

ADDITIONAL EXPLANATORY NOTES

1. Concentration of exposure

Information about the concentration of loan exposure of the Group is presented on the basis of the Consolidated Financial Statements, adopting the respective terms and conditions of establishing concentration limits in accordance with the provisions of the Banking Act of 29 August 1997 (Journal of Laws of 2002 No. 72, item 665, as amended) and its executive regulations issued by the Commission for Banking Supervision. The adopted method of calculation of consolidated own funds is consistent with the rules set forth in the Resolution No. 6/2001 of the Commission for Banking Supervision dated 12 December 2001 regarding specific rules for calculation of own funds of banks (...) (NBP Official Journal No. 22, item 43).

The concentration of loan exposure of the Group is presented with respect to the policy pursued by the Bank which in accordance with the provisions of the Banking Act is obliged to establish and periodically verify limits of concentration of receivables with respect to one entity or related entities and in individual economy sectors, while maintaining the standards and limits set forth in the Act.

Exposure limits

The Banking Act and its executive regulations issued by the Commission for Banking Supervision define maximum exposure limits for the Bank. Under Article 71 paragraph 1 of the Act, which came into force as of 1 January 2002, the sum of the Bank's receivables and off-balance sheet commitments granted by the Bank with respect to one or more entities, related by equity or organisationally cannot exceed 20% of the Bank's equity 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 exceed 25% of the Bank's equity when there is no such relationship between the Bank and the entities in question. Pursuant to the provisions of the Resolution No. 5/2001 of the Commission for Banking Supervision dated 12 December 2001 regarding specific rules for calculating capital requirements for banking risk categories, including capital requirement for exposure exceeding concentration limits (...) (NBP Official Journal No. 22, item 43) the Bank is allowed to maintain exposure exceeding concentration limits, as defined in article 71 paragraph 1 of the Banking Act, on condition that the excess exposure relates only to transactions classified to the trading portfolio.

As of 31 December 2003, the Bank had an exposure to a related party from the banking sector exceeding the statutory debt concentration limits. The excess exposure arose by virtue of derivative transactions. As a consequence, an additional capital requirement for excess exposure was factored into the calculation of the Bank's capital adequacy ratio as of 31 December 2003.

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 in respect of banking portfolio exposure to a single entity or a group of entities, related by equity or organisationally, and did not exceed other concentration limits set by the Banking Act. As of 31 December 2003, the Bank's exposure in banking portfolio transactions with customers, which exceeded 10% of the Bank's equity, amounted to PLN 762 565 thousand, i.e. 16.4% of these funds (31 December 2002: PLN 935,499 thousand i.e. 18.6%).

Concentration of exposure in individual economy sectors

To avoid excessive concentration of credit risk, the Bank monitors its exposure in individual economy sectors, defining the areas where the Bank's exposure should grow and the areas where chances for development are poor, and where the exposure should be reduced. In the case of large corporate customers and financial institutions, the divisions of the Bank responsible for its policy concerning exposures to particular sectors are those of Corporate and Commercial Banking while the SME Banking Division exercises a similar function with respect to small and medium-sized enterprises.

The Bank's policy regarding exposures to large corporate customers active in particular sectors is developed through an identification of target markets. A key component in this identification of markets is an assessment of sectoral risk. To this end, specialists in particular economy sectors carry out sectoral analyses. Within the framework of the target markets specified, lending programmes are drawn up with documented requirements for approving the risk involved in specific kinds of business. The higher the sectoral risk, the tighter the criteria for risk approval. The assessment made of the financial condition of a given industry and its development prospectively 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 negative selecting particular economic sectors. This involves eliminating from the target market those industries where the risk of doing business is considered unacceptable.

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

A/ economic sectors excluded in view of their incompatibility with the characteristics of small and medium enterprises,

B/ economic sectors excluded in view of their sensitivity to market factors and earnings volatility,

C/ economic sectors excluded in view of their declining trends in performance.

The target market is then defined as all other economic sectors 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 ratings are retained.

Given there is a large diversity of customers representing the individual economic sectors, the table below shows aggregated data for the Bank's exposure to the 20 largest industries by individual reporting periods compared.

| <i>Sector of the economy according to Polish Classification of Economic Activity (PKD)</i> | <i>31 December 2003 in %</i> | <i>31 December 2002 in %</i> |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Wholesale trade and sales on commission excluding motor vehicles and motorcycles | 20.84 | 21.17 |
| Financial intermediary excluding insurance and pension funds | 7.41 | 8.79 |
| Production of food and beverages | 7.25 | 6.26 |
| Generation and distribution of electrical energy, gas, steam, and hot water | 6.80 | 6.46 |
| Construction | 4.07 | 5.55 |
| Production of chemicals | 3.80 | 3.34 |
| Manufacture of machines and equipment not classified elsewhere | 3.67 | 3.83 |
| Sale, service, and repair of mechanical vehicles and motorcycles, retail sale of fuel for motor vehicles | 3.61 | 2.94 |
| Production of the remaining means of transport | 3.29 | 1.59 |
| Post office and telecommunications | 3.03 | 2.85 |
| Top 10 economic sectors | 63.77 | 62.78 |
| Other services related to economic activities | 2.39 | 2.99% |
| Production of electronic machines and equipment not classified elsewhere | 2.36 | 2.36% |
| Production of rubber and plastic products | 2.36 | 1.97% |
| Retail sale excluding mechanical vehicles and motorcycles; repair of household items and consumer products | 2.23 | 1.60% |
| Manufacture of products from non-metal raw materials | 1.75 | 2.13% |
| Manufacture of metal finished products except for machines and equipment | 1.75 | 1.75% |
| Production of furniture manufacturing activities not classified elsewhere | 1.70 | 1.77% |
| Production of radio, television, and communication hardware and equipment | 1.70 | 1.51% |
| Production of coke and refining products of crude oil and nuclear fuels | 1.64 | 1.10% |
| Top 20 economic sectors | 81.65 | 79.96 |
| Other sectors | 18.35 | 20.04 |
| Total Bank | 100.00 | 100.00 |

2. Sources and uses of funds

| | in PLN thousand | |
|--------------------------------------|-------------------------|-------------------------|
| Acquired funds | 31 December 2003 | 31 December 2002 |
| Funds from banks | 1,868,837 | 1,976,980 |
| Funds of customers and public sector | 20,505,765 | 18,271,961 |
| Other external funds | 4,953,186 | 5,950,918 |
| Own funds and net profit | 5,947,560 | 5,961,896 |
| Total acquired funds | 33,275,348 | 32,161,755 |

| | in PLN thousand | |
|------------------------------------------------|-------------------------|-------------------------|
| Use of funds | 31 December 2003 | 31 December 2002 |
| Bank placements* | 7,283,176 | 3,948,848 |
| Amounts due from customers and public sector | 14,472,046 | 14,801,898 |
| Securities, shares, and other financial assets | 7,366,423 | 9,242,269 |
| Other use | 4,153,703 | 4,168,740 |
| Total use of funds | 33,275,348 | 32,161,755 |

* including one-day deposits like: 'overnight', 'tom/next', 'spot/next'.

Set out below are consolidated funds of customers and public sector and consolidated amounts due from customers and public sector as at 31 December 2003, related to operations carried out mainly by the Bank branches, presented by Regions where the Bank branches are grouped.

in PLN thousand

| Name of region / Geographic operating area by province/district | Funds of customers and public sector | Amounts due from customers and public sector |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------|
| <u>Bydgoszcz Region</u> provinces: Kujawsko – Pomorskie, Pomorskie, Warmińsko – Mazurskie and districts of the Zachodnio – Pomorskie province: sławieński, koszaliński, kołobrzegi, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin. | 825,853 | 1,619,226 |
| <u>Katowice Region</u> provinces: Śląskie, Opolskie, and districts of the Małopolskie province: chrzanowski, oświęcimski. | 840,373, | 1,186,376 |
| <u>Kraków Region</u> provinces: Podkarpackie, Świętokrzyskie, Małopolskie without districts allocated to Katowice Region | 557,055 | 897,936 |
| <u>Poznań Region</u> provinces: Lubuskie, Wielkopolskie, Zachodnio – Pomorskie without districts allocated to Bydgoszcz Region | 1,195,108 | 2,001,309 |
| <u>Warsaw Region</u> The city of Warsaw, provinces: Mazowieckie, Lubelskie, Łódzkie, Podlaskie. | 10,616,314 | 6,839,564 |
| <u>Wrocław Region</u> province: Dolnośląskie. | 418,867 | 594,558 |
| Consumer Bank – CITIBANK HANDLOWY | 6,052,195 | 1,333,077 |
| <u>Total</u> | 20,505,765 | 14,472,046 |

Set out below are consolidated funds of customers and public sector and consolidated amounts due from customers and public sector as at 31 December 2002, related to operations carried out mainly by the Bank branches, presented by Regions where the Bank branches are grouped.

in PLN thousand

| Name of region / Geographic operating area by province/district | Funds of customers and public sector | Amounts due from customers and public sector |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------|
| <u>Bydgoszcz Region</u> provinces: Kujawsko – Pomorskie, Pomorskie, Warmińsko – Mazurskie and districts of the Zachodnio – Pomorskie province: sławieński, koszaliński, kołobrzewski, białogardzki, świdwiński, szczecinecki, drawski, grodzki Koszalin. | 685,087 | 1,674,596 |
| <u>Katowice Region</u> provinces: Śląskie, Opolskie, and districts of the Małopolskie province: chrzanowski, oświęcimski. | 886,872 | 1,351,368 |
| <u>Kraków Region</u> provinces: Podkarpackie, Świętokrzyskie, Małopolskie without districts allocated to Katowice Region | 601,081 | 934,399 |
| <u>Poznań Region</u> provinces: Lubuskie, Wielkopolskie, Zachodnio – Pomorskie without districts allocated to Bydgoszcz Region | 868,273 | 1,773,216 |
| <u>Warsaw Region</u> The city of Warsaw, provinces: Mazowieckie, Lubelskie, Łódzkie, Podlaskie. | 8,986,783 | 7,250,411 |
| <u>Wrocław Region</u> province: Dolnośląskie. | 154,494 | 645,661 |
| Consumer Bank – CITIBANK HANDLOWY | 6,089,371 | 1,172,247 |
| <u>Total</u> | 18,271,961 | 14,801,898 |

3. Contributions to foreign branches

The Bank and the remaining entities of the Group do not conduct any operations through foreign branches.

4. Financial instruments of the Group

4.1. Financial instruments broken down by categories of financial assets and liabilities

| | in PLN thousand | |
|--------------------------------------------|-------------------|-------------------|
| | 31 December 2003 | 31 December 2002 |
| Financial assets for trading purposes | 4,562,744 | 6,082,840 |
| Financial liabilities for trading purposes | 3,362,332 | 4,182,578 |
| Loans granted and own receivables | 13,815,142 | 14,187,627 |
| Financial assets held until maturity | 70,159 | 305,707 |
| Financial assets available for sale | 2,458,658 | 2,520,163 |
| Total financial instruments | 24,269,035 | 27,278,915 |

4.1.1. Financial assets for trading purposes

Financial assets for trading purposes by individual groups of assets:

| | in PLN thousand | |
|---------------------------------------------------------------|------------------|------------------|
| | 31 December 2003 | 31 December 2002 |
| Debt securities | 936,722 | 1,557,522 |
| Shares in undertakings other than subordinated undertakings | 1,570 | 1,868 |
| Investment certificates | 15 | - |
| Amounts receivable from revaluation of derivative instruments | 3,624,437 | 4,523,450 |
| Total financial assets for trading purposes | 4,562,744 | 6,082,840 |

Change of financial assets for trading purposes:

| | in PLN thousand | |
|-------------------------------------------------------------------------------------|------------------|------------------|
| | 2003 | 2002 |
| Opening balance | 6,082,840 | 3,612,881 |
| increases (resulting from) | 104,816,219 | 62,917,830 |
| - purchases | 104,782,312 | 61,739,640 |
| - revaluation | 5,417 | 1,169,547 |
| - other (settlement of discount, premium, interest) | 28,490 | 8,643 |
| decreases (resulting from) | (106,336,315) | (60,447,871) |
| - sale | (105,405,729) | (60,446,668) |
| - revaluation | (899,886) | (660) |
| - other (settlement of discount, premium, interest) | (30,700) | (543) |
| Balance of financial assets for trading purposes as of the end of the period | 4,562,744 | 6,082,840 |

Debt securities for trading purposes

Debt securities for trading purposes include securities purchased in order to benefit from short-term price fluctuations. Debt securities for trading purposes are accounted for at their fair value, and the result of the valuation is recognised in the profit and loss account. Interest, discount or premiums on these securities are accrued to the profit and loss account on a straight line basis.

