

INTRODUCTION

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

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

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

Under the Polish Classification of Economic Activity (PKD), the principal business of the Bank is “other banking activity.” According to the classification followed by the regulated market Warsaw Stock Exchange, the business of the Bank is “finance – banks.”

The Bank operates on the basis of applicable regulations and its Articles of Association.

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

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

- opening and handling bank accounts in Poland and abroad,
- taking saving deposits, including term deposits,
- performing cash settlements in all forms accepted in domestic and international banking relations,
- extending loans and cash advances in Poland and abroad,
- conducting operations which involve cheques and bills of exchange,
- taking long-term monetary deposits.
- extending bank guarantees and endorsements,
- performing FX operations,
- issuing bank securities,
- performing operations commissioned by customers and relating to the issue of securities,
- safekeeping valuables and securities, and providing safe deposit facilities,
- issuing payment cards and performing operations which involve the use thereof,
- purchasing and disposing of debts,
- conducting forward financial transactions,
- performing banking operations commissioned by other banks.

The Bank may also:

- take up or purchase shares and rights attaching to shares in banks, and shares in undertakings servicing the Bank,
- service government borrowing,
- provide custody services, including as a custodian bank for pension and investment funds,
- organise and service financial lease projects,
- render factoring services,

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

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

1.2. Activities of entities constituting the Group

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

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

2. Life of the Bank and entities constituting the Group

The Group does not include entities with defined business life.

3. Financial data presentation periods

The Bank's semi-annual consolidated accounts are compiled for the period from 1 January 2002 to 30 June 2002. Comparable balance sheet, off-balance sheet data and changes in equity are presented for the period from 1 January 2001 to 31 December 2001 and for the period from 1 January 2001 to 30 June 2001. Comparable profit and loss data are presented for the period from 1 January 2001 to 30 June 2001. The Bank's financial data for 2001 and 2002 represent the conditions preceding the Bank's merger in 2001 with Citibank (Poland) SA ("CPSA") and transfer of the Bank's organisational unit V Oddział w Warszawie – Centrum Operacji Kapitałowych ("COK BH") into the subsidiary undertaking Citibrokerage SA with the

registered office in Warsaw (“Citibrokerage”) (see par. 5 and 6).

4. Management Board and Supervisory Board

As of 30 June 2002 the Management Board consisted of the following members:

| | |
|---------------------|----------------|
| Cezary Stypułkowski | President |
| Shirish Apte | Vice-president |
| Wiesław Kalinowski | Vice-president |
| Philip Vincent King | Vice-president |
| Witold Walkowiak | Vice-president |

The following changes in the Management Board occurred in the first half of 2002:

- on 25 June 2002 Edward Brendan Ward resigned from the function of vice-president.

As of 30 June 2002 the Supervisory Board consisted of the following members:

| | |
|-----------------------|----------------|
| Stanisław Sołtysiński | President |
| Jean Paul Votron | Vice-president |
| Krzysztof Barcikowski | Member |
| Göran Collert | Member |
| Andrzej Gdula | Member |
| Mirosław Gryszka | Member |
| Allan Hirst | Member |
| Edward Kuczera | Member |
| Krzysztof Opawski | Member |
| David J. Smith | Member |
| Carlos Urrutia | Member |
| Edward Walsh | Member |

In the first half of 2002, following the resolutions of the Ordinary General Meeting of Shareholders dated 27 June 2002, the following changes in the Supervisory Board took place:

- persons recalled from the Supervisory Board: Krzysztof Grabowski
Ryszard Wierzba
Ryszard Pessel
Heinrich Focke
- persons appointed to the Supervisory Board: Edward Kuczera
Krzysztof Barcikowski
Andrzej Gdula
David Smith

5. Internal organisational units of the Bank and entities constituting the Group

The Bank’s semi-annual consolidated financial statement for 2002 and comparable financial data for 2001 contain the financial data from all organisational units of the Bank and entities constituting the Group through which their operations are performed. None of the units prepare separate financial statements.

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

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

On 1 April 2001, the organisationally separated unit of the Bank operating as COK BH was transferred to the subsidiary undertaking Citibrokerage SA.

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

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

6. Merger of the Bank with Citibank (Poland) SA („CPSA”)

The semi-annual financial statements of the Bank for 2002 and comparatives for 2001 recognise the situation after the merger which took place on 28 February 2001, pursuant to the Resolution of the Extraordinary General Meeting of Bank Shareholders of 3 November 2000. The purchase was settled under an acquisition method involving the transfer of all CPSA assets onto the Bank in return for the shares which the Bank allocated to CPSA shareholders (see: Additional Notes, par. 35).

