on valuation of transactions in financial instruments	3,302,433

Total financial liabilities available for trading purposes	3,302,433
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Change in financial liabilities available for trading purposes in the first half of 2002

	in PLN thousand
	First half/2002
Opening balance	3,175,314
increases (resulting from)	127,119
- increased negative valuation of derivative instruments	127,119
decreases (resulting from)	-
Closing balance	3,302,433

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

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

4.1.3. Loans granted and own receivables as of 30 June 2002

Loans granted and own receivables by category

	in PLN thousand
	30 June 2002
Loans and borrowings	15,651,586
Purchased receivables	345,638
Drawn guarantees	49,386
Interest receivable	492,405
Total loans granted and own receivables – gross	16,539,015
Provision created	(1,313,431)
Total loans granted and own receivables – net	15,225,584

Change in loans granted and own receivables in the first half of 2002

	in PLN thousand
	First half/2002
Opening balance	16,496,744
increases (resulting from)	13,750,285
- new contracts *	13,658,006
- interest receivable	92,279
decreases (resulting from)	(13,708,014)
- repayment *	(13,708,014)
- interest receivable	-

Closing balance - gross	16,539,015
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* with roll-over short term loans

Change in provision for loans and own receivables in the first half of 2002

	in PLN thousand
	First half/2002
Opening balance	1,230,372
increases (resulting from)	437,216
- charges to provision	425,959
- FX differences	4,813
- reclassification from other category of assets	5,195
decreases (resulting from)	(354,157)
- release of provision	(328,725)
- write-offs against provision	(17,832)
- reclassification from other category of assets	(5,217)
- FX differences	(1,134)
Closing balance	1,313,431

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

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

4.1.4. Financial assets held until maturity as of 30 June 2002.

Financial assets held until maturity – by category

	in PLN thousand
	30 June 2002
Debt securities	327,834
Total financial assets held until maturity	327,834

Change in financial assets held until maturity in the first half of 2002

	in PLN thousand
	First half/2002
Opening balance	717,618
increases (resulting from)	186,290
- purchases	177,081
- FX differences	9,209
decreases (resulting from)	(576,074)
- sale	(569,317)
- permanent diminution in value	(5,396)
- other (discount and interest accrual, premium amortisation)	(1,361)
Closing balance	(327,834)

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

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

4.1.5. Financial assets available for sale as of 30 June 2002

Financial assets available for sale – by category

	in PLN thousand
	30 June 2002
Debt securities	2,086,639
Shares in non-subordinated entities	61,961
Units in investment funds	3,874
Total financial assets available for sale	2,152,473

Change in financial assets available for sale in the first half of 2002

	in PLN thousand
	First half/2002
Opening balance	1,565,507
increases (resulting from)	10,531,937
- purchases	10,491,299
- FX differences	4,749
- revaluation	20,734
- other (discount and interest accrual, premium amortisation)	15,155
decreases (resulting from)	(9,944,971)
- sale	(9,944,705)
- permanent diminution in value	(118)
- other (discount and interest accrual, premium amortisation)	(148)
Closing balance	2,152,473

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

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

4.1.6. Risk management

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

Market risk management encompasses two key risk areas:

- Liquidity risk
- Pricing risk

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

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

Liquidity risk management

Measurement and setting limits for liquidity risk

The fundamental measure for liquidity risk of the Bank is the report showing the gap in cash flows in particular 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 consolidated 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 normal situation of the Bank, 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, 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, where their profitability is at risk of adverse impact of changing market conditions such as interest rates, FX rates, prices of goods and parameters affecting the rates and prices. 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 in short period of time. Trading portfolios are marked-to-market. The Treasury Department manages trading portfolios encompassing interest rate risk and FX risk. Trading activity related to portfolios including shares and share derivative instruments is conducted by Dom Maklerski Banku Handlowego SA („DM BH”). Non-trading portfolios include all other items of assets and liabilities which were not classified to trading portfolios and off-balance sheet transactions. The objective of such transactions is realisation 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 utilises 2 methods of pricing risk measurement for non-trading portfolios:

- Earnings at Risk
- Cost to Close

Pricing risk measurement for trading portfolios

The fundamental 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 utilised only for positions with linear nature of risk. 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 encompasses swindle, forgery and dishonest conduct from personnel and customers.

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

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

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

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

As at 30 June 2002 the Bank did not have such contracts.

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

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

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

As of 30 June 2002 repurchase transactions not included in the balance sheet can be presented as follows:

Sell-buy-back transactions by maturity

in PLN thousand

Type of security	Up to 3	3 months –	1 year – 5	Over 5	Total
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	months	1 year	years	years	
Treasury bonds	5,000	-	-	-	5,000
Corporate bonds	43,140	-	-	-	43,140
Commercial papers	22,210	-	-	-	22,210
Total	70,350	-	-	-	70,350

Buy-sell-back transactions by maturity

in PLN thousand

Type of security	Up to 3 months	3 months – 1 year	1 year – 5 years	Over 5 years	Total
Treasury bonds	(20,000)	-	-	-	(20,000)
Corporate bonds	(32,960)	-	-	-	(32,960)
Commercial papers	-	-	-	-	-
Total	(52,960)	-	-	-	(52,960)

