INTRODUCTION

1. Bank's operations

Bank Handlowy w Warszawie SA ("Bank"), with the registered office in Warsaw at ul. Senatorska 16, 00-923 Warszawa, was founded on the strength of a Notarial Deed of 13 April 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:

- accepting deposits payable on request or on a given date and account operation for such deposits,
- operation of other bank accounts,
- performing cash settlements in all forms accepted in domestic and international banking relations,
- extending loans and cash advances in Poland and abroad, as well as consumer loans and credits as defined in the provisions of a separate Act,
- conducting operations which involve cheques and bills of exchange,
- issuing and confirming sureties,
- issuing and confirming bank guarantees and opens letters of credit,
- performing FX operations,
- provision of agency services in money transfers abroad by residents and settlements with non-residents in Poland,
- issuing of banking securities,
- commissioned operations related to issue of securities,
- safe-keeping of valuable objects and securities and safe-box services,
- issue of payment cards and processing of operations executed with use of such cards,
- purchase and sales of receivables,
- processing of forward transactions.

The Bank may also:

- take up or purchase shares and rights attaching to shares, shares of other legal entities and investment fund units,
- organise and service financial lease projects,
- render factoring services,
- trade in securities on its own account and act as an agency in securities trading,
- operate securities accounts,
- render financial consulting and advisory services,

- undertake commitments relating to the issue of securities,
- perform the function of a representative bank within the meaning of the Bonds Act,
- purchase and sell real estate,
- 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,
- accept orders to purchase, sell or subscribe for participation units and investment certificates of investment funds,
- render insurance agency services,
- act as a depository for pension funds,
- act as a depository for investment funds.

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

2. Financial data presentation periods

This Bank's semi-annual financial statements are compiled for the period from 1 January 2003 to 30 June 2003. Comparable balance sheet and off-balance sheet data, as well as movements in own equity, cover the periods from 1 January 2002 to 31 December 2002 and from 1 January 2002 to 30 June 2002. Comparable profit and loss data and cash flow statement data cover the period from 1 January 2002 to 30 June 2002.

3. Management Board and Supervisory Board

As of 30 June 2003 the Management Board consisted of the following members:

Sławomir Sikora	Vice President acting as President of the Bank's Management Board, from 2 July 2003 President of the Bank's Management Board,
Wiesław Kalinowski	Vice President
Philip Vincent King	Vice President
David J. Smith	Vice President
Sunil Sreenivasan	Vice President
Witold Walkowiak	Vice President

The following changes in the Management Board occurred in the first half of 2003:

- resigned: Cezary Stypułkowski,
  Shirish Apte,

– appointed: Sławomir Sikora, David. J. Smith, Sunil Sreenivasan.

As of 30 June 2003 the Supervisory Board consisted of the following members:

Stanisław Sołtysiński	President,
Jean Paul Votron	Vice-president
Shirish Apte	Member
Göran Collert	Member
Andrzej Gdula	Member
Mirosław Gryszka	Member
Allan J. Hirst	Member
Edward Kuczera	Member
Andrzej Olechowski	Member
Krzysztof Opawski	Member
Carlos Urrutia	Member
Edward T. Walsh	Member

In the first half of 2003 the following changes in the Supervisory Board took place:

– resigned: Krzysztof Barcikowski, David. J. Smith,

– appointed: Shirish Apte, Andrzej Olechowski.

On the date when the Bank's semi-annual financial report 2003 was signed, the composition of the Bank's Management Board was changed, as Mr. Witold Walkowiak handed in his resignation as a Vice President of the Bank's Management Board effective from 28 August 2003.

4. Internal organizational units of the Bank

The Bank's semi-annual financial report for 2003 and comparable financial data for reporting periods in 2002 contain the financial data of all of its organizational units through which Bank operations are performed. At 30 June 2003, these included the Head Office in Warsaw, 58 branches around Poland and 97 establishments servicing clients in Poland. None of the units prepare separate financial statements.

5. Related parties

The Bank is a parent entity and material investor. The list of subsidiaries, joint venture and associated undertakings held by the Bank is presented in note 10 to the balance sheet. The Bank is preparing a consolidated financial report for the first six months of 2003, which will be published on 31 October 2003.

6. Going concern

The financial statements for the first six months of 2003 have been prepared under the assumption of continued operation in the foreseeable future with no circumstances directly indicating any threat to such continued operation.

7. Reclassification of financial data for 2002

In order to preserve comparability of the financial data for the first six months of 2002 with the financial statements for the reporting periods of the first six months of 2003 and 2002, the financial data for said period, published previously in the semi-annual 2002 report, have been reclassified as appropriate.