Shares in undertakings other than subordinated undertakings, investment certificates

Shares in undertakings other than subordinated undertakings and investment certificates included in the category of financial assets for trading purposes are accounted for at their fair value, and the result of the valuation is recognised in 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 into various transactions with financial derivatives for speculation purposes and to manage its own risks arising from movements in currency and interest rates. The settlement date of open positions in derivative instruments depends mainly on the nature of the instrument. In case of these transactions the floating interest rate is based on interbank interest rates prevailing at the beginning of the interest period and the fixed interest rate depends on the nature of the instrument and the objective of the particular transaction.

As of 31 December 2003, the Bank placed deposits at other institutions as collateral against derivative transactions amounting to PLN 8,117 thousand (31 December 2002: PLN 149,789 thousand), and for derivative transactions, the Bank received collateral totalling PLN 4,270 thousand (31 December 2002: 1,225 thousand).

Forward and swap FX contracts

Forward foreign exchange contracts are agreements to exchange specific amounts of currency at a specified exchange rate, with settlement date falling two working days after the transaction date. Foreign currency swaps are combinations of spot (settlement on the second working day following transaction date) and forward foreign exchange contracts whereby a specific amount of currency is exchanged at the current rate

for spot date, and then exchanged back at a forward rate and date. The nominal 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.

Forward and swap FX contracts are used for closing daily open foreign currency positions and for speculative purposes. Foreign currency swaps are mainly used for managing the Bank's liquidity and position on nostro accounts.

Forward and swap FX contracts are valued and accounted for in the profit and loss account at their market value. A discounted cash flow model is applied to assess forward and swap FX contracts. Unrealised profits and losses from revaluation of forward and swap FX contracts are recognised in the balance sheet in 'Other securities and other financial assets' or in 'Other liabilities arising on financial instruments' gross, i.e. without netting.

Currency option contracts

The subject of FX option contracts is the sale or purchase by the Bank of the right to exchange at a specified date one currency to another at a fixed exchange rate. Exercise of an option may be done by physical exchange of currencies or by settlement of the difference between contract rate and market reference rate prevailing at the exercise date. There are two types of options: call options that give their owner the right to buy a contracted amount of foreign currency at the exercise price amount of domestic currency or other foreign currency, and put options that give their owner the right to sell a contracted amount of foreign currency at the exercise price amount of domestic currency or other foreign currency. The buyer of an option pays to its drawer a premium for the purchased right to buy or sell currency.

FX options are valued and recognised in the profit and loss account at their market value and are calculated using the Garman-Kohlhagen valuation model. Unrealised revaluation gains and losses are recognised in 'Other securities and other financial assets' or 'Other liabilities arising from financial instruments' in their gross value, i.e. without netting. Premiums received on written options are presented in 'Other liabilities arising from financial instruments' and premiums paid on purchased options are presented in 'Other securities and other financial assets'. Premiums are recognised in the profit and loss account at the close of the respective contract.

Interest rate contracts

The Bank's interest rate transactions included interest rate swaps (IRS), currency interest rate swaps (CIRS), and forward rate agreements (FRA).

Interest rate swaps are agreements to exchange periodic interest payment obligations. On the interest payment date the Bank and its counterparts are obliged to exchange periodic fixed and floating rate interest payments defined in a contract. The objective of cross-currency interest rate swaps, which are concluded in two different currencies, is the exchange of a counterparty's obligation expressed in one currency into its obligation in other currency. As a result, on interest payment date the Bank and its counterparts are obliged to exchange interest payments defined in a CIRS contract. Additionally, counterparties may also exchange notional amounts of contracts. The Bank concludes IRS and CIRS contracts on the interbank market and with its customers.

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

Interest rate contracts are accounted for and recognised at their market value in the profit and loss account. They are calculated using the discounted cash flow valuation model. Unrealised revaluation gains and losses are recognised in the balance sheet in 'Other securities and other financial assets' or in 'Other liabilities arising on financial instruments' in their gross value, i.e. without netting.

Interest rate option contracts

The objective of an interest rate option contract is the right to receive at specified moments in the future the compensation payments whose amount depends on the future interest rates levels. There are two types of

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

The interest rate option contracts are accounted for and recognised at their market value in the profit and loss account. Unrealised revaluation gains and losses are recognised in the balance sheet in „Other securities and other financial assets” or in „Other liabilities arising from financial instruments” at their gross value, i.e. without netting. Premiums received on written options are included in ‘Other liabilities arising from financial instruments’ and premiums paid on purchased options are included in ‘Other securities and other financial assets’. Premiums are recognised in the profit and loss account at the close of the respective contract.

Securities contracts

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

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

Share options

Share options give the buyer the right to receive a difference between a share price or share index value defined an option contract and the value of these instruments at an exercise date depending whether it is a call or put option, for increase or decrease of the base instrument price respectively. The buyer of an option pays to its drawer a premium for the purchased rights.

Options are accounted for at their market value and unrealised revaluation gains and losses on options are recognised in the balance sheet in ‘Other securities and other financial assets’ or in ‘Other liabilities arising on financial instruments’ in their gross value, i.e. without netting. Premiums received on written options are included in ‘Other liabilities arising on financial instruments’ and premiums paid on purchased options are included in ‘Other securities and other financial assets’. Both categories are recognised in the profit and loss account at the close of the respective contract.

Characteristics of derivative instruments

| INSTRUMENT | FX forward | FX swap | Currency option contracts | IRS | CIRS | FRA | Securities contracts | Share options | Interest rate options |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Instrument description | Sale/purchase of a currency at a specified date at the exchange rate fixed for the date of transaction. | Concurrent and immediate purchase / sale of the currency and its forward repurchase/ resale at a forward rate fixed at the spot date. | Purchase by the option contract purchaser of a right (but not an obligation) to buy or sell the currency at a fixed rate at a specified date. | Exchange of interest payments in the same currency, based on different interest rates. | Exchange of interest payments in different currencies. This instrument can also encompass the spot and/or forward currency exchange. | Depositing / acceptance of a hypothetical deposit contract for a specific date in the future. Settled by the amount of the discounted interest accrued for the contract period on the basis of the contract rate and the interest accrued on the basis of so-called reference rate which is most often the interbank money market rate. | Forward sale or purchase of securities at the price fixed for the transaction date. | Purchase by the option contract purchaser of a right (but not an obligation) to receive the difference between the share price fixed in the contract and the value of the instrument as of the date of exercise of the option. | Purchase by the option contract purchaser of a right (but not an obligation) to exchange the amount of interest accrued on transaction amount on the basis of the reference rate |
| Valuation methods applied | discounted cash flow model | discounted cash flow model | option valuation model (Garman - Kohlhagen) | discounted cash flow model | discounted cash flow model | discounted cash flow model | discounted cash flow model | option valuation model (Black Scholes) | option valuation model (Black 76) |
| Purpose of contract | for trade | for trade | for trade | for trade | for trade | for trade | for trade | for trade | for trade |
| Number of transactions before maturity | 1,638 | 348 | 6,790 | 1,485 | 70 | 256 | 49 | 76 | 12 |
| Future revenue/ payments | variable | variable | variable | variable | variable | variable | variable | variable | variable |
| Maturity | 2004.01.02 – 2007.09.28 | 2004.01.02 – 2006.07.17 | 2004.01.06 – 2005.08.01 | 2004.01.12 - 2018.09.04 | 2004.01.21 – 2013.05.27 | 2004.01.02 – 2004.12.27 | 2004.01.02 – 2004.01.15 | 2004.01.22 – 2008.10.16 | 2005.02.28 – 2006.06.01 |
| Possibility to exchange to another asset / liability | none | none | none | none | none | none | none | none | none |

| INSTRUMENT | FX forward | FX swap | Currency options | IRS | CIRS | FRA | Securities contracts | Share options | Interest rate options |
|----------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------|
| Fixed rates / amounts of revenue and payment dates | variable | variable | variable | variable | variable | variable | variable | variable | variable |
| Other conditions | none | none | none | none | none | none | none | none | none |
| Type of risk | currency, liquidity, contractor and interest rate | interest rate, currency, liquidity, contractor | currency, liquidity, price variability (vega), contractor – for bought options | interest rate, contractor, currency for fx transactions | currency, interest rate, liquidity, contractor | interest rate, contractor, currency for fx transactions | interest rate, liquidity, contractor | interest rate, issuer, market price, price variability (vega) | interest rate, liquidity, contractor, price variability (vega) |

In the majority of cases it is possible to close the executed derivatives earlier, in accordance with their market value.

All derivative transactions executed with non-banking customers are executed on the basis of the assigned individual transaction limits. In certain cases, presentation of security is required for the purpose of assignment of the limit. The most often used types of security are guarantee deposit, promissory note, assignment, declaration of submittal to debt enforcement.

Times to maturity of derivative instruments as of 31 December 2003

in PLN thousand

| Instrument type | Nominal value | | | | | | | | | | | |
|---------------------------------------|------------------|-----------|-------------------|-----------|-------------|-----------|---------------|---------|-------------|------------------|-----------|------------|
| | As of 31.12.2003 | | | | | | | | | As of 31.12.2002 | | |
| | Time to maturity | | | | | | | | Total | | | Total |
| | Up to 3 months | | 3 months - 1 year | | 1 - 5 years | | Above 5 years | | | | | |
| | Banks | Other | Banks | Other | Banks | Other | Banks | Other | | Banks | Other | |
| Interest rate instruments | 20,428,221 | 70,280 | 36,856,764 | 236,858 | 53,558,751 | 3,950,005 | 8,292,182 | 480,581 | 123,873,642 | 66,594,443 | 4,716,338 | 71,310,781 |
| - FRA – purchase | 7,879,000 | 70,280 | 13,305,000 | - | - | - | - | - | 21,254,280 | 8,550,000 | - | 8,550,000 |
| - FRA – sale | 7,469,000 | - | 13,300,000 | - | - | - | - | - | 20,769,000 | 8,455,000 | - | 8,455,000 |
| - interest rate swaps (IRS) | 4,326,700 | - | 9,908,051 | 32,835 | 50,239,376 | 1,057,625 | 8,054,460 | 480,581 | 74,099,628 | 44,906,448 | 1,128,910 | 46,035,358 |
| - currency-interest rate swaps (CIRS) | 753,521 | - | 343,713 | 204,023 | 2,295,503 | 1,888,508 | 237,722 | - | 5,722,990 | 2,947,398 | 1,851,831 | 4,799,229 |
| - interest rate options purchased | - | - | - | - | 690,000 | 323,872 | - | - | 1,013,872 | 1,184,030 | 551,567 | 1,735,597 |
| - interest rate options sold | - | - | - | - | 333,872 | 680,000 | - | - | 1,013,872 | 551,567 | 1,184,030 | 1,735,597 |
| Currency instruments | 25,394,812 | 3,492,911 | 9,638,631 | 2,497,548 | 277,462 | 729,140 | - | - | 42,030,504 | 39,655,148 | 4,693,767 | 44,348,915 |
| - FX forward | 1,215,811 | 1,242,565 | 499,992 | 1,125,049 | 28,414 | 456,275 | - | - | 4,568,106 | 2,048,884 | 1,853,474 | 3,902,358 |
| - FX swap | 22,463,261 | 1,011,003 | 7,357,194 | 18,823 | 12,600 | 20,820 | - | - | 30,883,701 | 33,408,728 | 853,570 | 34,262,298 |
| - currency options purchased | 879,561 | 593,195 | 946,686 | 609,494 | 236,224 | 236 | - | - | 3,265,396 | 1,957,920 | 1,102,838 | 3,060,758 |
| - currency options sold | 836,179 | 646,148 | 832,325 | 741,748 | 224 | 251,809 | - | - | 3,308,433 | 2,239,616 | 883,885 | 3,123,501 |
| - other | - | - | 2,434 | 2,434 | - | - | - | - | 4,868 | - | - | - |