8. Financial commitments granted

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

9. Off-balance sheet commitments

in PLN thousand

	30 June 2002	31 December 2001	30 June 2001
9.1. Commitments granted, in this:	9,352,042	10,479,763	11,133,229
L/Cs	231,905	248,029	311,549
in this: for related parties	4,100	6,397	9,474
Guarantees issued	3,028,070	2,737,591	2,976,364
in this: for related parties	88,002	90,143	95,195
Credit lines granted	6,092,067	6,779,275	6,625,726
in this: for related parties	106,306	154,308	128,034
Placements given pending delivery	-	714,868	1,219,590

L/Cs can be presented as follows:

in PLN thousand

30 June 2002	31 December	30 June 2001
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	2001		
L/Cs, in this:			
Import L/Cs issued	206,998	184,874	221,386
in this: for related parties	4,100	6,397	9,474
Confirmed export L/Cs	24,907	63,155	90,163

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

The Bank makes specific provisions in compliance with regulation of the Ministry of Finance dated 10 December 2001 on the principles of creating provisions for the risks related to the operations of banks. As of 30 June 2002 the specific provisions created for off-balance commitments amounted to PLN 127,279 thousand, including the provisions for off-balance sheet commitments granted to related parties and amounting to PLN 22,477 thousand (31 December 2001: PLN 125,913 thousand, in this related parties: PLN 11,864 thousand; 30 June 2001: PLN 156,476 thousand, in this related parties: PLN 13,439 thousand).

9.2. Contingent liabilities received

As at 30 June 2002 total contingent liabilities received amounted to PLN 2,206,888 thousand and related to guarantee contingencies (31 December 2001: PLN 1,472,926 thousand, including PLN 1,120,926 thousand of guarantee contingencies, 30 June 2001: PLN 1,411,639 thousand, including PLN 1,243,398 thousand of guarantee contingencies). As at 30 June 2002, 31 December 2001 and 30 June 2001 the Bank did not report any contingent liabilities received from subsidiaries, joint-ventures and associated undertakings.

9.3. Issues underwritten by the Bank

The underwriting agreements entered into by the Bank, in force as at 30 June 2002, are shown in the table below

Name of Issuer Location	Type of agreement	Term of agreement	Bank's remuneration	Type of security	Negotiability of the security	Amount underwritten by the Bank (in PLN thousand)	Commitment as at 30 June 2002 (in PLN thousand)
Carcade Invest S.A. – Warszawa	Readiness to take over bills	18.10.1999-18.11.2002	discount or f/x gains	Commercial paper	on secondary market, private placement,	27,200	-
Elektrim Kable S.A. – Ożarów Mazowiecki	Readiness to take over bills	17.08.2000-17.08.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	20,000	15,150
Huta Aluminium „Konin” S.A. – Konin	Readiness to take over bills	31.08.2000-31.08.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	30,000	22,210
Polski Koncern Naftowy Orlen SA - Płock	Readiness to take over bonds	06.07.2001-06.07.2006	discount or f/x gains, commission	Bonds	on secondary market, private placement,	50,000	44,170
Pol Am Pack S.A. – Brzesko	Readiness to take over bills	28.09.1999-31.07.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	30,000	26,300
Techmex S.A. – Bielsko Biała	Readiness to take over bonds	29.08.2001-31.07.2002	discount or f/x gains, commission	Bonds	on secondary market, private placement,	35,000	-
Urtica Finanse S.A. - Wrocław	Issue of bonds	26.10.2001-25.10.2002	Interest coupon, commission	Coupon bond	on secondary market, private placement,	10,000	1,400
Miasto Gdańsk	Agency	31.10.1996-26.06.2003	Interest coupon	Municipal bonds	on secondary market, private placement,	33,100	-
Total							109,230

The underwriting agreements entered into by the Bank, in force as at 31 December 2001, are shown in the table below:

Name of Issuer Location	Type of agreement	Term of agreement	Bank's remuneration	Type of security	Negotiability of the security	Amount underwritten by the Bank (in PLN thousand)	Commitment as at 31 December 2001 (in PLN thousand)
Carcade Invest S.A. – Warszawa	Readiness to take over bills	18.10.1999-18.11.2002	discount or f/x gains	Commercial paper	on secondary market, private placement,	37,500	-
Elektrim Kable S.A. – Ożarów Mazowiecki	Readiness to take over bills	17.08.2000-17.08.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	20,000	14,360
Handlowy – Leasing SA – Warszawa ¹	Guaranteed	18.01.2001-18.01.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	20,000	20,000
Huta Aluminium „Konin” S.A. – Konin	Readiness to take over bills	31.08.2000-31.08.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	30,000	16,970
Polski Koncern Naftowy Orlen SA – Płock	Readiness to take over bonds	06.07.2001-06.07.2006	discount or f/x gains, commission	Bonds	on secondary market, private placement,	50,000	39,590
Pia Piasecki S.A. –Kielce ²	Readiness to take over bills	03.01.2001-03.01.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	25,000	-
Pol Am Pack S.A. – Brzesko	Readiness to take over bills	28.09.1999-29.03.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	30,000	26,690
Techmex S.A. – Bielsko Biała	Readiness to take over bonds	29.08.2001-31.07.2002	discount or f/x gains	Bonds	on secondary market, private placement,	35,000	-
Węgllokoks S.A. – Katowice	Agency	23.01.2000-23.01.2002	discount or f/x gains	Commercial paper	on secondary market, private placement,	130,000	-
Urtica Finanse S.A. – Wrocław	Issue of bonds	26.10.2001-25.10.2002	Commission	Coupon bond	private placement,	10,000	1,650
Miasto Gdańsk	Agency	31.10.1996-26.06.2003	Interest coupon	Municipal bonds	on secondary market, private placement,	33,100	-
						Total	119,260