Explanation of differences resulting from those reclassifications as well as the results of the changes are presented in additional explanatory notes (see Additional Explanatory Notes, par. 32).

8. Opinion issued by auditors on the previous period financial statements of the Bank

The Bank's financial statements as at 30 June 2002 were audited by KPMG Polska Audyt Sp. z o.o. which issued an unqualified opinion.

The Bank's financial statements as at 31 December 2002 were audited by KPMG Polska Audyt Sp. z o.o. which issued an unqualified opinion.

9. Accounting principles

General information

The Bank's 2003 semi-annual financial statements were prepared in accordance with the following regulations:

- 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, as amended),
- Regulation of the Council of Ministers dated 16 October 2001 concerning specific principles that should be met by issuers of securities (Official Journal of NBP No 139, item 1568, with amendments),

and with the provisions of:

- the Accounting Act of 29 September 1994 (Official Journal of 2002, Number 76, Item 694, as amended)
- Regulation of the Ministry of Finance dated 10 December 2001on specific accounting principles for banks (Official Journal No. 149, position 1673, as amended),
- 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),

Tangible and intangible fixed assets

The tangible and intangible fixed assets are recognised at their purchase price less accumulated depreciation. Depreciation is calculated with the use of straight-line method at the rates defined in approved depreciation schedule for 2003.

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 licenses (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.

In 2002 the Bank recognised in its balance sheet rights of perpetual usufruct of land received for free in previous years following applicable regulations being in power at that time. These rights of perpetual usufruct of land are recognised as „land" in fixed assets and as deferred income in liabilities.

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 President of NBP.

Foreign exchange differences arising on the revaluation of balance sheet foreign currency positions are recognised in the profit and loss account as foreign exchange gains/losses.

Exchange rates for the major foreign currencies applied to the financial statement are as follows:

in PLN

		30 June 2003	**31 December 2002**	**30 June 2002**
1	USD	3.8966	3.8388	4.0418
1	GBP	6.4240	6.1802	6.1869
1	EUR	4.4570	4.0202	4.0091

Equity investments – interest in subordinated undertakings

Investments in subordinated entities, understood as subsidiaries, joint venture and associated entities, are classified as 'financial assets available for sale.'

Fixed assets – material interests in subordinated entities ~~a~~re accounted for under the equity method. Changes in their value are recognised in the profit and loss account as a participation in net profits/(losses) of subordinated entities accounted for under the equity method. The result of revaluation of subordinated entities as of 31 December 2001 was recognised in 2002 as an adjustment of opening balance of the previous year's results.

Trading shares in subordinated entities are recognised in the balance sheet at their purchase price including write-downs for 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. The works in this field are advanced. In 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.

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

The Bank makes specific provisions, prescribed by 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 (Official Journal No. 149, position 1672 as later amended). The provisions for possible credit losses have been calculated in accordance to the risk classification of particular balance sheet and off-balance sheet exposures. The following minimum provision percentages have been applied to provisions for particular risk categories:

Normal (only consumer loans) and watch loans	1.5 %
Substandard loans	20 %
Doubtful loans	50 %
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 is taken into account in the calculation of provisions necessary for problem loans. Moreover, pursuant to the provisions of said Regulation, the required level of provisions for standard loans (cash lending and consumer loans) and watch loans is reduced by an amount equivalent to 25% of the general risk provision.

Impaired loans considered impossible of collection are written-off against the specific provisions.

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 at their fair value. Changes in the fair value of debt securities held in the 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 revaluation reserve. They are recognised in the profit and loss account only when realised.

Debt securities held until maturity are recorded at cost net of provisions against any permanent diminution in value.

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 as described above.

Repossessed assets in lieu of bad debts

Assets repossessed in lieu of debts are recognized 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

Specific provisions and write-downs for permanent diminution in value are established in accordance with the principles set out in the Accounting Act and in Regulations by the Minister of Finance on the principles of creating provisions for the risks related to the operations of banks dated10 December 2001.

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.

In compliance with the Banking Act dated 29 August 1997 (Official Journal No. 140, position 939 as amended), the Bank establishes a general risk provision to cover potential risk inherent in banking activity. The general risk provision is created by a charge against earnings and carried on the balance sheet as "Other provisions" in liabilities.

Prepayments and Accruals

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

Equity

Capital and own equity are stated at nominal value.

Derivative instruments

Derivative instruments are recognised as financial assets and liabilities held for trading purposes. Derivatives are valued at their market value. The effects of changes in market value are included in the profit and loss account as income or expense from financial operations.

To date, the Bank has 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.

Interests income and expense

Interest income 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.