| Instrument type | Nominal value | | | | | | | | | | | |
|-----------------------------------------|------------------|-----------|-------------------|-----------|-------------|-----------|---------------|---------|-------------|------------------|------------|-------------|
| | As of 31.12.2003 | | | | | | | | | As of 31.12.2002 | | |
| | Maturity | | | | | | | | Total | | | Total |
| | Up to 3 months | | 3 months - 1 year | | 1 - 5 years | | Above 5 years | | | | | |
| | Banks | Other | Banks | Other | Banks | Other | Banks | Other | | Banks | Other | |
| Securities contracts | 651,954 | 559,397 | 99,062 | 99,062 | 192,572 | 192,572 | - | - | 1,794,619 | 440,525 | 631,919 | 1,072,444 |
| - share options purchased | 61,694 | 32,114 | 98,498 | 564 | 191,517 | 1,055 | - | - | 385,442 | 377,963 | 2,986 | 380,949 |
| - share options sold | 32,114 | 61,694 | 564 | 98,498 | 1,055 | 191,517 | - | - | 385,442 | 2,986 | 377,963 | 380,949 |
| - securities purchased pending delivery | 148,275 | 464,109 | - | - | - | - | - | - | 612,384 | 4,560 | 236,989 | 241,549 |
| - securities sold pending delivery | 409,871 | 1,480 | - | - | - | - | - | - | 411,351 | 55,016 | 13,981 | 68,997 |
| Total derivative instruments | 46,474,987 | 4,122,588 | 46,594,457 | 2,833,468 | 54,028,785 | 4,871,717 | 8,292,182 | 480,581 | 167,698,765 | 106,690,117 | 10,042,024 | 116,732,141 |

Market values of derivative instruments before maturity as of 31 December 2003 are as follows:

in PLN thousand

| Instrument type | Positive market value | | | Negative market value | | | Credit equivalents ** | | |
|---------------------------------------|-----------------------|---------|------------------|-----------------------|---------|------------------|-----------------------|---------|------------------|
| | As of 31.12.2003 | | As of 31.12.2002 | As of 31.12.2003 | | As of 31.12.2002 | As of 31.12.2003 | | As of 31.12.2002 |
| | Banks | Other | | Banks | Other | | Banks | Other | |
| Interest rate instruments | 2,493,376 | 215,088 | 3,279,661 | 2,334,362 | 175,127 | 2,963,059 | 937,852 | 238,540 | 542,577 |
| - FRA | 38,636 | - | 15,199 | 34,958 | 162 | 16,501 | 27,351 | 176 | 5,150 |
| - interest rate swaps (IRS) | 2,279,670 | 171,451 | 3,069,553 | 2,144,182 | 40,644 | 2,676,837 | 824,516 | 115,519 | 338,243 |
| - currency-interest rate swaps (CIRS) | 175,057 | 37,926 | 182,227 | 150,108 | 134,321 | 258,369 | 84,569 | 117,454 | 186,980 |
| - interest rate options purchased | 13 | 5,304 | 12,007 | 297 | - | 565 | 1,416 | 5,391 | 12,204 |
| - interest rate options sold | - | 407 | 675 | 4,817 | - | 10,787 | - | - | - |
| Currency instruments | 90,806 | 779,949 | 1,192,589 | 339,286 | 462,818 | 1,142,039 | 223,962 | 121,567 | 152,886 |
| - FX forward | 49,096 | 53,907 | 39,097 | 103,772 | 13,413 | 80,362 | 63,804 | 24,478 | 54,308 |
| - FX swap | 326 | 654,502 | 1,071,876 | 146,803 | 434,327 | 1,002,607 | 143,353 | 54,995 | 78,560 |
| - currency options purchased* | 36,193 | 69,470 | 59 191 | 8,677 | 466 | 8,668 | 16,708 | 42,094 | 20,018 |
| - currency options sold* | 5,191 | 1,893 | 22 425 | 79,857 | 14,612 | 50,402 | - | - | - |
| - other | - | 177 | - | 177 | - | - | 97 | - | - |

| Instrument type | Positive market value | | | Negative market value | | | Credit equivalents ** | | |
|-------------------------------------|-----------------------|------------------|------------------|-----------------------|----------------|------------------|-----------------------|----------------|------------------|
| | As of 31.12.2003 | | As of 31.12.2002 | As of 31.12.2003 | | As of 31.12.2002 | As of 31.12.2003 | | As of 31.12.2002 |
| | Banks | Other | | Banks | Other | | Banks | Other | |
| Securities contracts | 1,609 | 10,880 | 12,758 | 10,803 | 1,527 | 12,658 | 14,671 | 701 | 6,167 |
| - share options purchased * | 1,512 | - | - | 10,729 | - | 12,583 | 14,671 | 701 | 6,167 |
| - share options sold * | - | 10,729 | 12,583 | - | 1,512 | - | - | - | - |
| -terminal transactions | 97 | 151 | 175 | 74 | 15 | 75 | - | - | - |
| Total derivative instruments | 2,585,791 | 1,005,917 | 4,485,008 | 2,684,451 | 639,472 | 4,117,756 | 1,176,485 | 360,808 | 701,630 |

* the valuation does not include premiums received and paid for the options issued and purchased.

** the column of off-balance sheet equivalents presents the value of so-called credit equivalents of derivatives calculated in accordance with the rules stated in the Resolution No. 5/2001 of the Banking Supervision Commission dated 12 December 2001 concerning the specific principles for calculation of capital requirements for particular types of risk, including excesses of debt concentration limits, method and principles for calculation of solvency ratio of the bank, (...) (Official Journal of NBP No 22, item 43). Credit equivalents are used as a measure of derivatives contractor risk in capital adequacy and debt concentration accounting.

4.1.2. Financial liabilities for trading purposes

Financial liabilities available for trading purposes by individual categories of liabilities:

| | in PLN thousand | |
|-------------------------------------------------------------------|------------------|------------------|
| | 31 December 2003 | 31 December 2002 |
| Liabilities arising on valuation of derivative transactions | 3,362,332 | 4,182,578 |
| Total financial liabilities available for trading purposes | 3,362,332 | 4,182,578 |

Change in financial liabilities available for trading purposes:

| | in PLN thousand | |
|----------------------------|------------------|------------------|
| | 2003 | 2002 |
| Opening balance | 4,182,578 | 3,175,314 |
| increases (resulting from) | - | 1,007,264 |
| - revaluation | - | 1,007,264 |
| decreases (resulting from) | (820,246) | - |
| - revaluation | (820,246) | - |
| | 3,362,332 | 4,182,578 |
| Closing balance | | |

The item 'Liabilities arising on valuation of derivative transactions' represents negative valuation of derivative instruments.

The types of derivative transactions concluded by the Bank and their revaluation principles were presented in item 4.1.1.

4.1.3. Loans granted and own receivables

Loans granted and own receivables by individual categories of receivables:

| | in PLN thousand | |
|------------------------------------------------------|-------------------|-------------------|
| | 31 December 2003 | 31 December 2002 |
| Loans and advances | 14,426,369 | 14,623,497 |
| Purchased receivables | 267,456 | 463,310 |
| Drawn guarantees | 74,646 | 20,973 |
| Interest receivable | 671,501 | 596,700 |
| Total loans granted and own receivables – gross | 15,439,972 | 15,704,480 |
| Provision created | (1,624,830) | (1,516,853) |
| Total loans granted and own receivables – net | 13,815,142 | 14,187,627 |

Change in loans granted and own receivables:

| | in PLN thousand | |
|--------------------------------|------------------------|-------------------|
| | 2003 | 2002 |
| Opening balance | 15,704,480 | 16,530,752 |
| increases (resulting from) | 28,064,959 | 27,927,377 |
| - new contracts * | 27,990,158 | 27,730,803 |
| - interest receivable | 74,801 | 196,574 |
| decreases (resulting from) | (28,329,467) | (28,753,649) |
| - repayment * | (28,329,467) | (28,753,649) |
| Closing balance – gross | 15,439,972 | 15,704,480 |

* including short term revolving loans

Change in provision for loans and own receivables:

| | in PLN thousand | |
|--------------------------------------------------|------------------------|------------------|
| | 2003 | 2002 |
| Opening balance | 1,516,853 | 1,230,372 |
| increases (resulting from) | 827,928 | 784,793 |
| - charges to provision | 827,845 | 763,159 |
| - FX differences | 83 | 6,152 |
| - reclassification from other category of assets | - | 15,482 |
| decreases (resulting from) | (719,951) | (498,312) |
| - release of provision | (659,906) | (435,308) |
| - write-offs against provision | (54,755) | (46,170) |
| - reclassification from other category of assets | (5,233) | (12,120) |
| - FX differences | (57) | (4,714) |
| Closing balance | 1,624,830 | 1,516,853 |

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

Amounts due from financial institutions, non-financial sector and government sector are presented in the balance sheet as a difference between the sum of their nominal value and interest accrued, and the value of specific provisions created for credit risk.

4.1.4. Financial assets held until maturity

Financial assets held until maturity by individual categories of assets:

| | in PLN thousand | |
|---------------------------------------------------|-------------------------|-------------------------|
| | 31 December 2003 | 31 December 2002 |
| Debt securities | 70,159 | 305,707 |
| Total financial assets held until maturity | 70,159 | 305,707 |

Change in financial assets held until maturity:

| | in PLN thousand | |
|-----------------------------------------------------|------------------------|----------------|
| | 2003 | 2002 |
| Opening balance | 305,707 | 717,618 |
| increases (resulting from) | 10,364 | 259,486 |
| - purchases | - | 238,575 |
| - FX differences | 10,364 | 9,374 |
| - revaluation | - | 11,402 |
| - other | - | 135 |
| decreases (resulting from) | (245,912) | (671,397) |
| - sale | (244,443) | (657,648) |
| - revaluation | - | (6,807) |
| - other (settlement of discount, premium, interest) | (1,469) | (6,942) |
| Closing balance | 70,159 | 305,707 |

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 straight line basis.

As of 31 December 2002, included within debt securities held until maturity, are bonds issued by the NBP which were purchased as a result of the decrease in the obligatory reserve requirement.

Pursuant to Resolution No. 1/9/OK/2003 of the Management Board of the National Bank of Poland of 4 March 2003 on early redemption of bonds issued by NBP for banks following a decrease in the obligatory reserve rate on 3 April 2003, the National Bank of Poland made an early redemption of bonds in the Bank's portfolio for the total amount of PLN 244,443 thousand.

4.1.5. Financial assets available for sale

Financial assets available for sale – by individual asset categories:

| | in PLN thousand | |
|--------------------------------------------------|-------------------------|-------------------------|
| | 31 December 2003 | 31 December 2002 |
| Debt securities | 2,435,021 | 2,493,036 |
| Shares in non-subordinated entities | 23,627 | 23,127 |
| Units in investment funds | - | 4,000 |
| Total financial assets available for sale | 2,458,658 | 2,520,163 |

Change in financial assets available for sale:

| | in PLN thousand | |
|------------------------------------------------------------------------------|------------------------|-------------------|
| | 2003 | 2002 |
| Opening balance | 2,520,163, | 1,565,517 |
| - change in adopted accounting principles | - | 25,913, |
| Opening balance, after restatement to conform with current year presentation | 2,520,163 | 1,591,430, |
| increases (resulting from) | 19,910,619 | 21,489,900, |
| - purchases | 19,729,484 | 21,463,278, |
| - FX differences | 96,021 | 5,419, |
| - revaluation | 2,879 | - |
| - settlement of discount, premium and interest | 74,394 | 21,193, |
| - other | 7,841 | 10, |
| decreases (resulting from) | (19,972,124) | (20,561,167) |
| - sale | (19,834,551) | (20,553,617) |
| - revaluation | (47,467) | (5,368) |
| - settlement of discount, premium and interest | (89,815) | (2,174) |
| - other | (291) | (8) |
| Closing balance | 2,458,658 | 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 at fair value. Changes in fair value of debt securities are recognised in the revaluation reserve.