⁽¹⁾ subsidiary undertaking⁽²⁾ associated undertaking

The underwriting agreements entered into by the Bank, in force as at 30 June 2001, are shown in the table below

Name of Issuer Location	Type of agreement	Term of agreement	Bank's remuneration	Type of security	Negotiability of the security	Amount underwritten by the Bank (in PLN thousand)	Commitment as at 30 June 2001 (in PLN thousand)
Carcade Invest S.A. – Warszawa	Readiness to take over bills	18.10.1999-18.11.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	46,500	13,630
Echo Investment S.A. – Kielce	Guaranteed	08.09.1999-08.09.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	70,000	-
Elektrim Kable S.A. – Ożarów Mazowiecki	Readiness to take over bills	17.08.2000-17.08.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	20,000	20,000
Elektrociepłownia Kraków S.A. – Kraków	Guaranteed	07.09.2000-07.09.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	25,000	25,000
Handlowy – Leasing SA ⁽¹⁾	Guaranteed	18.01.2001-18.01.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	20,000	19,510
Huta Aluminium „Konin” S.A. – Konin	Readiness to take over bills	31.08.2000-31.08.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	30,000	29,730
MITEX S.A. – Kielce	Readiness to take over bills	16.10.2000-16.10.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	20,000	20,000
Pia Piasecki S.A. –Kielce ⁽²⁾	Readiness to take over bills	03.01.2001-03.01.2002	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	25,000	-
Pekaes S.A. – Warszawa	Guaranteed	16.06.2000-30.09.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	25,000	25,000
Polska Grupa Farmaceutyczna S.A. – Łódź	Guaranteed	07.12.1999-06.12.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	50,000	-
Pol Am Pack S.A. – Brzesko	Guaranteed	28.09.1999-28.11.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	30,000	21,770
Stalexport S.A. – Katowice	Guaranteed	15.07.1999-15.07.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	50,000	-
Name of Issuer	Type of			Type of security	Negotiability of the	Amount underwritten by	Commitment as at 30 June 2001

Location	agreement	Term of agreement	Bank's remuneration		security	the Bank (in PLN thousand)	(in PLN thousand)
Techmex S.A. – Bielsko – Biała	Guaranteed	15.09.1999-15.09.2001	discount or f/x gains, commission	Commercial paper	on secondary market, private placement,	45,000	-
Węglukoks S.A. – Katowice	Agency	23.01.2000-23.01.2002	discount or f/x gains, commission	Certificates of deposit	on secondary market, private placement,	130,000	-
Volkswagen Bank Polska S.A. – Warszawa	Dealer	06.12.1999-06.12.2001	discount or f/x gains, commission	Certificates of deposit	on secondary market, private placement,	22,500	15,000
Volkswagen Poznań Sp. z o.o. – Poznań	Dealer	06.12.1999-06.12.2001	discount or f/x gains, commission	Certificates of deposit	on secondary market, private placement,	21,000	14,000
Volkswagen Motor Polska Sp. z o.o. – Polkowice	Dealer	06.12.1999-06.12.2001	discount or f/x gains, commission	Certificates of deposit	on secondary market, private placement,	9,000	6,000
Volkswagen Leasing Polska Sp. z o.o. – Warszawa	Dealer	06.12.1999-06.12.2001	discount or f/x gains, commission	Certificates of deposit	on secondary market, private placement,	7,500	5,000
Zespół Elektrowni „Dolna Odra” S.A. – Nowe Czarnowo k. Gryfina	Readiness to take over bills	10.08.1999-10.08.2001	discount or f/x gains, commission	Certificates of deposit	on secondary market, private placement,	40,000	-
Urtica Finanse S.A. – Wrocław	Issue of bonds	26.01.2001-25.01.2002	commission	Coupon bond	private placement,	10,000	4,850
Miasto Gdańsk	Agency	1996.10.31-26.06.2003	interest coupon	Municipal bonds	on secondary market, private placement,	33,100	-
						Total	219,490

⁽¹⁾ subsidiary undertaking

⁽²⁾ associated undertaking

10. Dividend payment and liabilities arising on approved dividend payable

Following the resolution no 5 of the Ordinary General Meeting of Shareholders dated 27 June 2002 the profit for 2001 was distributed and dividend eligibility date and dividend payment date were decided. From the 2001 profit the amount of PLN 163,324,500 (PLN 1.25 per share or the special bond) was intended for dividend payment to shareholders and the special bonds holders.

26 July 2002 was decided to be the dividend eligibility date and 2 September 2002 was decided to be the dividend payment date.

