Commentary to Quarterly Report SAB - QS I/04 for the first quarter of 2004.

Summary of financial results

The quarterly report presents the consolidated results of the Bank Handlowy w Warszawie SA Group ("the Group"), which includes Bank Handlowy w Warszawie SA ("the Bank") as the parent entity and subsidiary entities. The list of subsidiaries constituting the Group as well as other subsidiaries (joint subsidiaries and associated entities), and the applied valuation method are presented later in this Commentary.

In Q1 2004, the Group reported net profit of PLN 79.4 million, which is an increase of PLN 67.5 million (i.e. 567.6%) in comparison with Q1 2003.
Gross profit for Q1 2004 amounted to PLN 106.8 million, which is an increase of PLN 71.0 million (i.e. 198.5%) in comparison with Q1 2003.

Revenue, consisting of profit on banking activity and other operating income, increased by PLN 55.0 million (i.e. 11.7%) over the first quarter of 2004, while expenses, consisting of other operating expenses, general expenses and depreciation and amortisation, increased by PLN 102.7 million (i.e. 32.1%) in comparison with Q1 2003.

Over the first quarter of 2004, net movement in provisions and revaluation decreased by PLN 118.7 million (i.e. 102.6%) in comparison with Q1 2003.

Financial accounting principles

General information

The consolidated report for the first quarter of 2004 has been prepared on the following basis:

- Regulation of the Council of Ministers dated 16 October 2001 concerning current and periodic information reported by issuers of securities (Journal of Laws No. 139, Item 1569, as amended),
- Regulation of the Council of Ministers dated 16 October 2001 concerning specific requirements that should be met in offering prospectuses and short form offering prospectuses (Journal of Laws No 139, Item 1568, as amended),

and in accordance with the regulations specified in:

- Accountancy Act of 29 September 1994 (Journal of Laws of 2002, Number 76, Item 694, as amended),
- Regulation of the Ministry of Finance dated 10 December 2001 concerning specific accounting principles for banks (Journal of Laws No. 149, Item 1673, as amended),
- Regulation of the Ministry of Finance dated 12 December 2001 concerning principles for preparing consolidated financial reports of banks and consolidated financial reports of a financial holding company (Journal of Laws No. 152, Item 1728),
- Regulation of the Ministry of Finance dated 12 December 2001 concerning specific accounting principles for recognition, valuation, scope of disclosure, and presentation of financial instruments (Journal of Laws No. 149, Item 1674, as amended),
- Regulation of the Ministry of Finance dated 10 December 2003 concerning principles for creating provisions for risks related to operations of banks (Journal of Laws No. 218, Item 2147).

The principles adopted in the consolidated report for the first quarter of 2004 are consistent with the accounting principles adopted and described in the consolidated semi-annual report for 2003, except for changes in the rules for creating specific provisions for credit risk and the rules of recognising interest on receivables due to the bank classified as watch, which were introduced in accordance with the amendment to the regulations concerning the accounting principles for banks, effective 1 January 2004.

These changes resulted in the reclassification of time limits for individual risk categories, so that the periods after which loans are classified as non-performing are prolonged. In addition, interest income and discount on receivables classified as watch are recognised in the profit and loss account on an accrual basis. Prior to 1 January 2004, this interest constituted classified (deferred) income until its receipt.

The financial data as of 31 March 2004 has been prepared using valuation principles for assets and liabilities and recognition of net financial profit or loss, taking into account adjustments for provisions, deferred income tax assets and asset revaluation write-downs, in accordance with the regulations in force.

Structure of the Group

Fully consolidated subsidiaries

Financial subsidiary:

1. Dom Maklerski Banku Handlowego S.A., Warsaw

Subsidiaries excluded from the full consolidation and accounted for under the equity method

Financial subsidiaries:

2. Handlowy Inwestycje Sp. z o.o., Warsaw
3. Handlowy Inwestycje II Sp. z o.o., Warsaw
4. Handlowy Investments S.A., Luxemburg
5. Handlowy Investments II S.a.r.l., Luxemburg
6. Citileasing Sp. z o.o., Warsaw
7. Handlowy Leasing S.A., Warsaw
8. Bank Rozwoju Cukrownictwa S.A., Poznań
9. Handlowy Zarządzanie Aktywami S.A., Warsaw
10. Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A. in liquidation, Warsaw
11. Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A., Warsaw

The above-mentioned financial subsidiaries were excluded from full consolidation under Art. 57.1 and Art. 58.1 of the Accountancy Act of 29 September 1994 (Journal of Laws of 2002, Number 76, Item 694, as amended). Bank Rozwoju Cukrownictwa S.A. is intended for sale, while Polskie Pracownicze Towarzystwo Emerytalne DIAMENT S.A. will be liquidated. The other subsidiaries are insignificant in comparison with the Bank and are not required to be consolidated to give a true and fair view of the Group financial situation and its financial result.