7. Going concern

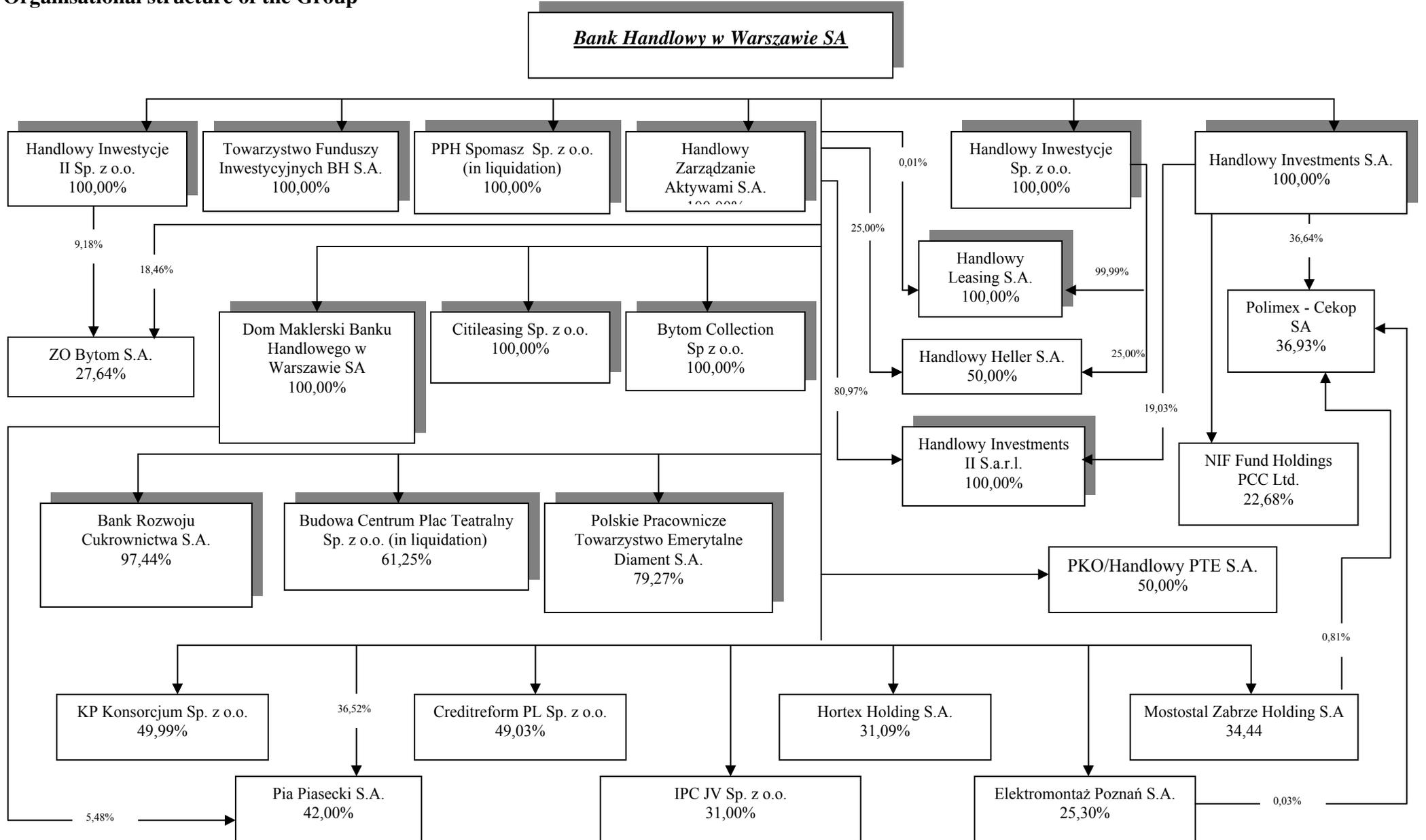
The consolidated financial statements for the first half of 2002 are compiled under the assumption of the continued operations of the Bank and entities constituting the Group in the foreseeable future with no circumstances directly indicating any threat to such continued operations. Among entities constituting the Group and not treated as durable equity investments Budowa Centrum Plac Teatralny Sp. z o.o., and PPH Spomasz Sp. z o.o. are in liquidation, other entities are intended for sale (see par. 9).

Among other subordinated entities of the Bank there is a threat to continued operation of Pia Piasecki S.A. („Pia Piasecki”) and Mostostal Zabrze Holding S.A. („Mostostal Zabrze”) which are associated undertakings of the Bank.

According to the position of Pia Piasecki auditor presented in its financial statements for the first half of 2002 there is a threat to continued operation of the entity due to its financial performance. In opinion of the company's Management Board the threat to continued operation may result from a potential failure of conciliatory (debt restructuring) procedure.

According to the position of the Management Board of Mostostal Zabrze presented in the company's semi-annual report for 2002 there are factors that may constitute a threat to continued operation of the entity. These doubts may result from the partial failure of the process of financial restructuring.

8. Organisational structure of the Group



9. The Group (subsidiary undertakings) and other subordinated undertakings

9.1 Subsidiary undertakings constituting the Group

9.1.1 Fully consolidated subsidiary undertakings

| Name of undertaking | Location | Principal activity | Registration | Book value of investment (PLN' 000) | Holding of share capital (%) | Voting power at the General Meeting (%) |
|-----------------------------------|----------|--------------------|---|-------------------------------------|------------------------------|---|
| Dom Maklerski Banku Handlowego SA | Warsaw | Brokerage activity | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 0000002963 | - | 100.00 | 100.00 |

Purchase value of shares in the entity amounting to PLN 70.950 thousand is eliminated against its own equity.
In the annual financial statements of the Bank for 2001 and in semi-annual consolidated financial statements for 2001 the entity was fully consolidated.

9.1.2 Subsidiary undertakings constituting the Group accounted for under the equity method

| Name of undertaking | Location | Principal activity | Registration | Book value of investment (PLN' 000) | Holding of share capital (%) | Voting power at the General Meeting (%) |
|------------------------------------|------------|---------------------|---|-------------------------------------|------------------------------|---|
| Handlowy Inwestycje Sp. z o.o.* | Warsaw | Investment activity | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 0000038928 | 30,648 | 100.00 | 100.00 |
| Handlowy Inwestycje II Sp. z o.o.* | Warsaw | Investment activity | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 0000033180 | 18,537 | 100.00 | 100.00 |
| Handlowy Investments S.A.* | Luxembourg | Investment activity | District Court for Luxembourg, Commercial Register Section: B, Nr 57746 | 4,590 | 100.00 | 100.00 |
| Handlowy Investments II S.a.r.l.* | Luxembourg | Investment activity | District Court for Luxembourg, Commercial Register Section: B, Nr 61343 | 19,817 | 100.00 | 100.00 |
| Citleasing Sp. z o.o.** | Warsaw | Leasing | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 0000057370 | 140,429 | 100.00 | 100.00 |
| Handlowy Leasing S.A.** | Warsaw | Leasing | District Court for Warsaw - Commercial Department XX of the National Court Registry (KRS) Registry number: KRS 0000031640 | 168 | 100.00 | 100.00 |

* In the annual consolidated financial statements of the Bank for 2001 and in the consolidated semi-annual financial statements of the Bank for 2001 the entities were accounted for under the equity method.

** In the annual consolidated financial statements of the Bank for 2001 and in the consolidated semi-annual financial statements of the Bank for 2001 the entities were accounted at cost adjusted for permanent diminution in value.