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

4.1.6. Interest income from debt financial instruments, loans granted and own receivables**in PLN thousand**

| Categories of assets / interest income | 31 December 2003 | 31 December 2002 |
|-----------------------------------------------|-------------------------|-------------------------|
| Loans granted and own receivables | | |
| accrued realised interest | 1,033,308 | 1,373,396 |
| accrued unrealised interest, of which: | 671,501 | 596,700 |
| interest receivable | 175,049 | 66,552 |
| interest overdue | 496,452 | 530,148 |
| Financial assets for trading purposes* | | |
| accrued realised interest | 86,099 | 49,216 |
| accrued unrealised interest | 5,884 | 5,683 |
| Financial assets held until maturity* | | |
| accrued realised interest | 2,724 | 14,511 |
| accrued unrealised interest | | 1,469 |
| Financial assets available for sale* | | |
| accrued realised interest | 176,248 | 185,240 |
| accrued unrealised interest | 48,079 | 46,493 |

* Debt securities

4.1.7. 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 meeting 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 Market Access Report ('MAR') which shows the gap in cash flows in particular maturities that identifies potential exposure of the Bank for additional funding needs. The MAR report includes all cash flows related to balance sheet and off-balance sheet transactions. Liquidity management encompasses all liabilities and receivables of the Bank. The report is prepared on a daily basis and includes the total balance sheet of the Bank (universal currency) and balance sheets in PLN, USD, EUR and CHF. Gap limits decided by the Assets and Liabilities Committee approved by the Regional Risk Manager and Citigroup Treasury Risk Manager are set for the following maturities: O/N, 2-7 days, 8-15 days, 1 month, 2 months, 3 months, 6 months, and 1 year. The liquidity gap above one year is not limited but monitored. Statistical research related to inter alia the stability of the deposit base and the assumptions concerning the share of individual product groups in the Bank's balance sheet, are used for calculating the gap. The Report is prepared daily. Also stress tests are conducted on a daily basis, taking into account potential risks resulting for example from a crisis in the banking system and the related limitation of market liquidity. Additionally, in order to assess liquidity risk, the Market Risk Department monitors the basic relations of the balance sheet structure of the Bank and analyses their changes over time.

Pricing risk management

Scope of risk

Pricing risk management refers to all portfolios, where their profitability is at risk of adverse impact of changing market conditions such as interest rates, FX rates, prices of goods and parameters affecting the rates and prices. In order to manage pricing risk the Bank separates trading and non-trading portfolios. Trading portfolios include balance sheet and off-balance sheet transactions in financial instruments, with the objective of earning profits due to gains on changes in market parameters in a 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 S.A. ('DM BH'). Bank portfolios include all other balance and off-balance sheet items not included in trading portfolios. The objective of such transactions is realisation of the result in the whole contractual life of the transaction. Treasury manages interest rate risk arising from bank portfolios of the Corporate and Investment Banking, Consumer Banking, leasing subsidiaries, and DM BH. The management of interest rate risk is based on the fund transfer pricing system. The result of bank portfolios is calculated on accrual basis of interest accumulation.

Measurement of pricing risk of bank portfolios

The Bank utilises two methods of pricing risk measurement for bank portfolios:

- Interest Rate Exposure method
- Value at Close method

Risk limits are imposed with a potential change of interest income following movement of interest rate curves by 100 base points for the basic currencies (PLN, USD, EUR) used for denomination of assets and liabilities of the Bank within 1, 5, and 10 year spans. The use of limits is monitored daily. Changes of costs of closing open interest positions are also monitored daily. The Bank sets thresholds for the changes which, if exceeded, result in notification to senior management and the need of development of a further action plan by the management.

Pricing risk measurement for trading portfolios

The fundamental method for pricing risk for trading portfolios at the organisational unit level and the Bank level, is the ratio of sensitivity of financial result changes to market risk factor changes (interest rates, exchange rates, share prices, credit risk margins of debt securities). With the application of sensitivity ratios and adoption of a risk factor change unit (change of the general level of interest rates and credit risk margin by 1 base point, change of exchange rates and share prices by 1 per cent), the Bank sets limits for risk positions broken down by currencies and organisational units. For interest rate risk, additional thresholds for

risk limits on individual curve sections of interest rates and base risk, are applied. Risk limits are set for positions at the end of the day and monitored daily.

The Value-at-Risk method is applied at the Bank level, with the assumed time horizon of position closing of 1 day and confidentiality coefficient of 99%. Value-at-Risk limits are set for exchange rate and interest rate risk separately, as well as for the combined risk.

The Bank analyses stress test scenarios daily with assumed changes of risk factors higher than for the Value-at-Risk measurement and without historical correlations between the factors. The Bank measures the risk in stress conditions for three basic scenarios:

- the most probable, based on the historical changeability of risk factors,
- financial crisis and
- very severe economic crisis.

The first two aforementioned methods of risk monitoring are complemented with limits on:

- the threshold portfolio loss accumulated within one month,
- aggregate contracts limit,
- maximum tenor,
- concentration limits for debt and own securities.

Credit risk management

The Credit Policy Committee of the Bank defined the main principles for credit risk management that are documented in the Credit Policy Manual.

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

The key elements of credit risk management are presented below:

- while managers are responsible for risk management in their areas of responsibility, the Bank additionally has a system of controls that includes:
 - independent position of risk manager;
 - each credit decision has to be taken by at least two authorised persons. Larger loans, carrying higher risk, require approval from more senior persons of authority;
 - Independent Audit Department checking all activities related to risk management;
- each borrower is assigned an appropriate risk scale, with its own rating, based both on financial and quality criteria. Risk ratings help the Bank ensure that the overall credit portfolio is at an acceptable risk level;
- each customer of the Bank is assigned to a control unit that manages the relationship with the customer. In case of customers being a part of a capital group the risk is managed on a group basis to avoid exceeding concentration limits;
- the Credit Policy Committee assigns individuals competent for loan approval based on their experience and skills;
- the Bank has to reduce concentration in order to maintain differentiated risk bearing assets as well as to meet capital requirements for the portfolio. Credit risk includes limits for customers, sectors and regions;
- the Bank defined principles for periodic monitoring of customers' results from their activities and identification of negative changes in their standing which require immediate communication to upper level management. This also includes opinions of specialised restructuring units;
- in the first quarter of 2003, SME Risk became officially subordinated to Risk Management and simultaneously reports to the SME Risk Head and Region Managers. The SME Risk Head currently reports to the Country Risk Head. In addition, Regional Risk Manager positions were created in the SME Department and managers were appointed for the regions of Warsaw, Poznań, Bydgoszcz, Katowice, and Kraków.

Operational risk management

Operational risk includes risk of losses resulting from operational errors and data processing errors arising from mistakes made by Bank employees, incorrect operations of IT systems, and impact of external events. Particular aspects of operational risk are losses resulting from frauds.

The detailed analysis of risk, including operational risk, is an inherent part of each product programme, which includes, *inter alia*, description of controls implemented in order to minimise identified risks. Important control functions included in particular product programmes and in operational procedures are reflected on control lists in particular organisational units of the Bank. All organisational units of the Bank perform initial, current and subsequent control functions on a daily, weekly, monthly, quarterly, half-yearly, or yearly basis, depending on requirements. Performing of control functions is confirmed by appropriate documentation or by signatures on control functions lists. Control functions in the field of operational risk are performed by specialised control units of the Bank.

A self-assessment system is a substantial component of the operational risk management process. Self-assessment is aimed at regular verification of quality and adequacy of control processes, risk identification and monitoring, and monitoring of corrective plans implemented in high risk areas. The process of quarterly self-assessment is supervised by a Committee comprised of members of the Bank's Management Board.

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

The Bank reduces operational risk by control processes, continuity of business plans, insurance, and risk transfer.

4.1.8. Hedge accounting

To date the Bank has not applied hedge accounting.

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

As of 31 December 2003 and 31 December 2002, the Bank did not enter into any subscription option contracts or ordinary share sales contracts.

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

Assets being used as a pledge against own obligations of the Bank Capital Group and third party obligations as of 31 December 2003 and 31 December 2002 are shown in explanatory notes to the balance sheet no. 1, 2, and 6.

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

As of 31 December 2003, repurchase transactions not included in the balance sheet are as presented in the tables below:

Sell-buy-back transactions by maturity

in PLN thousand

| Type of security | up to 3 months | 3 months - 1 year | 1 year – 5 years | above 5 years | Total |
|------------------|----------------|-------------------|------------------|---------------|----------------|
| Treasury bonds | 283,020 | - | - | - | 283,020 |
| Corporate bonds | 183,430 | - | - | - | 183,430 |
| Total | 466,450 | - | - | - | 466,450 |

Buy-sell-back transactions by maturity**in PLN thousand**

| Type of security | up to 3 months | 3 months - 1 year | 1 year – 5 years | above 5 years | Total |
|------------------|------------------|-------------------|------------------|---------------|------------------|
| Treasury bonds | (283,020) | - | - | - | (283,020) |
| Total | (283,020) | - | - | - | (283,020) |

As of 31 December 2002, repurchase transactions not included in the balance sheet are as presented in the tables below:

Sell-buy-back transactions by maturity**in PLN thousand**

| Type of security | up to 3 months | 3 months - 1 year | 1 year – 5 years | above 5 years | Total |
|-------------------|----------------|-------------------|------------------|---------------|----------------|
| Treasury bonds | 22,816 | 43,018 | - | - | 65,834 |
| Corporate bonds | 176,090 | - | - | - | 176,090 |
| Commercial papers | 3,040 | - | - | - | 3,040 |
| Total | 201,946 | 43,018 | - | - | 244,964 |

Buy-sell-back transactions by maturity**in PLN thousand**

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

8. Financial commitments granted

Financial commitments granted include undrawn credit lines, open import L/Cs and commitments arising on concluded deposit contracts (placements given pending delivery), for which realisation date depends only on the time necessary for the technical preparation of the funds transfer, and other off-balance sheet financial commitments. Data related to financial commitments granted as of 31 December 2003 and 31 December 2002 is shown in Additional Explanatory Note no. 9.

The Bank's financial commitments granted are irrevocable, except for credit lines which constitute contingent commitments amounting to PLN 38,013 thousand as of 31 December 2003.

9. Contingent off-balance sheet commitments

9.1. Contingent commitments granted

Contingent commitments granted, by individual off-balance sheet categories, were as follows:

| | in PLN thousand | |
|---------------------------------------------------|-------------------|------------------|
| | 31 December 2003 | 31 December 2002 |
| L/Cs, including: | 177,306 | 199,130 |
| To subordinated undertakings, including: | 4,620 | 12,265 |
| - consolidated undertakings | - | - |
| - undertakings accounted for by the equity method | 4,620 | 12,265 |
| Guarantees granted, including: | 3,020,936 | 2,738,719 |
| To subordinated undertakings, including: | 60,987 | 84,553 |
| - consolidated undertakings | 1,500 | 1,500 |
| - undertakings accounted for by the equity method | 48,245 | 10,953 |
| Credit lines granted, including: | 8,034,233 | 6,662,409 |
| To subordinated undertakings, including: | 130,217 | 255,972 |
| - consolidated undertakings | - | - |
| - undertakings accounted for by the equity method | 128,667 | 254,730 |
| Deposits to be issued | 3,179,425 | - |
| Other financial liabilities | 646,991 | - |
| Total contingent commitments granted | 15,058,891 | 9,600,258 |

Letters of credit by categories were as follows:

| | in PLN thousand | |
|---------------------------------------------------|-------------------------|-------------------------|
| | 31 December 2003 | 31 December 2002 |
| Import L/Cs issued | 160,337 | 187,117 |
| to subordinated undertakings, including: | 4,620 | 12,265 |
| - consolidated undertakings | - | - |
| - undertakings accounted for by the equity method | 4,620 | 12,265 |
| Export L/Cs confirmed | 16,969 | 12,013 |
| Total L/Cs | 177,306 | 199,130 |

Guarantees issued include credit principal repayment guarantees for the contractor, other payment guarantees, advance repayment guarantees, performance bonds, tender guarantees, and bills of exchange.