Fee and commission income and expense

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

Bank fees and commissions not related to single closed transactions are amortised on a straight-line basis to the profit and loss account for the period of the transaction they are related to.

Bonuses, retirement and Jubilee Awards

Depending on their professional grade, Bank employees may be awarded bonuses from the incentive fund, bonuses under the bonus scheme applicable in a given area, or an annual appreciation bonus as approved within Citigroup. Bonuses are awarded after the end of the period in which is performance is assessed.
Bank employees may also be awarded bonuses in the form of management options. The manager options may be exercised at the earliest 18 months after they have been awarded. A provision is established for future payments, which is verified and revaluated until the options are exercised. The provision is shown

under the ‘Accruals and deferred income’ item.

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. The accrual for future payments is made and is disclosed In Accruals and Deferred Income.

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.

The deferred tax is calculated using the balance-sheet method, taking into account both assets and liabilities items expected to be subject to the corporate income tax constituting the basis for calculating the provision, and the deferred corporate income tax, and is shown in the profit and loss account or the revaluation reserve (fund).

10. 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 2003	**31 December 2002**	**30 June 2002**
Exchange rate as at:	4.4570	4.0202	4.0091
Average rate, computed as the arithmetical mean of the rates in force on the last day of each month in the reporting period	4.3110	3.8697	3.7026
Average rate, computed as the arithmetical mean of rates in force on the last day of the 12 consecutive months preceding the reporting date	4.1739	3.8697	3.7119
The highest rate for the last day in the month in the period	4.4570	4.0810	4.0091
The lowest rate for the last day in the month in the period	4.1286	3.5910	3.5910

11. Major items of the balance sheet, profit and loss statement and cash flow statement converted into EUR 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 account are converted into EUR at rates being the arithmetical mean 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.

Net profit per ordinary share and diluted profit per ordinary share is converted into EUR at rates being the arithmetic mean of the average zloty/euro rates of exchange announced by the National Bank of Poland, in force on the last day of the 12 consecutive months preceding the reporting date.

in EUR thousand

BALANCE SHEET	**30 June 2003**	**31 December 2002**	**30 June 2002**
Cash, and due from Central Bank	253 991	243 597	284 154
Due from financial sector	1 165 471	1 369 986	1 872 986
Due from non-financial sector	3 216 833	3 366 834	3 459 979
Due from budget sector	1 511	1 268	2 400
Debt securities	1 029 388	1 083 576	768 328
Equity investments and other securities and financial assets	1 002 366	1 234 328	990 521
Tangible and intangible fixed assets	474 110	545 777	561 821
Other assets	168 342	159 610	139 937
Total assets	**7 312 011**	**8 004 977**	**8 080 126**

			in EUR thousand
BALANCE SHEET	**30 June 2003**	**31 December 2002**	**30 June 2002**
Due to the Central Bank	18 764	30 332	42 964
Due to financial sector	786 850	857 717	1 042 995
Due to non-financial sector	3 665 030	3 995 562	3 976 388
Due to budget sector	113 092	158 274	250 517
Securities issued	-	-	-
Liabilities arising on financial instruments	876 010	1 040 391	835 551
Other liabilities	448 139	327 132	360 650
Provisions	98 628	110 789	106 577
Equity	1 305 499	1 484 779	1 464 483
Total liabilities	**7 312 011**	**8 004 977**	**8 080 126**

		in EUR thousand
Income Statement	**6 months ended 30 June**	
	2003	**2002**
Net interest income	85 469	86 052
Net fees and commissions income	57 355	67 775
Income from shares, other securities and floating-rate financial instruments	121	2 143
Net gains on financial operations	21 655	14 715
FX gains	45 064	106 992
Profit on banking activity	209 663	277 676
Operating profit	30 640	59 968
Profit before taxation	30 640	59 968
Net profit	**20 721**	**39 174**

		in EUR thousand
Major cash flow statement items	**6 months ended 30 June**	
	2003	**2002**
Net cash flow from operating activities– indirect method	15 460	(109 754)
Net cash flow from investing activities	43 525	126 996
Net cash flow from financing activities	687	(239 812)
Net cash flow, total	66 155	(222 570)
Change in net cash	**59 672**	**(222 570)**
Cash at beginning of period	226 288	680 028
Cash at end of period	285 960	457 458

12. Main differences between Polish and International Accounting Standards

The Bank prepares financial statements in accordance with Polish Accounting Standards (PAS). There are some differences in accounting principles adopted for preparation of the financial statements and International Accounting Standards (IAS). 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,

- in the individual financial statements prepared in accordance with PAS, shares in special purpose investment companies are recognised on the equity method. In the financial report prepared according to IAS, there shareholdings in such companies 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.