11. Amounts due to State budget or local authorities

As at 30 June 2002, 31 December 2001 and 30 June 2001 the Bank had no amounts due to the State budget or local authorities, arising from the acquisition of ownership of buildings and structures.

12. Failure to carry on activity

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

In the first half of 2001, the Bank made a legal separation of its brokerage business. On 1 April 2001 the brokerage business of COK BH, an organisationally separate establishment of the Bank, was transferred 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. The Bank's Supervisory Board passed a resolution on the closure of the London Branch on 15 December 2000. The London Branch of the Bank was crossed out of the Corporate Registry at the National Court Registry on 14 January 2002, by the District Court for Warsaw – Commercial Department XIX of the National Court Registry.

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

In the first half of 2002, and in presented reporting periods of 2001 the Bank did not have expense relating to projects in progress and fixed assets and development costs

14. Capital expenditures

Capital expenditures for investments at 30 June 2001 amounted to PLN 38,870 thousand (31 December 2001: PLN 21,304 thousand, 30 June 2001: PLN 73,439 thousand. Capital expenditures for the second half of 2002 and the first half of 2003 are planned in the amount of PLN 85,673 thousand and are related mainly to the modernisation and furnishing of buildings.

15. Material transactions with related parties

15.1. The Bank did not enter into any material transactions, i.e. transfer of rights and obligations (whether for consideration or otherwise) with:

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

15.2. Material transactions with shareholders of the Bank holding at least 10% of votes at the General Shareholders' Meeting

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

COIC and other companies from Citigroup Inc. conclude lots of transactions with the Bank.

As at 30 June 2002, the balances of accounts receivable and payable (excluding interest) and off-balance sheet commitments towards Citigroup Inc. companies are as follows:

	in PLN thousand		
	30 June 2002	31 December 2001	30 June 2001
Receivables, including:	3,370,844	3,546,350	163,994
Placements	2,934,559	3,172,928	20,234
Liabilities, including:	951,656	748,993	1,100,365
Deposits	891,029	1,782	2,813
Loans received	60,627	219,795	858,065
Off-balance sheet guarantee liabilities issued	35,011	55,396	16,944
Off-balance sheet guarantee liabilities received	755,256	61,622	324,131
Derivative transactions	60,585,124	48,502,518	18,942,113

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

15.3 Transactions with subordinated undertakings

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

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

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

Amounts due to and expense paid to subsidiary, joint ventures and associated undertakings (without

interest) as at 30 June 2002 are as follows:

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

In the first half of 2002 the following transactions relating to subsidiary undertakings took place:

- purchase of additional shares in Bank Rozwoju Cukrownictwa S.A. As a result of the transaction the Bank's share equals to 97.44% in the equity and 88.16% in the voting rights at the GMS of the entity. The purchase of shares of the entity is related purely to its resale (liquidation),
- sale of all shares in Cuprum Bank S.A., which represented 55.26 % of its equity and 50.20 % of the voting rights at the GMS of the entity,
- sale of all shares in Tower Service Sp. z o.o., which represented 50.30 % of its equity and similar share in the voting rights at the GMS of the entity,
- sale of all shares in Bank Handlowy International S.A. located in Luxembourg, which represented 73.12 % of its equity and similar share in the voting rights at the GMS of the entity;
- purchase of shares in „Bytom Collection” Sp. z o.o. located in Radzinków as a restructuring of its debt. As a result of the transaction the Bank owns 100% of the equity and similar share in the voting rights at the GMS of the entity. The purchase of shares of the entity is related purely to its resale or liquidation.

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

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

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

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

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

Amounts due from and revenues received from subsidiary, joint ventures and associated undertakings (without interest) as at 30 June 2001 are as follows:

	in PLN thousand			
	Subsidiary	Joint ventures	Associated	Total
Amounts due from (net):				
<i>other undertakings - in respect of:</i>				
-current accounts	15,146	1,279	311	16,736
- loans granted	569,631	-	-	569,631
- subordinated loans	131,918	-	-	131,918
- bonds convertible into shares	50,248	-	-	50,248
<i>other undertakings - in respect of:</i>				
- loans granted	-	-	134,779	134,779
Total receivables	766,943	1,279	135,090	903,312
Interest and commission income	40,655	217	15,257	56,129

As of 30 June 2001 the specific provisions for receivables from subsidiaries, joint ventures and associated undertakings amounted to PLN 29,553 thousand.

Amounts due to and expense paid to subsidiary, joint ventures and associated undertakings (without interest) as at 30 June 2001 are as follows:

	in PLN thousand			
	Subsidiary	Joint ventures	Associated	Total
Amounts due to:				
<i>financial institutions - in respect of:</i>				
- current accounts	8,539	805	-	9,344
- deposits taken	180,206	5,682	-	185,888
<i>other undertakings - in respect of:</i>				
- current accounts	7,153	-	937	8,090
- deposits taken	665	-	49,769	50,434
Total payable	196,563	6,487	50,706	253,756
Interest and commission expense	11,045	128	3,387	14,560

16. Joint ventures excluded from the consolidation on an equity or full basis

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

17. Income and expenses related to brokerage activity

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

18. Write-offs of bad debts

AS at 30 June 2002 the bad debts written off against the specific provisions amounted to PLN 17,832 thousand (31 December 2001: PLN 323 thousand, 30 June 2001: PLN 1,590 thousand).

