INTRODUCTION

1. Bank operations

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

2. Financial data presentation periods

The Bank's annual 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 Oddzial w Warszawie – Centrum Operacji Kapitalowych ("COK BH") into the subsidiary undertaking Citibrokerage SA with the registered office in Warsaw ("Citibrokerage") (see par. 4 and 6).

3. 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 June2002 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

4. Internal organisational units of the Bank

The Bank's semi-annual financial statement for 2002 and comparable financial data for 2001 contain the financial data from all of its organisational units through which Bank operations are performed. At 30 June 2001, these included the Head Office in Warsaw, 35 branches around Poland, and 146 other establishments servicing clients in Poland. 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.

5. Related parties

The Bank is a parent entity and material investor. The list of subsidiary and associated undertakings held by the Bank is presented in the note 10A to the balance sheet statement. The Bank is in the process of preparation of the semi-annual consolidated financial statements for the first half of 2002, which will be published on 31 October 2002.

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 that 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 that the Bank allocated to CPSA shareholders (see: Additional Notes, par. 35).

7. Going concern

The Bank compiles the consolidated financial statements for the first half of 2002 under the assumption of the continued operation in the foreseeable future with no circumstances directly indicating any threat to such continued operation.

8. Reclassification of financial data for 2001

Financial data presented in these financial statements were complied 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.

If changes in methods of valuation of assets and liabilities introduced on January 1, 2002 had been effective in 2001, they would have resulted in an increase of the Bank’s capital funds by PLN 1,510 thousand to the amount of PLN 5,907,200 thousand. This increase would have been traceable to both the positive revaluation of debt securities by PLN 19,418 thousand and the valuation of the Bank’s holdings in subordinated undertakings under the equity method resulting in a charge of PLN 17,908 thousand for a permanent diminution of their value.

9. Qualifications to the opinion issued by auditors

The Bank’s accounts for 2001 were audited by KPMG Polska Audyt Sp. z o.o. who issued an unqualified opinion.

10. Accounting principles

General information

The semi-annual financial statements of the Bank was prepared following the provisions of 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) 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 2001on specific accounting principles for banks (Official Journal No. 149, position 1673),
– 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),

When comparing to the accounting principles applied and described in the semi-annual and annual financial statements for 2001 the financial statements prepared for the first half of 2002 recognise in material aspects majority of the regulatory changes introduced from 1 January 2002 by the regulations mentioned above. In respect to the valuation of debt securities available for sale the Bank applied principles of the regulation of the Ministry of Finance changing the regulation on specific accounting principles for banks, which comes in to force on 30 September 2002.

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.

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. 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. The result of revaluation of subordinated entities as of 31 December 2001 was recognised as an adjustment of opening balance in retained earnings.

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). 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 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.

Equity reserves

Equity reserves are stated at nominal value.

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.

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.

Interest income and expenses

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 may be exercised at mark-to-market price after 36 months since granted. The accrual for future payments is made and subject to further verification and replenishment until it is realised. The accrual for bonuses and stock options is disclosed in Accruals and Deferred Income.

Within its salary scheme, the Bank guarantees those employees, who are employed within the framework of the Collective Work Agreement, retirement and jubilee payments that are based on the number of years in employment with the Bank and other Citigroup's entities, taking into account the period directly before the date of acquirement of the right to these awards. Those employees, who joined the Bank before 1 March 2001, retain their work history recorded under the previous Collective Work Agreement effective from 1 January 1997. In the previous years the retirement and jubilee payments were recognized as expenses 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 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.

11. 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 30 June	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

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

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

The major items of the profit and loss statement are converted into the EUR at rates being the arithmetical averages of the average zloty/euro rates of exchange announced by the National Bank of Poland, in force on the last day of each month of 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	1,878,103	2,023,532	1,557,751
Due from customers	3,459,978	4,022,960	4,423,338
Due from budget	2,400	8,968	4,721
Debt securities	768,328	699,196	954,936
Equity investments and other financial assets	979,990	1,151,955	948,275
Tangible and intangible fixed assets	552,664	671,085	705,737
Other assets	148,997	175,533	244,149
Total assets	**8,074,614**	**9,412,658**	**9,300,995**
Due to Central Bank	42,964	60,333	165,337
Due to financial institutions	1,042,995	1,392,842	1,556,710
Due to customers	3,976,388	4,681,331	4,335,795
Due to budget	250,517	250,699	265,148
Securities issued	-	-	7,146
Liabilities arising on financial instruments	823,734	901,591	506,020
Other liabilities	364,317	328,081	603,378
Provisions	106,577	120,933	120,320
Equity	1,467,122	1,676,848	1,741,141
Total liabilities	**8,074,614**	**9,412,658**	**9,300,995**

EUR thousand

Profit and loss account	**6 months ended 30 June**	
	2002	**2001**
Net interest income	86,052	103,383
Net fee and commission income	67,775	61,056
Result on equity investments	2,143	9,029
Result on financial operations	14,715	(5,731)
FX result	106,992	101,380
Result on banking activity	277,676	269,117
Result on operational activity	59,968	58,056
Gross profit/(loss)	59,968	58,056
Net profit/(loss)	**38,409**	**39,101**

EUR thousand

Cash flow statement	**6 months ended 30 June**	
	2002	**2001**
Net cash flow from operating activities – indirect method	(109,754)	247,017
Net cash flow from investing activities	126,996	(19,226)
Net cash flow from financing activities	(239,812)	(140,005)
Net cash flow, total	(222,570)	87,786
Change in net cash and cash equivalents	**(222,570)**	**87,786**

Cash and cash equivalents at beginning of period	680,028	238,821
Cash and cash equivalents at end of period	457,458	326,607

13. Main differences between Polish and International Accounting Standards

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

- in the financial statements prepared according to PAS, a general risk provision was created for the first time in 1998 based on Banking Law (simultaneously the risk fund constituting a part of equity under the previous Banking Law was dissolved). In the financial statements prepared according to IAS, a general risk provision was established in previous years as a result, temporary timing differences in the level and charges to the general risk provision arise,

- according to PAS, shareholding in special purpose vehicles are accounted for under an equity method. In the financial statements prepared according to IAS, these subsidiaries are 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,

Reconciliation of the main items of the financial statements prepared according to PAS to the financial statements prepared according to IAS will be presented in the introduction to the consolidated financial statements of the Bank.