9.1.2.1 Justification of exclusion from the consolidation

Entities constituting the Group listed in par. 9.1.2 have been excluded from full consolidation in accordance with art. 58, par.1 of the Accounting Act dated 29 September 1994 (Official Journal No. 121, position 591, with subsequent amendments). Financial data of the entities are minor when comparing to the financial data of the Bank as parent entity and immaterial from the point of view of true and fair presentation of the Group's financial performance.

Financial data for entities excluded from consolidation are presented in the table below:

| Name of undertaking | Total assets and liabilities | Interest income or net income on sale and financial operations | Own equity, including: | | | | | | Fixed assets | Average employment in the first half of 2002 |
|-----------------------------------|------------------------------|--|------------------------|-----------------|--------------------------------------|--------------|--------------|--------------|--------------|--|
| | | | Share capital | Reserve capital | Other equity reserves, including: | | | | | |
| | | | | | Unremitted profit for previous years | Net result | | | | |
| | | | | | | | | | | |
| PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | in FTEs | |
| Citileasing Sp. z o.o. | 326,792 | 39,184 | 140,429 | 120,000 | 9,028 | 11,401 | 14,684 | (3,283) | 257,701 | 12 |
| Handlowy Leasing S.A. | 716,695 | 92,032 | 168 | 3,125 | 239 | (3,196) | (3,196) | - | 639,688 | 42 |
| Handlowy Inwestycje Sp. z o.o. | 68,489 | 9,872 | 26,817 | 4 | 35,066 | (8,253) | (9,827) | (2,348) | 10,636 | - |
| Handlowy Inwestycje II Sp. z o.o. | 18,860 | 2,572 | 18,537 | 4 | 25,080 | (6,547) | (7,789) | 1,242 | 894 | - |
| Handlowy Investments S.A. | 174,761 | 13,828 | (11,732) | 37,855 | - | (49,587) | (53,116) | 2,796 | 150,693 | - |
| Handlowy Investments II S.a.r.l. | 44,256 | 1,736 | 9,919 | 52,227 | - | (42,308) | (42,337) | 29 | 22,040 | - |

9.1.3 Subsidiaries constituting the Group excluded from the full consolidation and not accounted for under the equity method

| Name of undertaking | Location | Principal activity | Registration | Book value of investment (PLN' 000) | Holding of share capital (%) | Voting power at the General Meeting (%) |
|--|------------|-----------------------------------|---|-------------------------------------|------------------------------|---|
| Handlowy Zarządanie Aktywami S.A. ⁽¹⁾ | Warsaw | Brokerage activity | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 0000034423 | 4,349 | 100.00 | 100.00 |
| Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A. ⁽¹⁾ | Warsaw | Insurance | District Court for Warsaw - Commercial Department XX of the National Court Registry (KRS) Registry number: KRS 0000081054 | 1,212 | 79.27 | 79.27 |
| Towarzystwo Funduszy Inwestycyjnych BH S.A. ⁽¹⁾ | Warsaw | Investment activity | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 0000002717 | 10,330 | 100.00 | 100.00 |
| Bank Rozwoju Cukrownictwa S.A. ⁽²⁾ | Poznań | Banking | District Court for Ponnań - Commercial Department XXI of the National Court Registry (KRS) Registry number: KRS 0000007876 | 25,661 | 97.44 | 88.16 |
| Budowa Centrum Plac Teatralny Sp. z o.o. ⁽²⁾ | Warsaw | Construction | District Court for Warsaw - Commercial Department XVI Registry number: RHB 42086 | 15,524 | 61.25 | 61.25 |
| PPH Spomasz Sp. z o.o. ⁽²⁾ | Warsaw | Production of equipment for trade | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 3035 | 13,502 | 100.00 | 100.00 |
| Bytom Collection Sp. z o.o. ⁽²⁾ | Radzionków | Clothing | District Court for Gliwice, Commercial Department X of the National Court Registry (KRS) Registry number: KRS 0000098066 | 0 | 100.00 | 100.00 |

In the annual consolidated financial statements of the Bank for 2001 and in the consolidated semi-annual financial statements of the Bank for 2001 the entities were not consolidated and were accounted at cost adjusted for permanent diminution in value. Bytom Collection Sp. z o.o. was purchased in the first half of 2002 (see par. 9.1.4)

9.1.3.1 Justification of exclusion from the consolidation or equity accounting

⁽¹⁾ The above mentioned financial subsidiary entities have been excluded from full consolidation and equity accounting in accordance with art. 58, par.1 of the Accounting Act dated 29 September 1994 (Official Journal No. 121, position 591, with subsequent amendments). Financial data of the entities are minor when comparing to the financial data of the Bank as parent entity and immaterial from the point of view of true and fair presentation of the Group's financial performance. The entities were accounted at cost adjusted for permanent diminution in value.

⁽²⁾ The above mentioned non-financial subsidiary entities have been excluded from full consolidation and equity accounting in accordance with art. 57, par.1 of the Accounting Act dated 29 September 1994 (Official Journal No. 121, position 591, with subsequent amendments). The entities are intended for sale or liquidation. The entities were accounted at cost adjusted for permanent diminution in value.

Financial data for the entities are presented in the table below:

| Name of undertaking | Total assets and liabilities | Interest income or net income on sale and financial operations | Own equity, including: | | | | | | Fixed assets | Average employment in the first half of 2002 in FTEs |
|--|------------------------------|--|------------------------|-----------------|--------------------------------------|--------------|--------------|--------------|--------------|---|
| | | | Share capital | Reserve capital | Other equity reserves, including: | | | | | |
| | | | | | Unremitted profit for previous years | Net result | | | | |
| | | | | | | Net result | Net result | | | |
| PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | PLN thousand | |
| Handlowy Zarządzanie Aktywami S.A. | 4,425 | 1,944 | 4,276 | 5,000 | 5 | (729) | (892) | 163 | 240 | 13 |
| Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A. | 1,906 | 3 | 1,062 | 100 | 1,668 | (706) | - | (706) | 1,497 | 10 |
| Towarzystwo Funduszy Inwestycyjnych BH S.A. | 10,057 | 4,119 | 9,541 | 13,000 | 29,000 | (32,459) | (32,879) | 420 | 427 | 19 |
| Bank Rozwoju Cukrownictwa S.A. | 46,119 | 3,863 | 34,734 | 25,064 | 1,678 | 7,992 | 254 | 3,813 | 11,047 | 68 |
| Budowa Centrum Plac Teatralny Sp. z o.o. | In liquidation | | | | | | | | | |
| PPH Spomasz Sp. z o.o. | In liquidation | | | | | | | | | |
| Bytom Collection Sp. z o.o. | 6,690 | 4,562 | 1,500 | 3,004 | 11 | (1,515) | (1,279) | (236) | 5,758 | bd |