The Bank makes specific provisions for off-balance sheet commitments pursuant to the Regulation of the Minister of Finance dated 10 December 2001 on the principles of creating provisions for the risks related to the operations of banks. As of 31 December 2003 the specific provisions created for off-balance commitments amounted to PLN 145,019 thousand including provisions for off-balance sheet commitments granted to subordinated/related undertakings amounting to PLN 8,496 thousand (31 December 2002: PLN 145,307 thousand including off-balance sheet commitments to subordinated/related undertakings PLN 21,405 thousand).

The total amount of provisions for contingent commitments to subordinated undertakings included PLN 7,677 thousand corresponding to undertakings accounted for by the equity method (31 December 2002: PLN 9,491 thousand), and the remaining amount of PLN 819 thousand – non-consolidated undertakings and undertakings not accounted for by the equity method (31 December 2002: 11,913 thousand).

9.2. Contingent liabilities received

As of 31 December 2003, total contingent liabilities received amounted to PLN 3,297,354 thousand of which 2,817,354 thousand was related to guarantee contingencies (31 December 2002: PLN 2,757,436 thousand including PLN 2,213,436 thousand of guarantee contingencies). As of 31 December 2003, the Bank reported guarantee contingent liabilities received from its subsidiaries amounting to PLN 13,484 thousand (31 December 2002: PLN 10,855 thousand).

9.3. Issues underwritten by the Bank

As of 31 December 2003 and 31 December 2002, liabilities of the Group arising from underwriting of securities issue to other issuers include agreements entered into by the parent entity ("the Bank").

The underwriting agreements entered into by the Bank, in force as of 31 December 2003, are shown in the table below:

| Name of Issuer and location | Type of agreement | Term of agreement | Bank's remuneration | Type of security | Negotiability of the security | Original contractual amount promised to be underwritten by the Bank (in PLN thousand) | Guarantee commitment by the Bank existing as of 31.12.2003 (in PLN thousand) |
|-----------------------------|---------------------------------------------------|-----------------------|---------------------|------------------|----------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Can Pack SA - Kraków | purchase of bonds | 10.07.2002-10.10.2004 | commission | Bonds | on secondary market, private placement | 30,000 | 30,000 |
| Urtica Finanse SA - Wrocław | issue of bonds under the Securitisation Programme | 23.01.2001-23.01.2004 | commission | Bonds | on secondary market, private placement | 10,000 | 10,000 |
| Total | | | | | | | 40,000 |

The underwriting agreements entered into by the Bank, in force as of 31 December 2002, are shown in the table below.

| Name of Issuer and location | Type of agreement | Term of agreement | Bank's remuneration | Type of security | Negotiability of the security | Original contractual amount promised to be underwritten by the Bank (in PLN thousand) | Guarantee commitment by the Bank existing as of 31.12.2003 (in PLN thousand) |
|-----------------------------------------|---------------------------------------------------|-----------------------|----------------------------------------------|------------------|----------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Can Pack SA - Kraków | purchase of bonds | 10.07.2002-10.07.2003 | discount or f/x gains, dealership commission | bonds | on secondary market, private placement | 30,000 | 7,000 |
| Polski Koncern Naftowy Orlen SA – Płock | purchase of bonds | 06.07.2001-21.11.2003 | discount or f/x gains, dealership commission | bonds | on secondary market, private placement | 50,000 | 30,310 |
| Urtica Finanse SA – Wrocław | issue of bonds under the Securitisation Programme | 25.08.2002-24.08.2003 | interest coupon, commission | bond | on secondary market, private placement | 10,000 | 3,800 |
| City of Gdańsk | agency | 31.10.1996-26.06.2003 | interest coupon | municipal bonds | on secondary market, private placement | 33,100 | - |
| Total | | | | | | | 41,110 |

10. Dividend payment

On 23 March 2004, the Bank's Management Board adopted a resolution concerning the proposed distribution of profit for 2003. The Bank's Management Board proposed to allocate for the dividend payment the amount of PLN 241,720,260.00. According to the above proposal, the dividend per one share is 1 zlotys 85 groszy. The Bank's Management Board proposed as the date of determination of the right to the dividend 26 July 2004 and as the date of dividend payment 1 September 2004. The above proposal of the Bank's Management Board was submitted for review to the Supervisory Board, and then to the General Meeting of Shareholders for approval.

The Bank did not issue preferred shares.

11. Liabilities arising on approved dividend payable

As of 31 December 2003, the Bank did not have any liabilities resulting from the approved dividend payable on the distribution of profit for previous years.

12. Amounts due to the Budget or local authorities

As of 31 December 2003 and 31 December 2002, the Bank and the Group entities had no amounts due to the Budget or local authorities arising from acquisition of ownership of buildings and structures.

13. Abandoned business

In 2003, the Group entities did not terminate any form of activity and do not envisage termination of any business segment in the foreseeable future, except for subsidiary undertaking Budowa Centrum Plac Teatralny Sp. z o.o., which was liquidated in this period and subsidiary undertakings Polskie Towarzystwo Emerytalne DIAMENT S.A. under liquidation as of 23 June 2003 and PPH Spomasz Sp. z o.o. under liquidation as of 3 November 2000.

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

In 2003 and 2002, the Group entities did not incur any expense relating to projects in progress, fixed assets and development costs.

15. Incurred and planned capital expenditures

Capital expenditures incurred under projects in progress and intangible assets as of 31 December 2003 in the Group amounted to PLN 18 489 thousand (31 December 2002: PLN 15,598 thousand). Capital expenditures in the next 12 months are planned at PLN 61,291 thousand and include mainly investments in information technology and expenditure on modernisation and fixtures in buildings.

16. Transactions with related parties

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

As of 31 December 2003, there was only one shareholder of the Bank holding, directly or indirectly through subsidiaries, at least 20% of votes at the General Shareholders' Meeting, namely Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., holder of 89.33% of votes at the Bank's General Meeting of Shareholders. COIC held 116,717,574 shares, which corresponded to 89.33% of the Bank's authorised share capital. The number of votes resulting from shares held by COIC was 116,717,574, which corresponded to 89.33% of the total number of votes at the General Meeting of Shareholders of the Bank.

In 2003, the ownership structure of substantial shareholdings changed. By way of decision dated 16 June 2003, the Court registered an increase in the Bank's authorised share capital from PLN 500,902,400 to PLN 522,638,400 following the conversion by Powszechny Zakład Ubezpieczeń S.A. of subsequent convertible bonds of series I to 5,434,000 shares of the Bank with the nominal value of PLN 4 each and total value of PLN 21,736,000. Following the increase in the authorised share capital, the share of COIC in the authorised share capital of the Bank fell from 93.2% to 89.33% of the total number of shares in the Bank's authorised share capital.

COIC and other entities of Citigroup Inc. enter into a number of transactions with the Bank.

The balances of accounts receivable and payable (excluding interest) and off-balance sheet commitments with Citigroup Inc. companies are as follows:

| | in PLN thousand | |
|--------------------------------------------------|------------------|------------------|
| | 31 December 2003 | 31 December 2002 |
| Receivables, including: | 5,501,845 | 2,185,108 |
| Placements | 5,485,132 | 2,183,036 |
| Liabilities, including: | 479,118 | 509,628 |
| Deposits | 263,010 | 292,046 |
| Loans received | 216,108 | 217,582 |
| Off-balance sheet guarantee liabilities granted | 3,258,637 | 50,308 |
| Off-balance sheet guarantee liabilities received | 555,471 | 468,933 |
| Derivative transactions | 97,279,361 | 64,062,560 |

On 3 June 2003, the subsidiary undertaking Handlowy Leasing S.A. entered into a long-term loan agreement with Citibank N.A., Bahrain Branch, for the purpose of financing lease transactions. Pursuant to the loan agreement, Citibank N.A., Bahrain Branch made available to the company a loan equivalent to USD 100 million, bearing an interest on the basis of LIBOR 1M for EUR plus 5 basis points per annum. The final loan utilisation deadline is 31 December 2004, and the loan repayment date is 31 December 2006.

On 31 December 2003, the Bank concluded with Citibank N.A., the sole shareholder of Citibank Overseas Investment Corporation, which is a majority shareholder of the Bank, the following agreements:

- CitiDirect service agreement on the basis of which Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) the CitiDirect internet transaction service for the use of the Bank and its customers,
- IT systems service agreement, on the basis of which Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) services related to using by the Bank and its customers several IT systems for handling the Bank's operations;
- Citigroup Inc. incentive schemes participation agreement which specifies the general rules of those incentive schemes for the Bank employees and the terms under which reimburse to Citigroup by the Bank the cost of the schemes implemented, the cost of which will depend on the future realisation of those schemes.

16.2. Transactions with subordinated undertakings

16.2.1. Transactions with a fully consolidated subordinated undertaking

As of 31 December 2003, the Bank had amounts due to subsidiary undertaking Dom Maklerski Banku Handlowego SA amounting to PLN 100,089 thousand (31 December 2002: PLN 95,484 thousand). As a result of joint operations, the Bank obtained in 2003 interest income amounting to PLN 26 thousand (31 December 2002: PLN 14 thousand), interest expenses due to DM BH SA in 2003 amounted to PLN 5 108 thousand (31 December 2002: PLN 8,861 thousand). The above transactions were eliminated in the consolidated balance sheet, in the consolidated profit and loss account, and in the consolidated cash flow statements.

16.2.2. Transactions with subordinated undertakings accounted for by the equity method

As of 31 December 2003, amounts due to the Bank and revenues received from subordinated undertakings accounted for by the equity method were as follows:

| | | | | in PLN thousand |
|--------------------------------------------|----------------|----------------|--------------|--------------------|
| | Subsidiary | Joint ventures | Associated | Total |
| Amounts due from (net): | | | | |
| <i>financial entities – in respect of:</i> | | | | |
| -current accounts | 637,777 | 21,274 | - | 659,051 |
| -loans granted | 95,840 | - | - | 95,840 |
| -subordinated loans* | 10,000 | - | - | 10,000 |
| -bonds convertible into shares | 70,159 | - | - | 70,159 |
| <i>other undertakings – in respect of:</i> | | | | |
| -loans granted | - | - | - | - |
| Total receivables | 813,776 | 21,274 | - | 835,050 |
| Interest and commission income | 24,613 | 700 | 1,715 | 27,028 |

* The amount of subordinated loans corresponds to loans granted to subsidiary undertakings Handlowy Investments S.A., Handlowy Investments II S.a.r.l., intended for financing capital investments made by these undertakings. The nominal value of loans granted as of 31 December 2003 was PLN 112,860 thousand and the amount of provision made for them amounted to PLN 102,860 thousand. Interest on subordinated loans are disclosed in the individual profit and loss account of the Bank at the moment of their payment. In 2003 they amounted to PLN 5,441 thousand. In the consolidated profit and loss account, interest on these loans was eliminated in consolidation.

As of 31 December 2003, the total provisions for receivables from subordinated undertakings accounted for by the equity method amounted to PLN 102 860 thousand.

