



**Bank Handlowy w Warszawie
S.A.**

**Opinion and Report
of the Independent Auditor**

**Financial Year ended
31 December 2009**

The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 12 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2009



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OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Bank Handlowy w Warszawie S.A.

We have audited the accompanying separate financial statements of Bank Handlowy w Warszawie S.A., seated in Warsaw, 16 Senatorska St. ("the Bank"), which comprise the separate balance sheet as at 31 December 2009, with total assets and total liabilities and equity of PLN 36,455,439 thousand, the separate income statement for the year then ended with a net profit of PLN 525,152 thousand and the separate statement of comprehensive income for the year then ended with a total comprehensive income of PLN 588,236 thousand, the separate statement of changes in equity for the year then ended with an increase in equity of PLN 595,173 thousand, the separate statement of cash flows for the year then ended with an increase in cash amounting to PLN 525,913 thousand, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act") and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying separate financial statements of Bank Handlowy w Warszawie S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2009 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Bank's articles of association that apply to the Bank's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Other Matters

As required under the Accounting Act, we also report that the Report on the Bank's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the separate financial statements.

Signed on the Polish original

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On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 90121
Paweł Ryba,
Director

Signed on the Polish original

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On behalf of KPMG Audyt Sp. z o. o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9941
Bożena Graczyk,
Director

Warsaw, 10 March 2010



Bank Handlowy w Warszawie S.A.

**Report supplementing
the auditor's opinion
on the separate financial
statements**

**Financial Year ended
31 December 2009**

The report supplementing the auditor's opinion
contains 12 pages

Report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2009

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1. General

1.1. General information about the Bank

1.1.1. Bank's name

Bank Handlowy w Warszawie S.A.

1.1.2. Registered office

ul. Senatorska 16
00-923 Warszawa
Polska

1.1.3. Registration in the National Court Register

Registration court: District Court in Warsaw, XII Commercial Department of the
National Court Register
Date: 22 February 2001
Registration number: KRS 0000001538

1.1.4. Tax Office and Provincial Statistical Office registration

NIP number: 526-030-02-91
REGON: 000013037

1.2. Auditor information

Name: KPMG Audyt Sp. z o.o.
Registered office: Warsaw
Address: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000104753
Registration court: District Court for the Capital City Warsaw in Warsaw,
XII Commercial Department of the National Court
Register
Share capital: PLN 125,000
NIP number: 526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 458.

1.3. Legal status

1.3.1. Share capital

The Bank was established for an indefinite period under the terms of its articles of association dated 13 April 1870.

The share capital of the Bank, according to the National Court Register, amounted to PLN 522,638,400 as at 31 December 2009 divided into 130,659,600 ordinary shares with a nominal value of PLN 4 each.

As at 31 December 2009, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Voting rights (%)	Nominal value of shares PLN '000	Percentage of share capital (%)
Citibank Overseas Investment Corporation, USA	97,994,700	75.0%	391,979	75.0%
Others < 5%	32,664,900	25.0%	130,659	25.0%
	130,659,600	100.0%	522,638	100.0%

1.3.2. Related parties

The Bank is a member of the Citigroup Inc.

1.3.3. Management of the Bank

The Management Board is responsible for management of the Bank.

At 31 December 2009, the Management Board of the Bank was comprised of the following members:

- Sławomir S. Sikora – President of the Management Board,
- Michał H. Mrozek – Vice-president of the Management Board,
- Sonia Wędrychowicz- Horbatowska – Vice-president of the Management Board,
- Witold Zieliński – Vice-president of the Management Board,
- Iwona Dudzińska – Member of the Management Board.

Until 30 October 2009 Mr. Peter Rossiter was a Vice-president of the Management Board of the Bank.

On 18 September 2009 Ms. Iwona Dudzińska was appointed a Member of the Management Board of the Bank.

There were no changes in the composition of the Bank's Management Board during 2010, up to the date of the audit opinion and report on the Bank's financial statements.

1.3.4. Scope of activities

The business activities listed in the Bank's articles of association include the following:

- accepting call and term deposits as well as maintaining deposit accounts,
- maintaining other bank accounts,
- performing domestic and international cash settlements,
- granting cards and cash loans,
- accepting cheques, bills of exchange and warrants,
- granting and confirming sureties,
- issuing and confirming bank guarantees and letters of credit,
- purchasing and selling foreign currencies,
- acting as intermediary in money transfers and foreign exchange settlements,
- issuing bank's securities,
- rendering services related to securities issue,
- safe-keeping of valuables and securities and providing bank safes,

- issuing credit cards and performing the related operations,
- acquiring and selling receivables,
- performing term financial operations and other.