Other subsidiaries not accounted for under the equity method

Non-financial subsidiaries:

12. PPH Spomasz Sp. z o.o. in liquidation, Warsaw

The above-mentioned non-financial subsidiary was not accounted for under the equity method pursuant to Art. 57.1 of the Accountancy Act of 29 September 1994 (Journal of Laws of 2002, Number 76, Item 694, as amended). The subsidiary is expected to be liquidated.

Joint subsidiaries and associated entities accounted for under the equity method

Financial joint subsidiaries:

1. Handlowy Heller S.A., Warsaw

Financial associated entities:

2. KP Konsorcjum Sp. z o.o., Warsaw

Non-financial associated entities:

3. Polimex - Cekop S.A., Warsaw

Associated entities not accounted for under the equity method

Non-financial associated entities:

4. Elektromontaż Poznań S.A., Poznań
5. Mostostal Zabrze Holding S.A., Zabrze
6. NIF FUND Holdings PCC Ltd., Guernsey
7. Pia Piasecki S.A., Kielce
8. Creditreform PL. Sp. z o.o., Warsaw
9. IPC JV Sp. z o.o., Warsaw

The above-mentioned non-financial subsidiaries not accounted for under the equity method pursuant to Art. 57.1 of the Accountancy Act of 29 September 1994 (Journal of Laws of 2002, Number 76, Item 694, as amended). The subsidiaries are intended for sale.

Changes in the structure of the Group

In Q1 2004, the structure of the group remained unchanged.

Changes in the presentation of prior period financial information

Following the audit of the 2003 financial statements, certain changes were made to the earlier quarterly report for Q4 2003 in respect of the balance sheet, profit and loss account and cash flow statement. As a consequence the consolidated balance sheet amount decreased by PLN 61,760,000 consolidated equity increased by PLN 6,611,000 and consolidated net profit increased by the same amount.

The financial information relating to reporting periods prior to Q4 2003 has not been adjusted and is consistent with the data last published in the periodical consolidated reports.

Selected financial data

Selected financial data presented at the beginning of the quarterly report is expressed in zlotys ("PLN") and in euros ("EUR"). The principles of translation from zlotys into euros are as follows:

1. balance sheet assets and liabilities are translated into euros on the basis of the average exchange rate in force as of the balance sheet date, announced by the National Bank of Poland, which as of 31 March 2004 was PLN 4.7455 and as of 31 March 2003 was PLN 4.4052;
2. profit and loss account items are translated into euros on the basis of the arithmetic mean of the average exchange rates announced by the National Bank of Poland, in force as of the last day of each

complete month covered by the quarterly report, which for the first quarter of 2004 was PLN 4.7938, and for the first quarter of 2003 was PLN 4.2474;
3. earnings per one ordinary share and diluted earnings per one ordinary share are translated into euros on the basis of the arithmetic mean of the average exchange rates announced by the National Bank of Poland, in force as of the last day of each complete month over the 12 month period ended 31.March 2004 and 31 March 2003, which were PLN 4.5840 and PLN 4.0284, respectively.

Brief description of the Bank's activities in the first quarter of 2004

- **Bank Handlowy w Warszawie SA - parent entity**

1. Corporate and Investment Bank

- *Global Transaction Services*

In January 2004, the Bank signed an agreement to install UniKasa Payment Service Network terminals at gas distribution stations and gas works of Karpacka Spółka Gazownictwa Sp. z o.o., enabling individual customers to pay their invoices through UniKasa at over 300 network outlets.

In March 2004, the Bank signed an agreement with the Euronet network, enabling UniKasa terminals to be fitted with the option of sale of pre-paid cards for all cellular phone networks. This service will facilitate customer access to pre-paid phone cards. In the future, the Bank plans to expand the range of network functions by the sale of additional services.