As of 31 December 2003, the amounts due by the Bank and expense paid to subordinated undertakings accounted for by the equity method were as follows:

| | in PLN thousand | | | |
|-----------------------------------------------|--------------------|----------------|------------|----------------|
| | Subsidiary | Joint ventures | Associated | Total |
| Amounts due to: | | | | |
| <i>financial institutions – in respect of</i> | | | | |
| -current accounts | 169,098 | 74 | 17 | 169,189 |
| -deposits taken | 44,767 | - | - | 44,767 |
| <i>other undertakings – in respect of</i> | | | | |
| -current accounts | - | - | - | - |
| -deposits taken | - | - | - | - |
| Total payable | 213,865 | 74 | 17 | 213,956 |
| Interest and commission expense | 8,111 | 15 | 95 | 8,221 |

As of 31 December 2002, amounts due to the Bank and revenues received by the Bank from subordinated undertakings accounted for by the equity method were as follows:

| | in PLN thousand | | | |
|--------------------------------------------|--------------------|----------------|---------------|------------------|
| | Subsidiary | Joint ventures | Associated | Total |
| Amounts due from (net): | | | | |
| <i>financial entities – in respect of:</i> | | | | |
| -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 |
| <i>other undertakings – in respect of:</i> | | | | |
| -current accounts | - | - | 1 | 1 |
| -loans granted | - | - | 16,220 | 16,220 |
| Total receivables | 992,090 | 9 | 16,221 | 1,008,320 |
| Interest and commission income | 33,096 | 250 | 3,015 | 36,361 |

* The amount of subordinated loans corresponds to loans granted to subsidiary undertakings Handlowy Investments S.A., Handlowy Investments II S.a.r.l., intended for financing capital investments made by these undertakings. The nominal value of loans granted as of 31 December 2002 was PLN 133,471 thousand and the amount of provision made for them amounted to PLN 33,899 thousand. Interest on subordinated loans are disclosed in the individual profit and loss account of the Bank at the moment of their payment. In 2003 they amounted to PLN 5,418 thousand. In the consolidated profit and loss account, interest on these loans was subject to consolidation exclusions.

As of 31 December 2002, the total provisions for receivables from subordinated undertakings accounted for by the equity method amounted to PLN 35,880 thousand.

As of 31 December 2002, the amounts due by the Bank and expense paid to subordinated undertakings accounted for by the equity method were as follows:

| | in PLN thousand | | | |
|-----------------------------------------------|--------------------|----------------|--------------|----------------|
| | Subsidiary | Joint ventures | Associated | Total |
| Amounts due to: | | | | |
| <i>financial institutions – in respect of</i> | | | | |
| -current accounts | 165,437 | 9,756 | 21 | 175,214 |
| -deposits taken | 97,619 | 21 | - | 97,640 |
| <i>other undertakings – in respect of</i> | | | | |
| -current accounts | - | - | 3,144 | 3,144 |
| -deposits taken | - | - | 4,016 | 4,016 |
| Total payable | 263,056 | 9,777 | 7,181 | 280,014 |
| Interest and commission expense | 9,491 | 167 | 189 | 9,848 |

16.2.3. Transactions with subordinated undertakings not consolidated or accounted for by the equity method

Amounts due to the Bank at their balance sheet value and revenues received by the Bank from subordinated undertakings not consolidated or accounted for by the equity method as of 31 December 2003 are as follows:

| | in PLN thousand | | | |
|--------------------------------------------|--------------------|----------------|--------------|--------------|
| | Subsidiary | Joint ventures | Associated | Total |
| Amounts due from (net): | | | | |
| <i>other undertakings – in respect of:</i> | | | | |
| -current accounts | - | - | 3,694 | 3,694 |
| -loans granted | - | - | ,5,323 | ,5,323 |
| Total receivables | - | - | 9,017 | 9,017 |
| Interest and commission income | - | - | 736 | 736 |

As of 31 December 2003, the total provisions for receivables from subordinated undertakings not consolidated and not accounted for by the equity method amounted to PLN 38,593 thousand.

As of 31 December 2003, the amounts due by the Bank and expense paid to subordinated undertakings not consolidated and not accounted for by the equity method were as follows:

| | in PLN thousand | | | |
|-------------------------------------------|--------------------|----------------|---------------|---------------|
| | Subsidiary | Joint ventures | Associated | Total |
| Amounts due to: | | | | |
| <i>other undertakings – in respect of</i> | | | | |
| -current accounts | - | - | 9,589 | 9,589 |
| -deposits taken | - | - | 16,207 | 16,207 |
| Total payable | - | - | 25,796 | 25,796 |
| Interest and commission expense | - | - | 1,508 | 1,508 |

As of 31 December 2002, amounts due to the Bank and revenues received by the Bank from subordinated undertakings not consolidated and not accounted for by the equity method were as follows:

| | in PLN thousand | | | |
|--------------------------------------------|--------------------|----------------|--------------|---------------|
| | Subsidiary | Joint ventures | Associated | Total |
| Amounts due from (net): | | | | |
| <i>other undertakings – in respect of:</i> | | | | |
| -current accounts | 125 | | 5,523 | 5,648 |
| -loans granted | 2,130 | - | 3,250 | 5,380 |
| Total receivables | 2,255 | - | 8,773 | 11,028 |
| Interest and commission income | 291 | - | 3,964 | 4,256 |

As of 31 December 2002, the total provisions for receivables from subordinated undertakings not consolidated and not accounted for by the equity method amounted to PLN 41,257 thousand.

As of 31 December 2002, the amounts due by the Bank and expense paid to subordinated undertakings not consolidated and not accounted for by the equity method were as follows: :

| | in PLN thousand | | | |
|-------------------------------------------|--------------------|----------------|---------------|---------------|
| | Subsidiary | Joint ventures | Associated | Total |
| Amounts due to: | | | | |
| <i>other undertakings – in respect of</i> | | | | |
| -current accounts | - | - | 4,235 | 4,235 |
| -deposits taken | - | - | 15,238 | 15,238 |
| Total payable | - | - | 19,473 | 19,473 |
| Interest and commission expense | 1,247 | - | 2,651 | 3,898 |

16.2.4. Events concerning transactions with subordinated entities

The following transactions with subordinated entities were executed in 2003:

- the Bank, together with its subsidiary Handlowy Inwestycje II Sp. z o.o., sold its whole shareholding of its associated undertaking ZO Bytom S.A. having its registered office in Bytom. The shareholding sold represents in total a 27.64% stake (for the Bank -18.46% and for Handlowy Inwestycje II Sp. z o.o. – 9.18%, respectively) in authorised share capital and the same number of votes at the general meeting of shareholders of this entity.

- sale of the Bank's entire shareholding held in the subsidiary "Bytom Collection" Sp. z o.o. having its registered office in Radzionków, representing a 100% stake in capital and the same number of votes at the general meeting of shareholders of this enterprise;
- sale of the Bank's entire shareholding held in the subsidiary Handlowy Leasing S.A. having its registered office in Warsaw within the Bank's Capital Group, for the subsidiary undertaking Handlowy Inwestycje Sp. z o.o. The shareholding sold by the Bank represented a 0.01% stake in the capital of this undertaking. As a result of this transaction, Handlowy Inwestycje Sp. z o.o. held 100% stake in capital and the same number of votes at the general meeting of shareholders of Handlowy Leasing S.A.;
- acquisition by Handlowy Inwestycje Sp. z o.o. shares in the increased authorised share capital of Citileasing Sp. z o.o. The acquisition of shares has been covered by a contribution in kind of shares in Handlowy Leasing S.A. As a result of this transaction, Handlowy Inwestycje Sp. z o.o. holds a 2.53% stake in the capital of Citileasing Sp. z o.o. and the same number of votes at the general meeting of shareholders of this enterprise, and Citileasing Sp. z o.o. holds a 100% stake in the capital of Handlowy Leasing S.A. and the same number of votes at the general meeting of shareholders of this enterprise;
- takeover by the Bank the assets of its subsidiary Budowa Centrum Plac Teatralny Sp. z o.o. in liquidation in which the Bank held a 61.25% stake in capital and the same number of votes at the general meeting of shareholders, due to the process of winding up of this subsidiary;
- reimbursement for the Bank of supplementary payment made by the Bank for the subsidiary Handlowy Inwestycje Sp. z o.o., at the total amount of PLN 27,000 thousand, pursuant to the resolution of the Extraordinary General Meeting of Shareholders of Handlowy Inwestycje Sp. z o.o. of 2 April 2003;
- reimbursement for the Bank of supplementary payment made by the Bank for the subsidiary Handlowy Inwestycje II Sp. z o.o., at the total amount of PLN 15,000 thousand, pursuant to the resolution of the Extraordinary General Meeting of Shareholders of Handlowy Inwestycje Sp. z o.o. of 2 April 2003.
- sale of the Bank's entire owned shareholding in the joint venture PKO/Handlowy Powszechne Towarzystwo Emerytalne S.A. having its registered office in Warsaw, in which the Bank held a 50% stake in capital and the same number of votes at the general meeting of shareholders.

In 2002, the following transactions with subordinated entities were executed:

- purchasing additional shares in Bank Rozwoju Cukrownictwa S.A. As a result of this transaction, the Bank holds a 100% stake in capital and the same number of votes at the general meeting of shareholders of this enterprise. The purpose of acquisition of this enterprise is solely its resale (liquidation);
- sale of the Bank's entire owned shareholding in Cuprum Bank S.A., representing a 55.26% stake in capital and 50.20% share in votes at the general meeting of shareholders of this enterprise;
- sale of the whole owned shareholding in Tower Service Sp. z o.o. in which the Bank held a 50.30% stake in capital and the same number of votes at the general shareholders meeting of this enterprise;
- sale of the Bank's entire shareholding in Bank Handlowy International S.A. having its registered office in Luxembourg, representing a 73.12% stake in capital and the same number of votes at the general shareholders meeting of this enterprise;
- acquisition of shares in "Bytom Collection" Sp. z o.o. having its registered office in Radzionków due to debt restructuring. As a result of this transaction, the Bank held a 100% stake in capital and the same number of votes at the general shareholders meeting of this enterprise. The purpose of acquisition of this enterprise was solely its resale;
- sale of the Bank's entire shareholding in Obsługa Funduszy Inwestycyjnych Sp. z o.o. which authorised to a 50.00% stake in capital and the same number of votes at the general assembly of this enterprise;
- sale of the Bank's entire shareholding in Polska Giełda Finansowa S.A. in which the Bank held a 22.90% stake in capital and the same number of votes at the general assembly of this enterprise;

- sale of the Bank's entire shareholding in the associated undertaking Hortex Holding S.A. having its registered office in Płońsk in which the Bank held a 31.09% stake in capital and the same number of votes at the general shareholders meeting of this enterprise.

16.3. The Bank did not enter into any material transactions with related entities involving the transfer of rights and obligations with:

- members of the Board and supervisory bodies of the Bank,
- spouses, siblings, or ascendants and descendants, or other relatives of members of the Board and supervisory bodies of the Bank.

16.4. Percentage share of transactions with related parties in individual categories of transactions conducted by the Bank

As of 31 December 2003, the percentage share of transactions with related parties was as in the following table:

| Transaction categories | Transactions with Citigroup Inc. companies | Transactions with subordinated undertakings | Total transactions with related parties | in PLN thousand |
|----------------------------------------|--------------------------------------------|---------------------------------------------|-----------------------------------------|-----------------|
| | | | | Share in % |
| Receivables | 5,501,845 | 773,908 | 6,275,753 | 29.44 |
| Debt securities | - | 70,159 | 70,159 | 2.04 |
| Liabilities | 479,118 | 339,841 | 818,959 | 3.68 |
| Off-balance sheet liabilities granted | 3,258,637 | 195,824 | 3,454,461 | 22.94 |
| Off-balance sheet liabilities received | 555,471 | 13,484 | 568,955 | 17.25 |
| Derivative transactions | 97,279,361 | - | 97,279,361 | 57.99 |

As of 31 December 2002, the percentage share of transactions with related parties was as in the following table:

| Transaction categories | Transactions with Citigroup Inc. companies | Transactions with subordinated undertakings | Total transactions with related parties | in PLN thousand |
|----------------------------------------|--------------------------------------------|---------------------------------------------|-----------------------------------------|-----------------|
| | | | | Share in % |
| Receivables | 2,185,108 | 959,553 | 3,144,661 | 17.05 |
| Debt securities | - | 59,795 | 59,795 | 1.37 |
| Liabilities | 509,628 | 394,972 | 904,600 | 4.51 |
| Off-balance sheet liabilities granted | 50,308 | 352,790 | 403,098 | 4.20 |
| Off-balance sheet liabilities received | 468,933 | 10,855 | 479,788 | 17.40 |
| Derivative transactions | 64,062,560 | - | 64,062,560 | 54.86 |

The Bank's credit exposure to related parties consisted of loans and advances extended to entities of the Group.