19. Provisions for employees payments

As of 30 June 2002 the provision for future employees payments amounted to PLN 59,438 thousand (31 December 2001: 97,838 thousand; 30 June 2001: PLN 111,371 thousand), including:

- the provision for remuneration and charges to remuneration amounting to PLN 26,011 thousand (31 December 2001: 37,802 thousand; 30 June 2001: PLN 52,355 thousand),
- the provision for personnel restructuring expense resulting from the merger of the Bank with Citibank (Poland) S.A. amounting to PLN 8,427 thousand (31 December 2001: PLN 35,036 thousand; 30 June 2001: 59,016 thousand),
- the provision for employees retirement and jubilee payments amounting to PLN 25,000 thousand (31 December 2001: 25,000 thousand).

20. Financing Employees Pension Funds

The Bank, as one of the owners, holds 79.3% of the Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A. („PPTE DIAMENT S.A.”) and is a co-arranger of Międzyzakładowy Program Emerytalny DIAMENT. The Bank created for its employees Pracownicze Programy Emerytalne („Programme”), with objective to save and amass financial assets coming from premiums paid within the Programme to the accounts of its participants in order to assure retirement or disability pensions. The Bank pays premiums amounting to 7% of each participant's remuneration. Each employee who participates in the Programme can also pay additional premium to the Programme. The assets of the Fund are managed by PPTE DIAMENT S.A. Premiums paid to the Fund are entirely invested in the units of Specjalistyczny Otwarty Fundusz Inwestycyjny Kapitał Handlowy Senior, managed by Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A.

21. Custody services for securities

The Bank provides its custody services via the Securities Custody Department. The Department operates in compliance with international standards for custody services and that is why it is able to meet requirements of the biggest and the most demanding institutional clients. In doing so, the Bank operates as an integral part of the global custody network of Citibank N.A. known as Global Securities Services.

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

The custody services provided by the Bank include operating securities and cash accounts, settling securities transactions, handling dividend and interest payments, portfolio valuation and execution of customer proxies, and it also arranges customer representation at general meetings of shareholders.

Additionally, the Securities Custody Department provides maintenance of foreign securities register, which includes intermediation in settlement of transactions concluded by domestic customers and depositing securities on foreign markets.

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

Putting as an objective a professional customer service and appropriate protection of their interests, the Bank consistently strives for increasing the quality of service, expertise of employees and developing co-operation with institutions responsible for functioning of capital market.

Depository for Pension Funds

The Bank acts as depository for five Pension Funds:

- AIG OFE
- SAMPO OFE
- OFE Pocztynlion
- Pekao OFE
- Zurich OFE

and for Pracowniczy Fundusz Emerytalny Telekomunikacji Polskiej SA

Depository for investment funds

The Bank acts as depository for 23 investment funds set up by the following investment fund companies

- SKARBIEC TFI SA
- BZ WBK AIB TFI SA
- SEB TFI SA
- INVESCO TFI SA
- PIONEER PEKAO TFI SA

22. Asset securitisation

As of 30 June 2002 and in presented reporting periods of 2001 the Bank did not have securitised receivables.

23. Employment

In the first half of 2002, average employment in the Bank amounted to 4,910 persons, including 44 blue-collar positions (2001: 5,403 persons, , including 34 blue-collar positions, first half of 2001: 5,387 persons, including 13 blue-collar positions).

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

Remuneration paid in the first half of 2002 for the members of the Management Board and managing directors amounted to PLN 6,256 thousand (gross) (in 2001: PLN 6,675 thousand; in the first half of 2001: 4,921 thousand).

Total remuneration paid to the members of the Management Board for holding positions in subsidiaries, joint ventures and associated undertakings in the first half of 2002 amounted to PLN 93 thousand (2001: PLN 187 thousand, first half of 2001: PLN 90 thousand).

Remuneration paid to the Supervisory Board of the Bank in the first half of 2002 amounted to PLN 254 thousand (2001: PLN 476 thousand, first half of 2001: PLN 241 thousand). Remuneration was not paid for holding positions in subsidiary and associated undertakings

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

The Bank's commitments arising on loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank as at 30 June 2002 is as follows:

in PLN thousand

	Advances	Guaranties	Loans granted by the Bank*	Loans granted from the Social Fund
Employees	805	2,844	62,088	46,235
Member of the Management Board	-	836	-	-
Member of the Supervisory Board	-	-	-	-
Persons personally related to Members of the Management Board and the Supervisory Board	-	-	-	-
Total:	805	3,680	62,088	46,235

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

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

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

in PLN thousand

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

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

As at 31 December 2001, none of the employees, the Management Board and the Supervisory Board members of the Bank benefited from advances, loans and guarantees granted by subsidiaries, joint ventures or associated undertakings of the Bank.