9.1.4 Changes in the structure of the Group

In the first half of 2002 the structure of the Group changed due to the following events:

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

9.2 Other subordinated undertakings (joint ventures and associated undertakings)

9.2.1 Joint ventures and associated undertakings accounted for under the equity method

| Name of undertaking | Location | Principal activity | Registration | Book value of investment (PLN' 000) | Holding of share capital (%) | Voting power at the General Meeting (%) |
|----------------------------|----------|----------------------------|---|-------------------------------------|------------------------------|---|
| PKO/Handlowy PTE S.A.* | Warsaw | Insurance | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 0000045235 | 15,947 | 50.00 | 50.00 |
| Handlowy Heller S.A.** | Warsaw | Factoring | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 0000005577 | 9,430 | 50.00 | 50.00 |
| KP Konsorcjum Sp. z o.o.** | Warsaw | Investment fund management | District Court for Warsaw - Commercial Department XIX of the National Court Registry (KRS) Registry number: KRS 0000044147 | 6,747 | 49.99 | 49.99 |

* In the consolidated financial statements of the Bank for 2001 and in the semi-annual financial statements of the Bank for 2001 the entity was accounted for under the equity method.

** In the consolidated financial statements of the Bank for 2001 and in the semi-annual financial statements of the Bank for 2001 the entities were not accounted for under the equity method. The entities were accounted at cost net of provision for permanent diminution in value.

9.2.2. Associated undertakings excluded from equity method accounting

| Name of undertaking | Location | Principal activity | Registration | Book value of investment (PLN' 000) | Holding of share capital (%) | Voting power at the General Meeting (%) |
|-------------------------------|----------|--|--|-------------------------------------|------------------------------|---|
| Elektromontaż Poznań S.A. | Poznań | Construction and power supply services | District Court for Poznan, Commercial Department XXI of the National Court Registry (KRS) Registry number: KRS 0000060700 | 13,683 | 25.30 | 25.30 |
| Hortex Holding S.A. | Płońsk | Food processing | District Court for Warsaw Registry number: KRS 0000032687 | 14,653 | 31.09 | 31.09 |
| Mostostal Zabrze Holding S.A. | Zabrze | Construction | District Court for Katowice Registry number: KRS 0000049844 | 42,932 | 34.44 | 34.44 |
| NIF Fund Holdings PCC Ltd. | Guernsey | Investment activity | no data available | 26,110 | 22.68 | 22.68 |
| Pia Piasecki S.A. | Kielce | Construction | District Court for Kielce, Commercial Department X of the National Court Registry (KRS) Registry number: KRS 0000007779 | 15,600 | 36.52 | 36.52 |
| Polimex - Cekop S.A. | Warsaw | Foreign trade | District Court for Warsaw, Commercial Department XX of the National Court Registry (KRS) Registry number: KRS 0000046844 | 61,409 | 36.64 | 36.64 |
| Creditreform PL. Sp. z o.o. | Warsaw | Investigation agency | District Court for Warsaw, Commercial Department XVI Registry number: RHB 33125 | 328 | 49.03 | 49.03 |
| IPC JV Sp. z o.o. | Warsaw | Construction and administration | District Court for Warsaw, Commercial Department XVI Registry number: RHB 24144 | 0 | 31.00 | 31.00 |
| Zakłady Odzieżowe Bytom S.A. | Bytom | Clothing | District Court for Katowice, Commercial Department KRS Registry number: KRS 0000049296 | 121 | 18.46 | 18.46 |

In the consolidated financial statements of the Bank for 2001 and in the semi-annual financial statements of the Bank for 2001 the entities were not accounted for under the equity method. The entities were accounted at cost net of provision for permanent diminution in value.

9.2.2.1 Justification of exclusion from consolidation or equity method accounting

Mentioned associated non-financial undertakings were excluded from consolidation or equity method accounting following the the provision of art. 57, par. 1, of the Accounting Act dated 29 September 1994 (Official Journal No. 121, position 591, with subsequent amendments). Mentioned entities are intended for sale. The entities were accounted at cost net of provision for permanent diminution in value.

Financial data of the entities are presented below:

| Name of undertaking | Total assets PLN thousand | Interest income from banking activity or net income from sale of goods and materials and financial operations PLN thousand | Own equity, including: | | | | | | Fixed assets PLN thousand | Average employments in the first half of 2002 in FTEs |
|-------------------------------|------------------------------|--|------------------------|-------------------------------|---------------------------------|--|--|-----------|------------------------------|---|
| | | | | Share capital PLN thousand | Equity reserves PLN thousand | Other reserves, including | | | | |
| | | | | | | Unremitted profit from prior years PLN thousand | Current year profit PLN thousand | | | |
| Elektromontaż Poznań S.A. | 66,520 | 22,795 | 59,551 | 54,082 | 6,324 | (855) | - | (855) | 14,242 | 444 |
| Hortex Holding S.A. | 284,003 | 329,308 | (41,838) | 214,941 | - | (256,779) | (221,000) | (35,779) | 177,481 | 1.666 |
| Mostostal Zabrze Holding S.A. | 332,635 | 156,696 | 118,040 | 20,327 | 114,305 | (16,592) | (2,089) | (20,820) | 174,355 | 636 |
| NIF Fund Holdings PCC Ltd. | No data available | | | | | | | | | |
| Pia Piasecki S.A. | 92,016 | 84,102 | (141,821) | 21,907 | 78,195 | (241,923) | - | (241,923) | 20,793 | 106 |
| Polimex - Cekop S.A. | 356,196 | 76,439 | 127,151 | 24,185 | 143,748 | (40,782) | (28,702) | (13,038) | 183,062 | 505 |
| Creditreform PL. Sp. z o.o. | 591 | 2,233 | 195 | 670 | 17 | (492) | (604) | 118 | 186 | 38 |
| IPC JV Sp. z o.o. | 71,853 | 6,264 | 7,648 | 13,500 | 445 | (6,297) | (25,239) | (924) | 63,406 | 15 |
| Zakłady Odzieżowe Bytom S.A. | 22,996 | 16,886 | (8,166) | 7,500 | 2,522 | (18,188) | (21,973) | (2,446) | 10,246 | 423 |