- *Treasury products*

In the first quarter of 2004 the Bank concluded two innovative transactions. Specifically, the structured private placement of PLN 750 million Treasury Bonds for the Ministry of Finance and a commodity price hedge for 583,000 tonnes of coal.

- *Corporate finance*

In January 2004, the Bank participated in the short-term debt securities issuance programme of Europejski Fundusz Leasingowy S.A., with the indebtedness limit of PLN 600 million. The Bank acted as co-arranger and dealer of the programme. As of 31 March 2004, the Bank had a leading share of 23.5% in the market for short-term debt securities issuance.

In March 2004, the Bank participated in the arrangement of a syndicated loan of PLN 88 million for Elektrociepłownia Wybrzeże S.A.

- *Branch network reorganisation*

In Q1 2004, the Bank continued the reorganisation of its branch network, which commenced in the previous year. On 22 March 2004, another Corporate and Investment Bank branch was combined with a branch of the Consumer Bank. In March 2004, the network reorganisation programme was extended to identify Corporate and Investment Bank branches where excess space could be reduced.

- *Employment restructuring*

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

2. Consumer Bank

- *Credit cards*

As of the end of March 2004, the portfolio of credit cards serviced increased by 11.7% in comparison with the end of March 2003, reflecting the sale of the co-branded Motokarta Kredytowa Citibank-BP card issued in co-operation with BP Polska Sp. z o.o. Since December 2003, when the cards were launched, up to the end of March 2004, 34,000 Motokarta Kredytowa Citibank-BP cards have been issued.

On 18 February 2004, Citibank Credit Card holders were granted the ability to make automated payments via direct debit order from an account operated in another bank.

- *Loans and advances*

In the first quarter of 2004 there was significant growth in the sale of loans and advances. The number of advances granted, excluding CitiFinancial, increased by as much as 182.9% over the first quarter of 2003.

- *Direct debit*

The over-the-phone direct debit service continued to develop. Over the period from the launch of the service on 1 November 2003 up to the end of March 2004, individual customers of the Bank made 5,600 direct debit orders on the phone.

- *Mortgage loan offering*

In March 2004, the Bank, in co-operation with GE Bank Mieszkaniowy SA, provided a new mortgage loan offering. In selected multi-functional branches and CitiGold branches across Poland customers gained access to basic information about the offering and terms of credit and were able to make an appointment with a representative of GE Bank Mieszkaniowy SA. The mortgage loan is intended for the purchase of an apartment or a home in the primary or secondary market, and also for construction or enlargement of a house, on attractive economic terms. Loans are available in four currencies – zlotys, euros, Swiss francs and US dollars, and have a variable interest rate.

3. Awards and honours

- The prestigious financial monthly, Global Finance, recognised the Bank as the best bank in Poland in the foreign exchange market ("Best Foreign Exchange Bank 2004").
- The President of the Warsaw Stock Exchange honoured Dom Maklerski Banku Handlowego S.A. with an award for the largest share of stock exchange turnover and for the largest share of market maker activity.
- The Editing Board of the Polish edition of the Newsweek weekly awarded the Bank the title of the best employer of 2003 in the financial institutions category.
- The Bank was recognised as the best bank in Poland in the ranking list of "Best Emerging Market Banks 2004" published by the Global Finance magazine.
- The "Twój Styl" magazine granted to the bank the special award "Alicja 2003" as a member of the Coalition for Direct Debit.
- Analysts of the Bank were ranked number one for their forecasts of macroeconomic indices published in Gazeta Bankowa in 2003.
- MasterCard International awarded the Bank the silver "Rock Award 2003" in the category of highest achievements in credit card development.

- **Dom Maklerski Banku Handlowego S.A. ("DM BH") - subsidiary**

In Q1 2004, the company maintained its leadership position in the market of brokerage services. The value of the stock market turnover on the Warsaw Stock Exchange settled through DM BH reached PLN 4,528.6 million, which was higher by 19.5% in comparison with Q4 2003, and higher by 169.5% in comparison with Q1 2003. DM BH's contribution in the stock market in the first quarter of 2004 was 16.5% (first place in the rankings). The value of bond turnover on the WSE settled through DM BH was PLN 35.0 million in the reported period, as compared to PLN 162.4 million in Q4 2003 and PLN 58.9 million in Q1 2003, which gave the brokerage house a 3.0% market share (ninth place).