The Bank's commitments arising on loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank as at 30 June 2001 is as follows:

	in PLN thousand			
	Advances	Guaranties	Loans granted by the Bank*	Loans granted from the Social Fund
Employees	443	2,274	62,402	44,130
Member of the Management Board	7	665	-	-
Member of the Supervisory Board	-	35	-	-
Total:	450	2,974	62,402	44,130

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

As at 30 June 2001, none of the employees, the Management Board and the Supervisory Board members of the Bank benefited from advances, loans and guarantees granted by subsidiaries, joint ventures or associated undertakings of the Bank.

26. Material events relating to previous years presented in the financial statements for the first half of 2002

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

27. Post balance sheet events excluded from the financial statements for the first half of 2002

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

As a result of renouncement by Dom Maklerski Banku Handlowego w Warszawie SA ("DM BH"), which is a subsidiary undertaking of the Bank, of an underwriting contract and recording 600,000 shares H series on a securities account of PIA Piasecki - the issuer as of 25 July 2002, DM BH does not have any shares issued by the entity. The renouncement of the agreement followed default events defined in the contract. Before the execution of renouncement rights DM BH held 600,000 shares in PIA Piasecki SA, which amounted to 5.48% of its equity and voting rights at the General Meeting of Shareholders. Direct holding of the Bank in PIA Piasecki SA remained unchanged after the renouncement and equals to 4,000,000 shares, which amounted to 36.52% of its equity and voting rights at the General Meeting of Shareholders

On 16 September 2002 the Bank and its subsidiary undertaking Handlowy Investments SA with its seat in Luxembourg sold its entire shareholding in an associated undertaking Hortex Holding S.A., Płońsk to BankAmerica International Investment Corporation, Chicago. The sold holding constituted 31.09% of the authorised capital of the entity and conferred the same percentage of voting rights at the General Meeting of Shareholders. Simultaneously, the conditions precedent to an agreement on assignment of receivables dated 30 July 2002 concluded by Handlowy Inwestycje Sp. z o.o., Warsaw, where the Bank holds 100% of the authorised capital, and BankAmerica International Investment Corporation, Chicago were fulfilled. The assignment of receivables agreement was related to a sale of receivables arising on a

commercial paper issued by Hortex Holding S.A.

28. Material events related to the current period that have an impact on material change in the structure of balance sheet and profit and loss account

On 7 March 2002 Citibank Overseas Investment Corporation, New Castle, USA („COIC”), a subsidiary of Citibank N.A., purchased a total of 753,300 ordinary series C bearer shares of Bank Handlowy. COIC is the parent company of Bank Handlowy. COIC acquired 376,650 shares from Centaur Investment Corporation at PLN 67.00 per share and 376,650 shares from Foremost Investment Corporation at PLN 67.00 per share. Both those companies are members of Citigroup Inc.

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

On 26 April 2002 the Bank sold a total of 87,741 shares in Bank Handlowy International S.A. located in Luxembourg („BHI”). An ownership of shares was transferred on 6 May 2002. The shares sold represent 73.12% of share capital and voting rights on the General Meeting of Shareholders of BHI.

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

On 3 June 2002 the Bank informed ZO Bytom SA (the Bank’s associated undertaking) about take over of ownership of 6,000 shares in "Bytom Collection" Spółka z o.o. located in Radzionków. The nominal value of the shares amounts to PLN 3,000,000.00.

The takeover of shares was made following the provisions of a lien agreement concluded by the Bank and ZO Bytom SA on 8 June 2001. In this way the Bank partially provided for outstanding loan receivable from ZO Bytom S.A. up to PLN 3,000,000.00.

As a result of the takeover on 3 June 2002 the Bank became the sole shareholder of "Bytom Collection" Sp. z o.o., Radzionków shares. The total number of shares equals 6,008. The entity became a subsidiary undertaking of the Bank.

Following the decision made by the Banking Supervision Commission dated 24 June 2002 on establishment of the commissioner management in Wschodni Bank Cukrownictwa S.A. w Lublinie the pre-condition defined in an Agreement for coming to Wschodni Bank Cukrownictwa S.A. w Lublinie assistance in restructuring dated 22 June 2002 concluded by the Bank with 11 other banks was fulfilled. This agreement provides for opening a credit line for WBC S.A. and an equity contribution in WBC S.A.

29. Legal predecessor

The Bank does not have a legal predecessor.

30. Financial data and inflation

The financial data reported in these financial statements have not been adjusted for inflation. Over the twelve months ended 30 June 2002, 2001 and 2000, inflation as measured by the Consumer Price Index (June-on-June) did not exceed 100%, running at 1.6%, 6.2% and 10.3% in the respective periods concerned. The above inflation rates have been taken from the Statistical Bulletin published by the Central Statistical Office.