1.4. Prior period financial statements

The separate financial statements for the period ended 31 December 2008 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion:

The separate financial statements were approved at the General Meeting on 18 June 2009 where it was resolved to allocate the profit for the prior financial year of PLN 645 663 986,61 as follows:

- Reserve capital: PLN 570,663,986.61,
- General risk fund: PLN 75,000,000.00.

The closing balances as at 31 December 2008 have been properly recorded as the opening balances of the audited year.

The separate financial statements were submitted to the Registry Court on 24 June 2009 and were published in Monitor Polski B No. 2374 on 26 November 2009.

1.5. Audit scope and responsibilities

This report was prepared for the General Meeting of Bank Handlowy w Warszawie S.A. seated in Warsaw, 16 Senatorska St., and relates to the separate financial statements comprising: the balance sheet as at 31 December 2009, with total assets and total liabilities and equity of PLN 36,455,439 thousand, the separate income statement for the year then ended with a net profit of PLN 525,152 thousand and the separate statement of comprehensive income for the year then ended with a total comprehensive income of PLN 588,236 thousand, the separate statement of changes in equity for the year then ended with an increase in equity of PLN 595,173 thousand, the separate statement of cash flows for the year then ended with an increase in cash amounting to PLN 525,913 thousand, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

The audited Bank prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of Extraordinary General Meeting dated 7 December 2004.

The separate financial statements have been audited in accordance with the contract dated 30 November 2009, concluded on the basis of the resolution of the Supervisory Board dated 19 March 2009 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act and International Standards on Auditing.

We have conducted the interim audit in the Bank's head office during the period from 30 November 2009 to 31 December 2009.

We audited the separate financial statements in the Bank's head office during the period from 13 January 2010 to 10 March 2010.



Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

Management of the Bank and members of the Supervisory Board are obliged to ensure that the financial statements and the Report on the Bank's activities are in compliance with the requirements set forth in the Accounting Act.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Bank submitted a statement dated the same date as this report as to the true and fair presentation of the separate financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the separate financial statements of the Bank fulfill independence requirements. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o.o.

2. Financial analysis of the Bank

2.1. Summary of the separate financial statements

2.1.1. Balance sheet

ASSETS	31.12.2009	% of total	31.12.2008	% of total
	PLN '000	assets	PLN '000	assets
Cash and balances with Central Bank	4,113,355	11.3	3,530,977	8.6
Financial assets held for trading	5,372,618	14.7	7,884,536	19.1
Debt securities available-for-sale	8,290,225	22.7	10,814,828	26.2
Equity investments	305,016	0.8	291,385	0.7
Loans and advances	15,940,293	43.7	16,322,214	39.6
<i>to financial sector</i>	5,043,395	13.8	3,836,034	9.3
<i>to non-financial sector</i>	10,896,898	29.9	12,486,180	30.3
Property and equipment	471,103	1.3	540,200	1.3
<i>land, buildings and equipment</i>	452,795	1.2	521,892	1.3
<i>investment property</i>	18,308	0.1	18,308	0.0
Intangible assets	1,278,793	3.5	1,279,547	3.1
Income tax assets	459,413	1.3	325,563	0.8
Other assets	205,077	0.6	220,854	0.5
Non-current assets held-for-sale	19,546	0.1	35,267	0.1
TOTAL ASSETS	36,455,439	100.0	41,245,371	100.0
EQUITY AND LIABILITIES	31.12.2009	% of total	31.12.2008	% of total
	PLN '000	assets	PLN '000	assets
Liabilities				
Due to Central Bank	980,446	2.7	-	-
Financial liabilities held for trading	3,108,493	8.5	6,888,344	16.7
Financial liabilities valued at amortized cost	25,761,339	70.7	28,292,118	68.6
<i>deposits from</i>	25,408,506	69.7	27,904,792	67.7
<i>financial sector</i>	4,861,146	13.3	7,994,592	19.4
<i>non-financial sector</i>	20,547,360	56.4	19,910,200	48.3
<i>other liabilities</i>	352,833	1.0	387,326	0.9
Provisions	49,527	0.1	24,552	0.1
Other liabilities	421,011	1.2	500,907	1.2
Total liabilities	30,320,816	83.2	35,705,921	86.6
Equity				
Issued capital	522,638	1.4	522,638	1.3
Share premium	2,944,585	8.1	2,944,585	7.1
Revaluation reserve	(81,026)	0.2	(144,110)	0.4
Other reserves	2,223,274	6.1	1,570,673	3.8
Retained earnings	525,152	1.4	645,664	1.6
Total equity	6,134,623	16.8	5,539,450	13.4
TOTAL EQUITY AND LIABILITIES	36,455,439	100.0	41,245,371	100.0