In addition to the activities on the secondary market of shares, in the first quarter of 2004 the company also provided services on the primary market. In February 2004 DM BH handled the successful subscription for shares of Betacom S.A. – a company operating in the IT industry, which made its debut on the stock exchange, with DM BH acting as the Offerer and Sub-issuer.
In Q1 2004, DM BH continued to be a leader on the regulated OTC market organised by Centralna Tabela Ofert ("CeTO"). DM BH's contribution to the turnover of debt securities on CeTO was 25% in Q1 2004 (first place), while the contribution to the share turnover was 11.8% (third place).

- **Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. ("TFI BH") - subsidiary**

The first quarter of 2004 was particularly good for the Bank's investment fund society TFI BH. The assets under management increased dynamically, mainly as a result of the inflow of new funds. As of 31 March 2004, the total value of assets under management of TFI BH amounted to PLN 1,075.1 million and was PLN 158.1 million (17.2%) higher than at the end of 2003. In March 2004 alone, the value of the fund assets grew by over PLN 93 million.

In Q1 2004, the best results were achieved by CitiFundusze, which invests in shares, due to the improvement of the situation on the stock exchange. Within CitiFundusze the highest increase of assets and units was reported by CitiSenior, which grew by 17.8% and 13.0%, respectively. As of the end of March 2004, the investment fund's assets amounted to PLN 151.6 million, of which 19.1% were shares. CitiSenior is a stable growth type fund, and its investment policy complies with the pension fund regulations applicable to the so-called "3rd pillar" of the reformed Polish social security and pension system. The second-best fund in terms of growth of assets under management was CitiZrównoważony. The assets managed by this fund increased by 13.1% to PLN 117 million, with the value of the unit growing by 5.8%. Assets managed by CitiAkcji increased by 9.2% to PLN 50.4 million, with the value of the unit growing by 9.8%. As of the end of March 2004, the ratio of shares to the total assets of CitiZrównoważony and CitiAkcji was 46.1% and 89.9%, respectively.

In line with the improvement of the situation on the stock exchange, as well as the expected increase in interest rates, investors increasingly were withdrawing from funds invested in bonds. This explained the decrease in CitiObligacji assets by 19.3% to PLN 322.2 million, coupled with the increase of the unit value by 0.9%. Much more popular products were investments in short-term debt securities or long-term instruments with short redemption period or with floating interest rate. The assets of CitiPieniężny increased by 5% to PLN 141.7 million, with the single unit value increasing by 1.0%. CitiPłynnościowy was the most successful, as its assets increased by 335% to PLN 241 million, with the value of a single unit increasing by 1.3%; on 17 March 2004, the fund's account balance reached PLN 398.8 million. CitiPłynnościowy is designed for those corporate customers of Bank Handlowy w Warszawie SA who seek an alternative for overnight or short-term deposits.

In Q1 2004, in order to increase access to its funds, TFI BH signed an agreement with Deutsche Bank PBC. Commencing 29 March 2004, Deutsche Bank will act as a sales agent of 5 funds (CitiFundusze): CitiAkcji, CitiZrównoważony, CitiObligacji, CitiPieniężny and CitiSenior. Moreover, at the beginning of February 2004, the stable growth fund CitiSenior was included into the offering of mBank's Investment Funds Supermarket ("Supermarket Funduszy Inwestycyjnych"), therefore the number of CitiFundusze available through that distribution channel increased to five.

- **Handlowy Zarządzanie Aktywami S.A. ("HanZA") - subsidiary**

As of 31 March 2004, the value of assets under management of Handlowy Zarządzanie Aktywami S.A. ("HanZA") amounted to PLN 1,555.2 million, which was lower by PLN 58.6 million (i.e. 3.6%) in comparison with the start of the year. Of this amount, PLN 1,075.1 million came from CitiFundusze, PLN 129.5 million from private individuals and PLN 350.6 million from corporate investors.

Description of factors and events that had an effect on the financial results for Q1 2004

In Q1 2004, the Bank's Capital Group reported net profit of PLN 79,444,000, which is an increase of PLN 67,544,000 (i.e. 567.6%) in comparison with Q1 2003.
Gross profit for Q1 2004 amounted to PLN 106,804,000, which is an increase of PLN 71,020,000 (i.e. 198.5%) in comparison with Q1 2003.