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

Financial data for 2001 presented in these financial statements 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 can be described as follows:

- Overnight placements and deposits previously classified as term amounts due from financial institutions (banks) and due to financial institutions, customers and budget were reclassified in the balance sheet to demand receivables and payables,
- receivables arising on granted subordinated loans previously presented in „Other assets” were reclassified in balance sheet to amounts due from financial institutions or amounts due from customers,
- contribution to entities previously presented in „Other assets” were reclassified in balance sheet to interests in subordinated undertakings,
- co-operative ownership right of flat previously presented in intangible fixed assets were reclassified to tangible fixed assets,
- organisation costs incurred in establishing or subsequently expanding a public limited company and the overpayment of first payment over annual payment for long-term use of land previously presented in intangible fixed assets were reclassified in the balance sheet to prepaid expenses,
- liabilities arising on cash collateral previously presented in „Other liabilities” were reclassified to term amounts due to financial institutions, customers and budget,
- amounts receivable and amounts payable arising on valuation of operations in derivative instruments previously presented in „Other assets” and in „Other liabilities” were reclassified in balance sheet to „Other securities and other financial assets” or „Other liabilities arising on financial instruments”, respectively.

Other changes related to presentation of data for previous reporting periods result from introduction of new template of financial statements for banks.

In the semi-annual financial statements for 2002 there were changes in comparison with the previously published quarterly financial statements for the second quarter of 2002 in respect of balance sheet data, off-balance sheet data, profit and loss statement and cash flow statement resulting from audit. As a result of these changes, the total assets decreased by PLN 332,621 thousand, the equity increased by PLN 17,753 thousand, the net profit increased by PLN 2,586 thousand and total off-balance sheet commitments decreased by PLN 387,956 thousand.

32. Changes in accounting policy in 2002

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

When comparing to the accounting principles applied and described in the semi-annual and annual financial statements for 2001 the financial statements prepared for the first half of 2002 recognise in material aspects majority of the regulatory changes introduced from 1 January 2002 by the regulations mentioned above. In particular, the changes are related to presentation and valuation of balance sheet and profit and loss account items mentioned below:

- co-operative ownership right of flat is recognised in tangible fixed assets: previously it was recognised in intangible fixed assets,
- organisation costs incurred in establishing or subsequently expanding a public limited company and the overpayment of first payment over annual payment for long-term use of land are recognised in assets in prepaid expenses; previously they were presented in intangible fixed assets,
- consumer loans and loans related to credit cards issued to individuals recorded in IT system operated by the Consumer Banking Sector are accounted for using effective interest rate and net of specific provisions created; previously they were accounted for at amortised cost with linear interest accrual and net of specific provisions created,
- debt securities classified in trading portfolio are accounted for in their fair value and changes in fair value of debt securities in trading portfolio are recognised as income or expense on financial operations; previously debt securities in trading portfolio were recognised at cost – but not higher than their actual fair value and their appreciation in value was recognised in profit and loss account only when realised,
- debt securities classified as available for sale are accounted for in their fair value and changes in their fair value are recognised in capital from revaluation and they are recognised in profit and loss account only when realised; previously these debt securities were classified in trading portfolio and accounted for at cost – but not higher than their actual fair value and their appreciation in value was recognised in profit and loss account only when realised,
- debt securities held until maturity are recorded at cost net of provisions against any permanent diminution in value; previously these debt securities were classified to investment portfolio and their valuation principles remained unchanged,
- fixed and material interests in subordinated undertakings (subsidiaries, joint ventures and associated undertakings) are accounted for under the equity method. Changes in their value as of revaluation date are recognised in the profit and loss account as a participation in net profits (losses) of subordinated undertakings accounted for under the equity method; previously these items were recognised in the balance sheet at cost net of provisions against any permanent diminution in value.

33. Adjustments of fundamental mistakes

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

34. Going concern

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

35. Merger with Citibank (Poland) S.A. („CPSA”)

On 28 February 2001, pursuant to the Resolution of the Extraordinary General Meeting of Bank Shareholders dated 3 November 2000 the Bank merged with CPSA. The purchase was settled under an acquisition method involving the transfer of all CPSA assets onto the Bank in return for the shares which the Bank allocated to CPSA shareholders

The merger involved the issue of 37,659,600 series C ordinary bearer shares, each with a par value of PLN 4. The shares in the new issue were allocated to CPSA shareholders according to the following share swap parity: 1,350 series C Bank shares for one CPSA share. The purchase price of the series C shares allocated to CPSA shareholders was defined on the basis of their fair value amounting to PLN 70 each. The fair value reflects the price that Citibank Overseas Investment Corporation announced in 2000 in two tender offers for the Banks' shares. The excess of the purchase price over the fair value of CPSA net assets is shown in Bank assets as goodwill. As decided by the Management Board, the goodwill will be amortised over 20 years, starting from March 2001, according to the straight-line method. The amortisation charges are counted as other operating expense.

As a result of the merger between the Bank and CPSA, carried out by the purchase acquisition method in compliance with the accounting principles described above, the capital funds and undistributed profits of CPSA were cancelled. The excess of the fair value of shares over their par value was allocated to the Bank's capital surplus, which consequently grew by PLN 2,485,534 thousand (PLN 66 times 37,659,600 shares). The par value of each share (PLN 4 each) was allocated to the authorised capital, which as a result grew by PLN 150,638 thousand.

According to CPSA's accounts at 28 February 2001, its net assets amounted to PLN 1,187,265 thousand. The resulting excess of the estimated fair value of shares in the new issue over the acquired undertaking's net assets was allocated to the Bank's assets as goodwill, at PLN 1,448,907 thousand, and shown in the Bank's balance sheet under the item 'intangible fixed assets'.