2.1.2. Income statement

	1.01.2009 - 31.12.2009	1.01.2008 - 31.12.2008
	PLN '000	PLN '000
Interest and similar income	2,047,451	2,241,614
Interest expense and similar charges	(586,839)	(926,651)
Net interest income	1,460,612	1,314,963
Fee and commission income	608,434	664,789
Fee and commission expense	(84,925)	(72,982)
Net fee and commission income	523,509	591,807
Dividend income	17,848	66,216
Net trading income and revaluation	275,615	278,191
Net gain on investment (deposit) securities	77,845	57,184
Net gain on investment (capital) instruments	3,437	-
Other operating income	212,039	117,440
Other operating expenses	(49,701)	(31,547)
Net other operating income	162,338	85,893
General administrative expenses	(1,266,240)	(1,361,042)
Depreciation expense	(74,473)	(94,718)
Profit/ (loss) on sale of tangible fixed assets	2,705	3,173
Net impairment losses	(507,695)	(143,713)
Profit (loss) before tax	675,501	797,954
Income tax expense	(150,349)	(152,290)
Net profit (loss)	525,152	645,664
Weighted average number of ordinary shares	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	4.02	4.94
Diluted net profit per ordinary share (in PLN)	4.02	4.94

2.2. Statement of comprehensive income

Other comprehensive income:

<i>Profit/(loss) for the period</i>	525,152	645,664
Net change in fair value of available-for-sale financial assets	63,084	38,341
<i>Total comprehensive income for the period</i>	588,236	684,005

2.3. Selected financial ratios

	2009	2008
Total assets (PLN '000)	36,455,439	41,245,371
Profit (loss) before income tax (PLN '000)	675,501	797,954
Profit (loss) for the period (PLN '000)	525,152	645,664
Shareholders' equity (PLN '000)*	5,609,471	4,893,786
Return on equity	9.36%	13.19%
Receivables to total assets	43.73%	39.57%
Income generating assets to total assets	93.32%	94.18%
Interest bearing liabilities to total liabilities	81.88%	85.30%

* excluding current-year net profit

2.4. Interpretation of selected financial ratios

Changes of the most significant items of balance sheet and income statement are presented below: Total assets as of 31 December 2009 decreased by PLN 4,789,932 thousand, i.e. 11.61% and amounted to PLN 36,455,439 thousand. On the asset side the decrease followed a decrease in financial assets held for trading by PLN 2,511,918 thousand, i.e. 31.86% and in debt securities available-for-sale by PLN 2,524,603 thousand, i.e. 23.34%.

Total equity and liabilities decreased mainly as a result of a decrease in financial liabilities held for trading by PLN 3,779,851 thousand, i.e. 54.87% as well as of financial liabilities carried at amortized cost by PLN 2,530,779 thousand, i.e. 8.95%. Changes in financial assets and liabilities held for trading resulted mainly from the decrease in prices and trading volumes of foreign currency financial instruments in 2009 when compared to prior year. The decrease was partially off-set by an increase in liabilities due to Central Bank by PLN 980,446 thousand.

Profit before tax for the year ended 31 December 2009 accounted for PLN 675,501 thousand and decreased by PLN 122,453 thousand, i.e. 15.35%, comparing to the year ended 31 December 2008.



Bank Handlowy w Warszawie S.A.
Report supplementing the opinion on the separate financial statements
for the financial year ended 31 December 2009
TRANSLATION

The decrease in the gross profit resulted mainly from the net impairment charges, which in 2009 amounted to PLN 507,695 thousand and increased by PLN 363.982 thousand, i.e. 253.27%. The decrease was partially off-set by the increase in net interest income by PLN 145,649 thousand, i.e. 11.08% and in other operating income by PLN 94,599 thousand, i.e. 80.55%, which resulted from the refund of PLN 124,643 thousand of VAT overpaid in prior years.

Net profit for the year ended 31 December 2009 amounted to PLN 525,152 thousand and decreased by PLN 120,512 thousand, i.e. 18.66%, compared to the year ended 31 December 2008.

3.6. Report on the Bank's activities

The Report on the Bank's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the separate financial statements.

3.7. Information on the opinion of the independent auditor

Based on our audit of the separate financial statements as at and for the year ended 31 December 2009, we have issued an unqualified opinion.

Signed on the Polish original

Signed on the Polish original

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On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 90121
Paweł Ryba
Director

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ul. Chłodna 51, 00-867 Warsaw
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Warsaw, 10 March 2010