9.2.3. Changes in the structure of other subordinated undertakings (joint ventures and associated undertakings)

In the first half of 2002 the following changes in the structure of joint ventures and associated undertakings took place:

- sale of all shares in Obsługa Funduszy Inwestycyjnych Sp. z o.o., which represented 50.00 % of its equity and similar share in the voting rights at the GMS of the entity,
- sale of all shares in Polska Giełda Finansowa S.A, which represented 22.90 % of its equity and similar share in the voting rights at the GMS of the entity.

10. Reclassification of financial data for 2001

Financial data presented in these financial statements were compiled taking into account regulatory changes binding from 1 January 2002 related to grouping of operations and definitions of assets and liabilities. Previously published financial statements for respective reporting periods of 2001 were reclassified in order to provide consistency in grouping and presentation with current reporting period. The explanation of the reclassifications is presented in the additional explanatory notes (see: Additional Notes par 31 and 32)

The exception in consistency of the data relates to changes in valuation principles for assets and liabilities where comparatives do not recognise the implemented change in valuation method.

The rationale behind is that fair calculation of underlying adjustments related to previous reporting period was impossible or it was impossible to calculate the amounts of these adjustments from technical reasons.

Application of the regulations related to valuation of assets and liabilities introduced on 1 January 2002 to the financial statements for 2001 would increase the Group's own equity as of 31 December 2001 by PLN 63,631 thousand to PLN 5,900,141 thousand.

The change would result from appreciation in value of debt securities that took place as at 31 December 2001 and amounted to PLN 19,418 thousand and from equity method accounting applied to shares in subordinated undertakings which previously were not accounted for under this methodology and which would result in positive valuation of PLN 44,213 thousand.

11. Qualifications to the opinion issued by auditors

The consolidated financial statements of the Bank for 2001 were audited by KPMG Polska Audyt Sp. z o.o. who issued an unqualified opinion. The semi-annual consolidated financial statements of the Bank for 2001 were reviewed by KPMG Polska Audyt Sp. z o.o. and no qualifications were made that would require making adjustments.

12. Accounting principles

General information

The semi-annual consolidated financial statements of the Bank for 2002 were prepared in accordance with:

- the regulation of the Council of Ministers dated 16 October 2001 concerning current and periodical information reported by issuers of securities (Official Journal of NBP No 139, item 1569, with amendments),
- Regulation of the Council of Ministers dated 16 October 2001 concerning specific principles which should be met by issue prospectus and bridged prospectus (Official Journal of NBP No 139, item 1568, with amendments),
- and the regulations which came into force on 1 January 2002.

On 1 January 2002 the provisions of the Act dated 9 November 2000 on the change in the Accounting Act (Official Journal No 113, item 1189), that for the first time fully apply to the financial statements prepared for 2002, came into force. Following the Act and binding from 1 January 2002, the following regulations related to banking activity were issued:

- Regulation of the Ministry of Finance dated 10 December 2001 on specific accounting principles for banks (Official Journal No. 149, position 1673, with amendments),
- Regulation of the Council of Ministers dated 12 December 2001 concerning preparation of consolidated financial statements of banks and consolidated financial statements of financial holding (Official Journal No. 152, position 1728),
- Regulation of the Ministry of Finance dated 12 December 2001 on specific principles for recognition, valuation and presentation of financial instruments (Official Journal No. 149, position 1674),

- Regulation of the Ministry of Finance dated 10 December on the principles of creating provisions for the risks related to the operations of banks (Official Journal No. 149, position 1672).

For valuation of debt securities available for sale the Bank applied principles compliant with the regulation of the Ministry of Finance dated 20 September 2002, which came into force on 30 September 2002 that changed the regulation on specific accounting principles for banks.

12.1 Accounting principles of the Group

When comparing to the accounting principles applied and described in the consolidated semi-annual and annual financial statements for 2001 the consolidated financial statements prepared for the first half of 2002 recognise in material aspects majority of the regulatory changes introduced from 1 January 2002 by the regulations mentioned above. Accounting principles applied by the consolidated entity (full consolidation) and by domestic entities accounted for under the equity method are in all material respects compliant with principles applied by the Bank.

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

12.1.1. Consolidation principles

Entities included in the consolidation

Under the Accounting Act and the Regulation of the Ministry of Finance dated 12 December 2001 the Bank is obliged to consolidate subsidiary undertakings which are banks or financial institutions with a possibility to make exclusions from consolidation in accordance to art. 57 par. 1 and art. 58 of the act mentioned above.

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

Financial data of other subsidiary undertakings are included in the consolidated financial statements on the equity method except entities intended for sale and entities which financial data are immaterial when comparing to financial data of the Bank as parent entity. Shares in financial subsidiary undertakings intended for sale and shares in such entities that do not constitute material durable assets of the Bank are recognised in balance sheet as cost net of provision for permanent diminution in value. The list of financial subsidiary undertakings with their valuation method is presented in par. 9.

Presentation of other subordinated entities

Shares in other subordinated undertakings (excluded from consolidation) constituting material durable assets of the Bank are accounted for in the consolidated financial statements under the equity method, except entities intended for sale. Shares in these entities are stated at cost less any provision for permanent diminution in value. The list of other subordinated undertakings, other than financial subsidiary undertakings with their valuation method is presented in par. 9.

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

On balance sheet date any changes in value of subordinated undertakings accounted for under the equity method are recognized in the consolidated profit and loss account as „Share in net profits (losses) of subordinated undertakings accounted for under the equity method”. Result of revaluation of subsidiary undertakings which as of 31 December 2001 were not accounted for under the equity method in the consolidated financial statements was recognized as an adjustment of opening balance of consolidated result from prior years.