Credit decision-making in respect of borrowers constituting the entities of the Group follows the rules applicable to external customers.

17. Joint ventures excluded from consolidation by full consolidation or equity method

In 2003 and in 2002 the Bank did not participate in joint ventures with related entities.

18. Income and expenses related to brokerage activity

The Bank does not engage in brokerage activity within its structure. Brokerage activity is carried out via the Bank's wholly owned subsidiary Dom Maklerski Banku Handlowego S.A. The financial statements of Dom Maklerski Banku Handlowego SA and 31 December 2003 and 31 December 2002 is included by full consolidation method in the Consolidated Financial Statements of the Bank.

19. Write-offs of bad debts

As of 31 December 2003, the bad debts written off against the specific provisions amounted to PLN 55,032 thousand (31 December 2002: PLN 46,594 thousand).

As of 31 December 2003, the bad debts written off against other operating expenses amounted to PLN 7 thousand.

20. Provisions for employee payments

As of 31 December 2003, the provision for employees future payments amounted to PLN 101,577 thousand (31 December 2002: PLN 87,412 thousand) including:

- the provision for remuneration and related costs amounting to PLN 76,577 thousand (31 December 2002: PLN 33,080 thousand),
- the provision for personnel restructuring expense resulting from the merger with Citibank (Poland) S.A. amounting to PLN 29,332 thousand as of 31 December 2002,
- the provision for employees' retirement and jubilee payments amounting to PLN 25,000 thousand (31 December 2002: PLN 25,000 thousand).

21. Financing Employee Pension Plans

The Bank has created an Employee Pension Plan (the Plan) for its employees, with the objective to save and accumulate through investments made by Polski Pracowniczy Fundusz Emerytalny (Polish Employee Pension Fund) DIAMENT ("PPFE") in order to ensure old-age or disability pension payments, the funds originating from contributions paid within the Plan and paid into an individual account of PPFE participant. Premiums paid by the Bank for Plan members comprise the basic premium of 3% of the employee's salary and pension allowance, which complements the basic premium to 7% or 8% of the basic salary of the employee.

Each employee who participates in the Plan can also make additional premium contributions to the Plan. The PPFE assets are managed by Polskie Pracownicze Towarzystwo Emerytalne (Polish Employee Pension Company) DIAMENT S.A. ("PPTE")

Total of the premiums paid to PPFE is invested in units of Specjalistyczny Otwarty Fundusz Inwestycyjny Kapitał Handlowy Senior managed by Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. ("TFI BH").

Due to the failure of achieving the three-year strategy adopted for PPTE and considering the future outlook, the Bank's Management Board, in recognition of the interest of the Bank employees participating in the Plan, took a decision to change the employee pension plan by transfer the assets contributed for the participants from PPFE to the Employee Pension Plan in the form of an agreement with CitiSenior SFIO ("PPE CitiSenior") managed by TFI BH.

The new Company Pension Agreement constituting the basis for the change of the employee pension plan pursuant to the decision of the Bank's Management Board, was registered by the Insurance and Pension Funds Supervision Commission on 19 March 2004.

22. Custody services for securities

The Custody Department operates in compliance with the provisions of the Polish law and international standards for custody services and it is therefore able to meet the requirements of the biggest and the most demanding institutional clients. The Custody Department operates as an integral part of the global Citigroup structure known as Global Transaction Services, and provides transactional banking services including securities trading.

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.

As part of the statutory activities and pursuant to the permit granted by the Polish Securities and Exchange Commission, the Custody Department operates securities accounts, clears securities transactions, handles dividends and interest payments, asset portfolio valuation, develops individual reports, and arranges representation of clients at general meetings of shareholders of public companies. Additionally, the Securities Custody Department maintains a foreign securities register, which includes settlement of transactions concluded by domestic customers depositing securities on foreign markets and international securities management.

The Bank actively supports the improvement of legal regulations related to the securities market by participation in activities of the Depositories Board at the Polish Banking Association. The strong position of the Bank justifies presentation of 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 (Krajowy Depozyt Papierów Wartościowych S.A.), the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) and the Insurance and Pension Funds Supervision Commission on implementation of new system solutions.

In the past year the Bank completed the implementation of a modified process of servicing foreign financial intermediaries. The new transaction settlement process, based on the provisions of Article 34a of the Act on Public Trade in Securities, has contributed to the increase in the security of assets registered by the Bank on securities accounts.

Number of securities accounts

As of 31 December 2003, the Bank maintained 5,287 securities accounts.

Depository for Open-End Pension Funds

- Commercial Union OFE BPH CU WBK
- AIG OFE
- SAMPO OFE
- OFE Pocztynlion
- Pekao OFE
- Generali OFE
- ING Nationale Nederlanden Polska OFE

Depository for investment funds

The Bank acts as depository for nineteen investment funds managed by the following investment fund companies:

- 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 securitisation

As of 31 December 2003 and 31 December 2002, entities of the Group had no securitised receivables.

24. Employment

In 2003 the average number of employees in the Group (defined as the Bank and subsidiary entities) was 4,964 positions including 44 blue collar positions (in 2002: 5,469 positions including 44 blue collar positions).

25. Salaries and awards (in cash and in kind), including bonuses from retained profit of the Management Board and supervisory bodies of the Bank

In 2003, the total remuneration of persons managing the Bank (members of the Management Board and Managing Directors), including the former members of the Bank's Management Board, who did not fulfil the position on 31 December 2003, amounted to PLN 23,542 thousand (in 2002*: PLN 8,598 thousand).

The total remuneration of members of the Bank's Management Board in 2003 included PLN 4,114 thousand in base salaries, PLN 1,368 thousand in awards and bonuses, PLN 577 thousand in insurance premiums paid, and PLN 15,608 thousand in benefits payable including severance benefits, indemnifications, and managerial options.

Remuneration paid to persons managing the Bank for their positions held in the governing bodies of subsidiaries, joint ventures and associated undertakings of the Bank in 2003 amounted in total to PLN 8 thousand (in 2002*: PLN 11 thousand).

Remuneration paid to members of the Supervisory Board of the Bank in 2003 amounted in total to PLN 426 thousand (in 2002*: PLN 314 thousand). Members of the Bank's Supervisory Board did not obtain any remuneration for holding positions in subsidiary, joint ventures and associated undertakings of the Bank in the these periods.

Remuneration paid to persons managing subordinated undertakings amounted in 2003 to 9,143 thousand (in 2002: PLN 12,020 thousand).

Remuneration paid to members of supervisory boards of subordinated undertakings amounted in 2003 to PLN 834 thousand (in 2002: PLN 2,289 thousand).

* Amounts relating to 2002 comprise data of the persons who fulfilled managing and supervisory positions at the Bank as of 31 December 2002.

26. Advances, loans and guarantees granted to employees, members of the Management Board and supervisory bodies

The Bank's exposures arising from advances, loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank as of 31 December 2003 were as follows:

| | in PLN thousand | | | |
|-------------------------------------------------------------|-----------------|--------------|---------------|--------------------------------------------|
| | Advances | Guarantees | Bank loans * | Loans granted from the Company Social Fund |
| Employees | 138 | 1,327 | 69,126 | 45,135 |
| Members of the Management Board | - | 331 | 650 | - |
| Members of the Supervisory Board | - | - | - | - |
| Relatives of the persons managing or supervising the entity | - | - | - | - |
| Total: | 138 | 1,658 | 69,776 | 45,135 |

* The interest rates and repayment schedules for bank loans are at normal market conditions.

As of 31 December 2003, none of the employees, the Management Board and the Supervisory Board members of the Bank or relatives of the persons managing or supervising the Bank benefited from advances, loans and guarantees granted by subsidiaries, joint ventures or associated undertakings of the Bank.

As of 31 December 2003, subordinated undertakings did not grant any advances, loans and guarantees to their employees or management board and supervisory board members.

The Bank's exposures arising from advances, loans and guarantees granted to employees, members of the Management Board and supervisory bodies of the Bank as of 31 December 2002 were as follows:

| | in PLN thousand | | | |
|-------------------------------------------------------------|-----------------|--------------|---------------|--------------------------------------------|
| | Advances | Guarantees | Bank loans * | Loans granted from the Company Social Fund |
| Employees | 1,466 | 1,780 | 47,920 | 47,200 |
| Members of the Management Board | - | 677 | 545 | - |
| Members of the Supervisory Board | - | - | - | - |
| Relatives of the persons managing or supervising the entity | - | - | - | - |
| Total: | 1,466 | 2,457 | 47,465 | 47,200 |

* The interest rates and repayment schedules for bank loans are at normal market conditions.

As of 31 December 2002 none of the employees, the Management Board and the Supervisory Board members of the Bank or relatives of the persons managing or supervising the Bank benefited from advances, loans and guarantees granted by subsidiaries, joint ventures or associated undertakings of the Bank.

As of 31 December 2002, subordinated undertakings did not grant any advances, loans and guarantees to their employees or management board and supervisory board members.

27. Significant events relating to previous years presented in the consolidated financial statements for 2003

In 2003, no significant events resulting from previous years and which would have a material impact on the Consolidated Financial Statements of the Bank for 2003 occurred in the Bank Capital Group.

28. Significant post balance sheet events excluded from the consolidated financial statements for 2003

The Management Board of the Bank decided that the Bank would terminate contracts of employment of up to 630 employees between 1 April and 31 December 2004. The reductions will be made in the Corporate and Investment Banking Sector and in the Management and Support Sector. The staff reductions aim at adjusting the employment status and structures to the changes in strategies and methods of operations at the Bank, following reorganisation in given areas and introduction of new technological and organisational solutions. In consequence the quality and efficiency of customer service is expected to improve. On 23 March 2004, the Bank entered into an agreement with trade unions, which specifies the procedure for dealing with employees made redundant in the above-mentioned period, and in particular the amounts of severance payments for those employees.

On 26 April 2004, the Bank executed with Citibank N.A., the sole shareholder in Citibank Overseas Investment Corporation, which is a majority shareholder of the Bank, the CitiDirect service level agreement. Based on the agreement Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) the CitiDirect internet transaction service for the use of the Bank and its customers. This agreement represents a continuation of the co-operation between the parties.

On 27 April 2004, the Bank executed a service agreement with Citibank N.A., London Branch; Citibank N.A., New York; Citibank International PLC, London Branch; Citigroup Global Markets Deutschland AG & CO, Germany; Citigroup Global Markets Limited, London; Citigroup Global Markets Asia Limited, Hong Kong; Citigroup Global Markets, INC., related entities to Citibank N.A., the sole shareholder in Citibank Overseas Investment Corporation, which is a majority shareholder of the Bank. Based on the agreement, the above mentioned entities will provide for the benefit of the Bank as recipient of various support services related to the current activity of the Bank, including advisory services in the following functional areas: management, finance, accounting, audit and assessment of compliance, law and taxes, marketing and public matters, employees matters, administrative issues, analysis and risk assessment.