Profit on banking activity in Q1 2004 was higher than in the corresponding period of the previous year by PLN 50,300,000 (i.e. 10.9%), reflecting the following:

- increase in net interest income of PLN 14,251,000 (i.e. 7.9%), caused mainly by lower interest expenses incurred by the Bank;
- increase in commissions of PLN 29,523,000 (i.e. 23.7%), which mainly resulted from the increase in commission income on insurance products and in fees for the issue and use of charge cards and credit cards;
- decline in net profit on financial operations of PLN 7,970,000 (i.e. 21.1%), due to a lower profit from the sale and valuation of debt securities;
- increase in the result on foreign exchange operations by PLN 14,519,000 (i.e. 12.4%), correlated mainly with the result on foreign exchange operations on financial instruments.

In Q1 2004, operating expenses increased by PLN 101,609,000 (i.e. 39.4%) in comparison with Q1 2003, mainly reflecting additional costs of creating a severance provision for employee reductions within the framework of the employment restructuring plan and additional accruals for management options. There were also additional accruals for services relating to IT systems and advisory support provided by companies within the strategic shareholder group.

Net movement in provisions and revaluation decreased by PLN 118,738,000 (i.e. 102.6%) from the prior year, reflecting a relative stabilisation in the quality of the Bank's loan portfolio, the high coverage of credit exposures with provisions established in the past, and the prolongation of time limits for individual risk categories following the introduction of new principles for creating specific risk provisions.

The improvement in the macroeconomic situation continued in 2004 contributed to the relative stabilisation of the quality of the credit portfolio. The share of non-performing loans in the gross credit portfolio increased slightly from 30.8% at the end of December 2003 to 30.9% at the end of March 2004, while at the same time the nominal value of these receivables decreased.

Important events after the balance sheet date not included in the Financial Statements

After 31 March 2004, no events that could have a significant impact on the results of the Bank have occurred without being included in this report.

Comparison of results to the forecast for 2004

The Bank (the parent entity) has not announced publicly its results forecast for 2004.

Information about the Shareholders

As of the report submittal date, the only shareholder of the Bank which held directly or indirectly, through subsidiaries, at least 5% of votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie SA was Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., that held 89.33% of the votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie SA. The number of shares held by COIC amounted to 116,717,574, which represented 89.33% of the authorised share capital of the Bank. The number of votes associated with the shares held by COIC was 116,717,574, which represented 89.33% of the total number of votes at the General Meeting of Shareholders of the Bank.

The ownership structure has not changed in relation to the major shareholders since the last quarterly report submittal.

Changes in ownership of the Issuer's shares by managing and supervising persons

As far as the Bank (the parent entity) is aware, as of the quarterly report submittal date, managing and supervising persons held 752 shares of Bank Handlowy w Warszawie SA. These shares are held exclusively by supervising persons.
The number of Bank shares held by managing and supervising persons has not changed since the last quarterly report submittal.

Information on pending proceedings

In Q1 2004, no proceedings relating to the liabilities or receivables of the Bank, the value of which would constitute at least 10% of the Bank's equity, were pending before any court, administrative authority or a body competent for arbitration.
In Q1 2004, the total value of all pending legal actions related to receivables of the Bank exceeded 10% of the Bank's equity and amounted to PLN 897,869,000, and is explained as follows:

The substantial majority of amounts for legal actions related to receivables of the Bank have arisen from the high number of arrangement and bankruptcy proceedings in which Bank Handlowy w Warszawie SA participates as a creditor, as well as proceedings for appending the enforcement clause to bank enforcement titles, especially in the Consumer Banking Sector. The aforementioned proceedings result from the deteriorated financial standing of the Bank's counterparties, especially borrowers or lessees of the Bank's subsidiary leasing companies. Moreover, it should be pointed out that the litigations described above, especially the arrangement proceedings and bankruptcy proceedings, are characterised by excessive duration and lengthy judicial procedures. As a result of the aforementioned procedural lengthiness there are few arrangement proceedings and bankruptcy proceedings that end in valid court adjudication within a period shorter than two years, and many of them take four or even more years to be concluded. The Bank's report covers some proceedings, which commenced several years earlier.

In the Bank's opinion, the aforementioned total value of all pending legal actions will gradually decrease, in line with the procedural progress and bankruptcy proceedings, which also applies to proceedings for appending an enforcement clause to bank enforcement titles. Under the legal regulations in force, Bank Handlowy w Warszawie SA and its subsidiaries are obliged to create provisions for non-performing receivables already at the stage when the risk level related to the economic performance of a given receivable increases (in the case of bank loans, relevant regulations make the creation of provisions dependent on the timeliness of loan instalment repayments), and therefore in practice as of the date of commencement of arrangement or bankruptcy proceedings the provision for the given receivable has already been created for the relevant amount.