Changes in consolidation principles

In the first half of 2002, when comparing to the consolidated financial statements for 2001 and the semi-annual consolidated financial statements for 2001, the range of entities accounted for under the equity method was extended for financial subsidiary undertakings Handlowy Leasing S.A. and Citileasing Sp. z o.o., a financial joint venture Handlowy Heller S.A. and subsidiary undertaking KP Konsorcjum Sp. z o.o. (see par. 9).

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

Partial sale of stake in Mitteleuropäische Handelsbank AG, previously consolidated on an equity basis was done on 27 June 2001. The transaction was concluded with NORD/LB Nordeutsche Landesbank Girozentrale, located in Hanover and settled in cash. The stake sold represents 22.8% share in capital and voting rights on General Meeting of Shareholders of the entity. As a result of the sale the Bank's stake in the entity decreased and constituted 19.99% of its share capital. In the consolidated balance sheet as of 31 December 2001 the stake in Mitteleuropäische Handelsbank AG is recognized at cost in investment portfolio as minority interest. The result on partial sale of shares in the entity was calculated as a difference between sale proceeds and the value of the net assets of the entity attributable to parent entity as of 30 June 2000 (including FX differences on structural positions) diminished by cost of remaining stake. The book value of sold shares amounted to PLN 29,735 thousand and the result on sale amounted to PLN 12,039 thousand and was recognised in consolidated profit and loss statement as of 31 December 2001 and 30 June 2001 as a gain on shares in associated undertakings.

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

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

Calculation of equity reserves

Equity reserves are stated at nominal value. Equity reserves are adjusted for the parent entity's share in the change in the equity of consolidated entities or entities accounted for under the equity method which took place during the period under consolidation or equity method accounting and any dividends received from the undertakings.

Calculating the net result

The net result is calculated in compliance with the concept of prudence, accrual accounting and the matching concept. The amount of net result reflects all income and relevant expenses set off against the income within a particular reporting period, irrespective of the day on which these are received or paid. The consolidated profit and loss account includes the adjusted result of the parent entity and share in the profit of consolidated entities or entities accounted for under the equity method attributable to the parent entity. The consolidation adjustments of the result of the parent entity relate to elimination of dividends and interest received from consolidated entities or entities accounted for under the equity method.

Negative goodwill of subordinated undertakings

Negative goodwill of subordinated undertakings recognised in the consolidated balance sheet as of 30 June 2001 represents a surplus of the value of net assets attributable to parent entity over the purchase price of additional shares in Centro Internationale Handelsbank AG which were purchased in 1998. The equity reserve was amortized to the consolidated profit and loss account in equal installments over the period of 5 years starting from July 1998. As a result of sale of shares in the entity concluded on 18 September 2001, unamortized part of the equity reserve from consolidation decreased cost of sale of the shares.

Corporate income tax

The presentation of corporate income tax includes the Bank's current tax liability of the Bank and DM BH (fully consolidated) arising from the income earned and deferred tax. (see par. 12.2.).

12.2. Accounting principles of the parent entity

Tangible and intangible fixed assets

The tangible and intangible fixed assets are recognised in accordance with their changed definition and presented at cost less accumulated depreciation. Depreciation is provided on the basis of equal annual instalments at the rates defined in approved depreciation schedule for 2002.

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

| | | | |
|---|--------|--------|--------|
| Buildings and structures | 1.5 % | - | 4.5 % |
| Motor vehicles | 14.0 % | - | 20.0 % |
| Computers | | 34.0 % | |
| Office equipment | | 20.0 % | |
| Other tangible fixed assets | 7.0 % | - | 20.0 % |
| Computer software and licences (except main operating system which is depreciated at the rate of 20%) | | 34.0 % | |
| Other intangible fixed assets | | 20.0% | |

Assets costing less than PLN 3,500 are expensed as they are brought into use.

Previously, fixed assets were periodically subjected to value adjustments with the indices published by the President of the Central Statistical Office. The results of revaluation are reflected in the revaluation reserve in the Bank's equity. No revaluation based on the indices published by the President of the Central Statistical Office has taken place since 31 December 1995.

Foreign currencies

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

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

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

Items classified as permanent components of the balance sheet were recognised as structural foreign exchange positions and included investments in foreign financial institutions made in foreign currencies. At the moment in the Bank’s books there is one structural foreign exchange position.

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

Exchange rates applied to the financial statement are as follows:

in PLN

| | | 30 June 2002 | 31 December 2001 | 30 June 2001 |
|---|-----|---------------------|-----------------------------|---------------------|
| 1 | USD | 4.0418 | 3.9863 | 3.9871 |
| 1 | GBP | 6.1869 | 5.7722 | 5.6062 |
| 1 | EUR | 4.0091 | 3.5219 | 3.3783 |

Equity investments - interests in subordinated undertakings

Investments in subordinated undertakings understood as subsidiaries, joint ventures and associated undertakings are classified as financial assets available for sale.

Fixed and material interests in subordinated undertakings are accounted for under the equity method, except of a subsidiary undertaking of Dom Maklerski Banku Handlowego w Warszawie SA, which was consolidated (fully consolidated). Changes in their value as of revaluation date are recognised in the profit and loss account as a participation in net profits (losses) of subordinated undertakings accounted for under the equity method.

Interests in subordinated undertakings available for sale and minority interests in these undertakings are recognised in balance sheet at cost net of provisions against any permanent diminution in value.

Equity investments- interests in other entities

Interests in entities other than subordinated undertakings are classified as financial assets available for sale. They are recognised in the balance sheet at cost net of provisions against any permanent diminution in value.

Outstanding loans and other receivables

The Bank is in the process of implementation of the new valuation principles for loans based on effective interest rate net of established specific provisions.

Before the end of the first half of 2002 the Bank implemented the procedure in the information system utilised by the Retail Banking Sector. The system is utilised for recording consumer loans and loans related to credit cards.

Other loans and receivables other than those in trading portfolio are recognised at cost adjusted for linear interest accrual net of established specific provisions.