On 29 April 2004, the Bank executed with Citibank N.A., the sole shareholder in Citibank Overseas Investment Corporation, which is a majority shareholder of the Bank, the IT systems service level agreement. Based on the agreement Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) services related to a number of systems used in the Bank's operations. This agreement represents a continuation of the co-operation between the parties.

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

The Ordinary General Meeting of Shareholders of the Bank held on 25 June 2003 passed resolutions including a resolution on distribution of profit for 2002 and on determination of the dividend and dividend payment date. The Ordinary General Meeting of Shareholders resolved to:

- 1) distribute the 2002 profit of PLN 242,688,826.90 as follows:
 - a) dividend for shareholders and holders of first-issue convertible bonds: PLN 241,720,260, the amount of dividend per share and per bond being PLN 1.85,
 - b) write-off for reserve capital: PLN 968,566.90,
- 2) set the dividend date at 25 July 2003,
- 3) set the dividend payment date at 1 September 2003.

On 2 July 2003 the Bank received a Decision of the District Court for the Capital City of Warsaw, 19th Economic and Registry Division of the National Court Register dated 16 June 2003, file No. WA XIX NS-REJ KRS/8701/3/685, by way of which the District Court for the Capital City of Warsaw, 19th Economic and Registry Division, registered an increase in the Bank's authorised share capital from PLN 500,902,400 to 522,638,400 through issue of 5,434,000 B-series bearer shares with the nominal value of PLN 4 each.

In return for the Bank's first-issue convertible bonds placed by Powszechny Zakład Ubezpieczeń S.A., 5,434,000 B-series bearer shares of the Bank was released at the nominal value of PLN 4 each, to account for 4.15% of the authorised share capital of the Bank and 5,434,000 of the votes at the Bank's General Meeting, i.e. 4.15% of votes at the General Meeting of the Bank. Following the above conversion of bonds, there are no other Bank convertible first-issue bonds in circulation.

As of 30 June 2003, after registration of the authorised share capital increase, shareholders of the Bank were as follows:

| | Number of shares | % of authorised share capital |
|--------------------------------------------------------------------------|------------------|-------------------------------|
| Citibank Overseas Investment Corporation, subsidiary of Citibank N.A. | 116,717,574 | 89.33% |
| Remaining shares | 13,942,026 | 10.67% |
| Total number of Bank shares | 130,659,600 | 100% |

On 19 and 29 August 2003, subscription agreements were concluded with the European Investment Bank ("EIB") on the claiming of the fifth and sixth tranches of 5-year bonds issued by EIB within the framework of the Bond Issue Programme for the total value of PLN 3b, launched in 2001. Pursuant to the agreements, the bonds have been issued on 29 August (fifth tranche worth PLN 180m) and 15 September (sixth tranche worth PLN 110m). Throughout the term of the Bond Issue Programme, EIB obtained through the Bank medium- and long-term funding for the total amount of PLN 820m.

On 25 September 2003 the Bank sold all of its shares in Globe Trade Center S.A. located in Warsaw, which represented 7.79% of the authorised capital and the same number of votes at the general meeting of shareholders of this enterprise;

On 30 October 2003 the agreement concluded on 11 September 2003 under which the Bank agreed to sell for the benefit of Powszechna Kasa Oszczędności Bank Polski S.A. 13,000 ordinary registered shares with the par value of PLN 10,000.00 each, representing 50% of authorised share capital and the same number of votes at the general assembly of shareholders of PKO/Handlowy Powszechne Towarzystwo Emerytalne S.A. ("PTE"). The agreement has been implemented as all the conditions specified in the agreement have been complied with. As a result of implementing that agreement the Bank sold all the PTE shares possessed by it, which represented 50.00% of PTE's authorised share capital and the same number of votes on the general meeting of shareholders.

On 31 December 2003, the Bank executed with Citibank N.A., the sole shareholder in Citibank Overseas Investment Corporation, which is a majority shareholder of the Bank, the following agreements:

- CitiDirect service agreement, on the basis of which Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) the CitiDirect internet transaction service for the use of the Bank and its customers;
- IT systems service agreement, on the basis of which Citibank N.A. (as the service provider) agrees to provide for the benefit of the Bank (the service user) services related to using by the Bank and its customers several IT systems for handling the Bank's operations;
- Citigroup Inc. incentive schemes participation agreement which specifies the general rules of those incentive schemes for the Bank employees and the terms under which reimburse to Citigroup by the Bank the cost of the schemes implemented, the cost of which will depend on the future realisation of those schemes..

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

The Bank has no legal predecessor.

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

The financial data reported in these financial statements has not been adjusted for inflation. Over the twelve months ended 31 December: 2003, 2002 and 2001, the inflation rate as measured using the index of increase in goods and services consumer prices (December to December) did not exceed 100%, running at 1.7%, 0.8% and 3.6% in the respective periods concerned. The above inflation rates have been taken from the Statistical Bulletin published by the Central Statistical Office.

32. Explanation of differences between the information disclosed in these financial statements and the comparable information in the previously prepared and published financial statements

The financial data for 2002 reported in these financial statements has not been transformed and is consistent with the data presented in the financial statements for 2002 that have been published earlier, excluding the changes in data presentation in the following notes of balance sheet and loss account: 12D, 13A, 13B, 13C, 13E, 14C, 16C, 21A, 29F, 40, 46 and 47. These changes were implemented in order to provide consistency in presentation with current reporting period.

The annual consolidated financial statements for 2003 include changes as compared to the previously published consolidated quarterly report for Q4 2003, in respect of the balance sheet, the profit and loss account, and cash flow statement, following audit of the financial data. As a result of the changes, the consolidated balance sheet total was decreased by PLN 61,760 thousand, consolidated equity grew by PLN 6,611 thousand, and the consolidated net profit grew by the same amount.

33. Changes in accounting policy in 2003

No changes in accounting policy were introduced in 2003.

34. Adjustments of fundamental errors

The Bank did not have to adjust any fundamental errors in the annual financial statement for 2003.

35. Going concern assumption for entities of the Group

There is no doubt as to the Bank's ability to continue operations by entities of the Group, except for subsidiary undertakings PPH Spomasz Sp. z o.o. and Polskie Towarzystwo Emerytalne DIAMENT S.A., which are under liquidation (see Introduction item 7).

36. Business combinations

In 2003 and in 2002 no business combinations occurred in which one of the parties would be entities of the Group.

37. Balance sheet date of the financial statements of the fully consolidated subsidiary entity included in the consolidated financial statements

The balance sheet date of the fully consolidated subsidiary entity is the same as the balance sheet date of the consolidated financial statement of the Bank.

38. Modifications in the financial statements of the entity included in the consolidated financial statements

The financial statements of the entity included in the consolidated financial statements do not require any modifications resulting from the method and rules of valuation of assets and liabilities applied by that entity. The accounting principles applied by the fully consolidated entity comply in all material respects with the principles applied by the Bank.

39. Exclusions from the obligation of consolidation or accounting for by the equity method

Information related to exclusions from consolidation or equity method accounting with the data describing the activities of subordinated entities is presented in the Introduction to these financial statements (item 9).

40. Currency structure of assets and liabilities

The Bank's currency position was calculated in accordance with the principles specified in Resolution No. 5/2001 of the Commission for Banking Supervision dated 12 December 2001 regarding specific rules for calculating capital requirements for banking risk categories, including capital requirement for exposure exceeding concentration limits, method and detailed rules for calculation of the bank solvency ratio, (...) (NBP Official Journal No. 22, item 43).

| The currency position for core currencies as of 31 December 2003 was as follows: | | | | | | in PLN thousand | |
|----------------------------------------------------------------------------------|----------|------------|-------------|--------------------------|-------------------------------|-----------------------------|-----------------------|
| Country | Currency | Assets | Liabilities | Off-balance sheet assets | Off-balance sheet liabilities | Indexed assets/ liabilities | Long (short) position |
| USA | USD | 7,225,183 | 3,288,618 | 13,371,422 | 17,261,664 | - | 46,323 |
| European Union | EUR | 4,444,012 | 2,668,552 | 4,508,454 | 6,284,990 | - | (1,076) |
| United Kingdom | GBP | 137,535 | 184,545 | 133,858 | 85,498 | - | 1,350 |
| Switzerland | CHF | 960,562 | 72,605 | 1,109,431 | 2,030,298 | - | (32,910) |
| Sweden | SEK | 26,070 | 15,587 | 0 | 11,920 | - | (1,437) |
| Denmark | DKK | 9,962 | 12,493 | 4,465 | 2,269 | - | (335) |
| Australia | AUD | 46 | 195 | 1,404 | 1,404 | - | (149) |
| Norway | NOK | 5,492 | 3,556 | 1,646 | 4,203 | - | (621) |
| Canada | CAD | 9,788 | 7,859 | 0 | 0 | - | 1,929 |
| Japan | JPY | 30,048 | 8,794 | 0 | 31,244 | - | (9,990) |
| Czech Rep. | CZK | 150,167 | 10,910 | 47,958 | 188,082 | - | (867) |
| Hungary | HUF | 163 | 271 | 1,178 | 989 | - | 81 |
| Slovakia | SKK | 409 | 0 | 0 | 0 | - | 409 |
| South Africa | ZAR | 463 | 0 | 0 | 0 | - | 463 |
| Total unconvertible currencies | | 189,211 | 189,268 | 0 | 0 | - | (57) |
| Total | | 13,189,111 | 6,463,253 | 19,179,816 | 25,902,561 | - | |
| Total currency position | | | | | | | 50,555 |

As of 31 December 2003 the capital requirement for foreign exchange risk was zero.

The currency position for core currencies as of 31 December 2002 was as follows:

| in PLN thousand | | | | | | | |
|--------------------------------|----------|-----------|-------------|--------------------------|-------------------------------|----------------------------|-----------------------|
| Country | Currency | Assets | Liabilities | Off-balance sheet assets | Off-balance sheet liabilities | Indexed assets/liabilities | Long (short) position |
| USA | USD | 4,243,062 | 3,422,376 | 17,264,587 | 17,880,296 | - | 204,977 |
| European Union | EUR | 2,919,732 | 2,250,121 | 2,971,558 | 3,158,178 | - | 482,991 |
| United Kingdom | GBP | 189,084 | 143,246 | 100,442 | 141,499 | - | 4,781 |
| Switzerland | CHF | 1,026,176 | 41,948 | 33,310 | 1,019,956 | - | (2,418) |
| Sweden | SEK | 13,353 | 9,924 | 2,689 | 5,164 | - | 954 |
| Denmark | DKK | 4,869 | 2,620 | - | 417 | - | 1 832 |
| Australia | AUD | 2,751 | 198 | - | 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 | 74,708 | 39,109 | - | 306 |
| Czech | CZK | 186,990 | 3,191 | 172,826 | 358,329 | - | (1,704) |
| Hungary | HUF | 485 | 292 | 931 | 852 | - | 272 |
| Total unconvertible currencies | | 198,459 | 198,519 | - | - | - | (60) |
| Total | | 8,834,480 | 6,149,002 | 20,621,051 | 22,612,608 | - | |
| Total currency position | | | | | | | 698,103 |

As of 31 December 2002, the total capital requirement for foreign exchange risk was set at PLN 71,903 thousand.

In calculating its capital requirement against foreign exchange risk as of 31 December 2003 and 31 December 2002, the Bank applies the standardised method as specified in Resolution No. 5/2001 of the Commission for Bank Supervision dated 12 December 2001.

41. The Consolidated Annual Report for 2003 will be made available at the website of Bank Handlowy w Warszawie SA: www.citibankhandlowy.pl.

Signatures of all Management Board Members

25.05.2004

Date

Sławomir Sikora

Name

President

Position / function

Signature

25.05.2004

Date

Philip Vincent King

Name

Vice-President

Position / function

Signature

25.05.2004

Date

David J. Smith

Name

Vice-President

Position / function

Signature

25.05.2004

Date

Sunil Sreenivasan

Name

Vice-President

Position / function

Signature

25.05.2004

Date

Lidia Jabłonowska-Luba

Name

Member

Position / function

Signature