36. Currency structure of assets and liabilities

The Bank's currency position as at 30 June 2002 is presented in accordance with principles stated in regulation No. 5/2001 of the Banking Supervision Commission dated 12 December 2001 on specific principles for calculation of capital requirements for particular types of risk, including excesses of concentration limits, principles for calculation of solvency ratio, regarding relationships with subsidiary undertakings or operating in the same holding and defining additional items of balance sheet seized with own equity for capital adequacy calculation and the scope and methodology for calculation (Official Journal of NBP No 22, position 43).

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

in PLN thousand

Country	Currency	Assets	Liabilities	Off-balance assets	Off-balance liabilities	Indexed assets	Indexed liabilities	Position long (+) short (-)
USA	USD	6,175,717	3,745,630	20,875,274	23,256,813	-	-	48,548
EU	EUR	3,673,294	3,541,363	4,578,909	4,158,039	-	-	552,801
Great Britain	GBP	160,556	136,146	35,134	7,011	-	-	52,533
Switzerland	CHF	1,050,368	121,012	470,256	1,326,999	-	-	72,613
Sweden	SEK	95,246	7,246	9,323	40,970	-	-	56,353
Denmark	DKK	56,363	6,808	-	-	-	-	49,555
Australia	AUD	2,909	1,580	-	684	-	-	645
Norway	NOK	113,479	2,373	-	1,896	-	-	109,210
Canada	CAD	6,589	562	-	-	-	-	6,027
Japan	JPY	43,017	1,434	-	44,361	-	-	(2,778)
Czech Republic	CZK	311,198	55,763	348,153	596,921	-	-	6.667
Hungary	HUF	417	72	-	328	-	-	17
Unconvertible currencies total		203,345	203,935	-	-	-	-	(590)
Total		11,892,498	7,823,924	26,317,049	29,434,022	-	-	
Total currency position								954,969

In the first half of 2002 the Bank did not exceed existing FX risk limits. As at 30 June 2002 the total capital requirement for FX risk was calculated at the level of PLN 102,768 thousand.

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

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

in PLN thousand

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

In 2001 the Bank did not exceed existing FX risk limits. As at 31 December 2001 the total capital requirement for FX risk was calculated at the level of PLN 15,493 thousand.

In calculating its capital requirement against foreign exchange risk as at 31 December 2001, the Bank applied the standardised method, as specified in Resolution No. 2/2000 of the Commission for Banking Supervision dated 8 November 2000.

The currency position for core currencies at 30 June 2001 is as follows:

in PLN thousand

Country	Currency	Assets	Liabilities	Off-balance assets	Off-balance liabilities	Indexed assets	Indexed liabilities	Position long (+) short (-)
USA	USD	9,854,027	9,389,029	31,366,114	31,960,612	7,261	-	(122,239)
EU	EUR	6,268,959	5,469,853	3,521,953	4,256,269	71,983	-	136,773
Great Britain	GBP	442,027	434,991	7,193	16,711	-	-	(2,482)
Switzerland	CHF	551,089	198,949	401,536	754,928	2,812	-	1,560
Sweden	SEK	73,935	76,749	5,371	1,192	-	-	1,365
Denmark	DKK	21,179	13,495	2,496	10,088	-	-	92
Australia	AUD	3,587	3,793	-	-	-	-	(206)
Norway	NOK	10,345	9,977	-	429	-	-	(61)
Canada	CAD	6,852	4,519	-	-	-	-	2,333
Japan	JPY	44,962	11,441	21,262	55,390	-	-	(607)
Czech Republic	CZK	292,519	164,757	250,454	379,582	-	-	(1,366)
Unconvertible currencies total		148,484	148,545	-	-	-	-	(61)
Total		17,717,965	15,926,098	35,576,379	37,435,201	82,056		
Total currency position								142,123

In the first half of 2001 the Bank did not exceed existing FX risk limits. As at 30 June 2001 the total capital requirement for FX risk was calculated at the level of PLN 6,270 thousand.

In calculating its capital requirement against foreign exchange risk as at 31 December 2001, the Bank applied the standardised method, as specified in Resolution No. 2/2000 of the Commission for Banking Supervision dated 8 November 2000.

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

1. Balance sheet as at 30 June 2002 with assets and liabilities amounting to PLN 32,371,934,827.90;

2. Off-balance sheet commitments as at 30 June 2002 amounted to PLN 134,627,040,150.64, including off-balance liabilities granted – PLN – 9,352,042,306.60;
3. Profit and loss account for the year from 1 January 2002 to 30 June 2002 with a net profit amounting to PLN 142,211,712.51;
4. Cash flow statement for the year from 1 January 2002 to 30 June 2002 with a net cash outflow amounting to PLN 892,303,871.52.

Signatures of all Management Board Members

23.09.2002	Cezary Stypułkowski	President	
Date	Name	Position	Signature
23.09.2002	Shirish Apte	Vice President	
Date	Name	Position	Signature
23.09.2002	Wiesław Kalinowski	Vice President	
Date	Name	Position	Signature
23.09.2002	Philip King	Vice President	
Date	Name	Position	Signature
23.09.2002	Witold Walkowiak	Vice President	
Date	Name	Position	Signature