The Bank makes specific provisions, prescribed by the regulation of the Ministry of Finance dated 10 December on the principles of creating provisions for the risks related to the operations of banks (Official Journal No. 149, position 1672), in the full amount required by law. The provision for possible credit losses has been calculated by the classification of credit facilities extended to customers. After categorisation, the following minimum provision percentages have been applied:

| | |
|---|-------|
| 1) Normal (only consumer loans excluding housing loans) and watch loans | 1.5 % |
| 2) Substandard loans | 20 % |
| 3) Doubtful loans | 50 % |

4) Loss loans 100 %

Certain collateral, specified in regulation of the Ministry of Finance dated 10 December on the principles of creating provisions for the risks related to the operations of banks (Official Journal No. 149, position 1672) is taken into account in the calculation of provisions. In accordance with the regulation noted above, provisions against normal loans noted above are covered by an allocation of up to 25% of the balance of the general provision held by the Bank.

Debt securities

Debt securities are classified in the trading portfolio, available for sale or held until maturity.

Debt securities classified in the trading portfolio or available for sale are recorded in the balance sheet in their fair value. Changes in the fair value of debt securities held in trading portfolio are recognised as income or expense on financial operations. Changes in the fair value of debt securities available for sale are recognised in the capital from revaluation. They are recognised in profit and loss account only when realised.

Debt securities held until maturity include particularly NBP bonds decreasing obligatory reserve. Debt securities held until maturity are recorded at cost net of provisions against any permanent diminution in value.

Interest, discount and premium on all types of debt securities are linearly accrued/amortised to profit and loss account. Adjustments to fair value or for permanent diminution in value are made in relation to the value of the securities set in a way described above.

Repossessed assets in lieu of bad debts

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

Provisions

The Bank establishes specific provisions and other provisions in accordance with the requirements of the regulation of the Ministry of Finance dated 10 December 2001 on the principles of creating provisions for the risks related to the operations of banks.

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

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

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

Furthermore, following the accepted accounting principles, until 31 December 2001 the Bank was creating deferred tax provisions, due to timing difference between the moment of realising income and expense according to the Accounting Act and tax regulations.

In 2002 the Bank continues creating the provision or calculation of the deferred tax asset. However, deferred tax provision or asset related to operations recognised in the Bank's equity is recognised in the Bank's equity.

Prepayments and accruals

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

Special Bonds

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

Derivative instruments

In previous years and as of 30 June 2002 the Bank recognised all derivative instruments as financial assets and liabilities held for trading purposes. The Bank marked to market the instruments and differences were included in the profit and loss account as income or expense from financial operations.

So far the Bank have never implemented hedge accounting.

Interest income and expense

Interest income expense includes received or accrued interest on interbank placement, loans and securities. Interest income and discount accrual on receivable classified as normal is recognised in profit and loss account on an accrual basis. Any prepayments are recognised in the profit and loss account in the respective reporting period. Interest expense is recognised in the profit and loss account on an accrual basis.

Commission income and expense

Commissions are mainly comprised of amounts other than interest income on loans, guarantees, L/Cs and fees for maintenance of current accounts, banking operations and servicing credit cards.

Commissions exceeding PLN 40 thousand and not related to one-off closed deals are amortised on a linear basis to the profit and loss account over the life of the underlying deal. Commissions not exceeding PLN 40 thousand are recognised in the profit and loss account at the time of their receipt.

Bonuses, retirement and Jubilee Awards

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

Within its salary scheme, the Bank guarantees its employees who were hired under the provisions set in the Company's Labour Contract retirement and jubilee payments that are based on the number of years in employment with the Bank and with entities from Citigroup directly prior to eligibility date. In case of employees hired in the Bank prior to 1 March 2001 the retirement and jubilee payments are calculated based on numbers of years of employment defined according to the provisions of the Company's Labour Contract that was in force from 1 January 1997. In the previous years these payments were accounted for as they were paid and no accrual was made for future payments. The Management Board of the Bank considered as more appropriate accruing for future payments and decided on the change in accounting principles in this respect starting from 2001.

Other operating income/expenses

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

Corporate income tax

The presentation of corporate income tax includes the Bank's current tax liability arising from the income earned and deferred tax.

In the previous years, in accordance with the adopted accounting principles, the Bank either established a deferred tax provision or recognised a deferred tax asset by assessing the timing differences between the recognition of income and expense for accounting and tax purposes. Towards the end of 2001, the Bank changed the method of assessing deferred tax asset. Previously, deferred tax had been calculated at the rate in force for the period following the given balance sheet date. At 31 December 2001, the Bank analysed individual items of timing differences, focusing on the expected time of their realisation (i.e. the year in which the tax liability arises or negative differences become tax deductible. Such an analysis is complex due to significant differences between accounting and tax principles and uncertainty as to the time horizon for the realisation of timing differences.

In the course of this, the Bank found that the largest sensitivities occur in establishing the timing of the charge to specific provisions for income tax purposes. As a result, and in accordance with the requirement of prudence, the Bank found it most appropriate that the tax rate applied to this item of interim timing differences should be the last and lowest tax rate coming into force on January 2004, which is already enacted - and not the rate in force in 2002 - as most of the specific provisions are likely to be realised for income tax purposes in later reporting periods.

Similar methodology was implemented as of 30 June 2002.

Accelerated capital allowances

Based on the Ordinance of the Council of Ministers dated 25 January 1994 (Official Journal No. 18, position 62 with subsequent amendments) and in compliance with article 18a of the Corporate Income Tax Act (Official Journal from 1993 No. 106 position 482 with amendments) the Bank in the period 1994-1999 deducted from taxable income total expenditures amounting to PLN 187,102 thousand. Additionally, in 1995-2000, the Bank charged a further PLN 93,551 thousand, which accounted for up to 50% of investment spending charged against income in previous financial years (the so-called investment premium).

Additionally, Citibank (Poland) SA, over 1994-1997, reduced the taxable income by PLN 91,401 thousand in capital allowances and by PLN 21,599 thousand in investment premium.