Simultaneously, as a rule, when bankruptcy proceedings or proceedings for appending an enforcement clause to bank enforcement title come to an end, the Bank or its subsidiary recovers at least part of the payment due and is then able to dissolve the created provisions in whole or in part. The same happens in the case of concluded arrangement proceedings, where after the debt has been reduced, the debtor pays the remaining part of its liabilities towards the Bank.

A description of the most important pending legal actions in relation to the receivables of the Bank and its subsidiaries is provided below:

Parties to the proceedings	Litigation value	Proceedings initiation date	Description of the case
Creditor: Bank Handlowy w Warszawie SA	PLN 50,874,000 (loan-related receivable)	22 June 2001 – declaration of bankruptcy.	Within the bankruptcy proceedings the official receiver is disposing of assets. The Bank is awaiting the distribution of funds from the bankruptcy estate.
Creditor: Bank Handlowy w Warszawie SA.	PLN 112,984,000 (loan-related receivable)	8 August 1996 – declaration of bankruptcy.	Within the bankruptcy proceedings the official receiver is disposing of assets. The Bank is awaiting the distribution of funds from the bankruptcy estate.
Creditor: Bank Handlowy w Warszawie SA	PLN 16,500,000	Suit for payment under loan liability.	Case pending. The defendant has raised objections to the issued order for payment.
Plaintiff: Bank Handlowy w Warszawie SA	PLN 33,976,000	Suit for payment under loan liability.	Case pending. The defendant has raised objections to the issued order for payment.
Creditor: Bank Handlowy w Warszawie SA	PLN 30,953,000 (loan-related receivable)	On 3 March 2004, the court declared the debtor bankrupt.	Case pending. The Bank reported a receivable on 8 April 2004.
Creditor: Bank Handlowy w Warszawie SA	PLN 37,134,000 (loan-related receivable)	On 30 June 2003 the court declared the debtor bankrupt.	Case pending.
Plaintiff: Handlowy Leasing SA Defendant: Inter Commerce Sp. z o.o.	PLN 9,220,000	15 July 2003	Nine suits under the proceedings by writ of payment related to bills of exchange.

In Q1 2004, the total value of litigations with the Bank's participation, related to liabilities of the Bank, did not exceed 10% of the shareholders' equity of the Bank.

Information on significant transactions with related entities

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

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

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

Information on significant agreements on loan surety or on guarantee granting

As of the end of Q1 2004, the total value of sureties and guarantees granted by the Bank or its subsidiaries to a single entity does not exceed 10% of the Bank's shareholders' equity.

Other important information

Personnel changes in the Bank's authorities in Q1 2004

On 30 March 2004, Mr Wiesław Kalinowski submitted his written resignation from the function of the Vice-President of the Bank Management Board to the President of the Bank Supervisory Board. As of that date, his mandate as a member of the Bank Management Board expired.

Other information

On 23 March 2004, the Bank Management Board adopted a resolution on the proposed allocation of profit for 2003. The Bank Management Board proposed to allocate PLN 241,720,260.00 for dividend payment. The above proposal means that the dividend per one share is PLN 1.85. The Bank Management Board proposed 26 July 2004 as the date of determination of the right to the dividend and 1 September 2004 as the date of dividend payment. The above proposal of the Bank Management Board has been considered by the Supervisory Board, and then will be submitted to the General Meeting of Shareholders for approval.

Factors that will influence the future financial results achieved by the Bank's Capital Group

The most important factors that will influence the level of the Bank's Capital Group's results in the future include the following:

- the expected further improvement of the economic situation and of financial standing of the Bank's Capital Group's customers, which should be reflected in the gradual growth of demand for banking services, especially loans, and in the improvement of the loan portfolio quality;

- the direction of the interest rate policy adopted by the National Bank of Poland, in particular in the context of the decision announced in April 2004 to adopt a more restrictive approach to monetary policy.

The consolidated Quarterly Report for Quarter 1 of 2004 will be made available on the official website of Bank Handlowy w Warszawie SA at www.citibankhandlowy.pl

Signature of the Financial Reporting and Control Department Director Date and signature	Signature of the Management Board Member Chief Financial Officer Date and signature
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