The depreciation of fixed assets subject to capital allowances and made using the depreciation rates defined in the depreciation plan, is treated as a non-deductible expense for tax purposes. As at 30 June 2002, a balance of PLN 145,858 thousand, representing the non-amortised value of fixed assets subject to capital allowances, is included as a timing difference in the deferred tax calculation.

13. EURO/Zloty rates

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

30 June 2002 31 December 2001 30 June 2001

| | | | |
|---|--------|--------|--------|
| Exchange rate in force at | 4.0091 | 3.5219 | 3.3783 |
| Average rate, computed as the arithmetical mean of the rates in force on the last day of each month in the reporting period | 3.7026 | 3.6509 | 3.5806 |
| Average rate, computed as the arithmetical mean of the rates in force on the last day of each of last 12 months | 3.7119 | 3.6509 | 3.7563 |
| The highest rate for the last day in the month in the period | 4.0091 | 3.8843 | 3.8015 |
| The lowest rate for the last day in the month in the period | 3.5910 | 3.3783 | 3.3783 |

14. Major items of the consolidated balance sheet, consolidated profit and loss statement and consolidated cash flow statement converted into EURO terms

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

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

The diluted profit per share is converted into the EUR at rates being the arithmetical averages of the average zloty/euro rates of exchange announced by the National Bank of Poland, in force on the last day of last 12 months prior to the reporting date.

in EUR thousand

| BALANCE SHEET | 30 June 2002 | 31 December 2001 | 30 June 2001 |
|---------------------------------|---------------------|-------------------------|---------------------|
| Cash and due from Central Bank | 284,154 | 659,429 | 362,088 |
| Due from financial institutions | 1,634,248 | 1,993,953 | 1,529,049 |
| Due from customers | 3,461,130 | 4,023,505 | 4,524,344 |

| | | | |
|---|------------------|------------------|------------------|
| Due from budget | 2,403 | 9,015 | 4,773 |
| Debt securities | 768,369 | 699,196 | 954,936 |
| Due from subordinated entities accounted for under the equity method | 255,861 | 50,046 | 45,683 |
| Equity investments in subordinated entities accounted for under the equity method | 59,448 | 21,725 | 88,011 |
| Equity investments in other entities | 63,731 | 130,612 | 133,498 |
| Other securities and other financial assets | 844,657 | 958,479 | 702,888 |
| Tangible and intangible fixed assets | 552,908 | 671,474 | 706,227 |
| Other assets | 149,000 | 175,540 | 244,161 |
| Total assets | 8,075,909 | 9,392,974 | 9,295,658 |
| Due to Central Bank | 42,964 | 60,333 | 165,337 |
| Due to financial institutions | 991,633 | 1,376,815 | 1,548,842 |
| Due to customers | 3,988,411 | 4,672,290 | 4,323,899 |
| Due to budget | 250,571 | 250,779 | 265,266 |
| Securities issued | - | - | 7,146 |
| Liabilities arising on financial instruments | 823,734 | 901,591 | 506,020 |
| Due to subordinated entities accounted for under the equity method | 40,567 | 22,508 | 25,147 |
| Other liabilities | 364,330 | 328,516 | 603,707 |
| Negative goodwill of subordinated entities | - | - | 595 |
| Provisions | 108,338 | 122,937 | 127,448 |
| Equity | 1,465,361 | 1,654,868 | 1,720,747 |
| FX differences arising on translation of subordinated entities | - | 2,337 | 1,504 |
| Total liabilities | 8,075,909 | 9,392,974 | 9,295,658 |

in EUR thousand

| Consolidated profit and loss account | 6 months ended 30 June | |
|---|-------------------------------|-------------|
| | 2002 | 2001 |
| Net interest income | 87,241 | 100,515 |
| Net fee and commission income | 69,691 | 62,514 |
| Result on equity investments | 2,143 | 5,656 |

| | | |
|--|---------------|---------------|
| Result on financial operations | 14,833 | (6,054) |
| FX result | 106,992 | 101,381 |
| Result on banking activity | 280,899 | 264,012 |
| Result on operational activity | 61,129 | 51,569 |
| Gross profit/(loss) | 61,129 | 51,709 |
| Share in net profits (losses) of subordinated entities accounted for under the equity method | (618) | 8,950 |
| Net profit/(loss) | 38,409 | 41,389 |

in EUR thousand

| Consolidated cash flow statement | 6 months ended 30 June | |
|---|-------------------------------|---------------|
| | 2002 | 2001 |
| Net cash flow from operating activities – indirect method | (109,763) | 241,986 |
| Net cash flow from investing activities | 126,997 | (19,702) |
| Net cash flow from financing activities | (239,812) | (139,813) |
| Net cash flow, total | (222,578) | 82,471 |
| Change in net cash and cash equivalents | (222,578) | 82,471 |
| Cash and cash equivalents at beginning of period | 680,059 | 246,971 |
| Cash and cash equivalents at end of period | 457,481 | 329,442 |

15. Main differences between Polish and International Accounting Standards

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

- in the financial statements prepared according to PAS, a general risk provision was created for the first time in 1998 based on Banking Law (simultaneously the risk fund constituting a part of equity under the previous Banking Law was dissolved). In the financial statements prepared according to IAS, a general risk provision was established in previous years as a result, temporary timing differences in the level and charges to the general risk provision arise,
- according to PAS, material shareholding in subsidiary undertakings not intended for sale are recognised on an equity method. In the financial statements prepared according to IAS, material shareholding in subsidiary undertakings not intended for sale is fully consolidated,
- according to PAS, the annual charge to the Employees' Social Fund is made in the form of a profit distribution. In the financial statements prepared according to IAS, such charges to the fund are presented as an additional general expense in the following year,

15.2. The net assets of the consolidated financial statements prepared according to PAS may be reconciled to the financial statements prepared according to IAS as at 30 June 2002 as follows:

– Reconciliation of the net assets as of 30 June 2002:

| | in PLN thousand |
|---|------------------------|
| Net assets under consolidated PAS | 5,874,778 |
| Difference from consolidation and valuation of equity investments on an equity basis | 14,011 |
| Difference in deferred tax provision resulting from different accounting policies applied | (3,923) |
| Net assets under IAS | 5,884,866 |