



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

**Opinion and Report  
of the Independent Auditor**

**Financial Year ended  
31 December 2010**

The opinion contains 2 pages  
The report supplementing the auditor's opinion  
contains 13 pages  
Opinion of the independent auditor  
and report supplementing the auditor's opinion  
on the consolidated financial statements  
for the financial year ended  
31 December 2010



**KPMG Audyt**  
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*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

## **OPINION OF THE INDEPENDENT AUDITOR**

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

We have audited the accompanying consolidated financial statements of Bank Handlowy w Warszawie S.A. Group, seated in Warsaw, 16 Senatorska St. ("the Group"), which comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

### *Management's and Supervisory Board's Responsibility*

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations and preparation of the Report on the Group's activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act"), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the Report on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

### *Auditor's Responsibility*

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated

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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements of Bank Handlowy w Warszawie S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2010 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

#### *Other Matters*

As required under the Accounting Act, we also report that the Report on the Group'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 as later amended) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną  
odpowiedzialnością sp.k. registration number 3546  
ul. Chłodna 51, 00-867 Warsaw

*Signed on the Polish original*

.....  
Certified Auditor No. 90115  
Magdalena Szymańska – Serwa

*Signed on the Polish original*

.....  
Certified Auditor No. 9941  
Limited Liability Partner with power  
of attorney  
Bożena Graczyk

9 March 2011  
Warsaw



TRANSLATION

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

**Report supplementing  
the auditor's opinion  
on the consolidated financial  
statements  
Financial Year ended  
31 December 2010**

The report supplementing the auditor's opinion  
contains 13 pages  
Report supplementing the auditor's opinion  
on the consolidated financial statements  
for the financial year ended  
31 December 2010

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## **1. General**

### **1.1 Identification of the Group**

#### **1.1.1 Name of the Group**

Bank Handlowy w Warszawie S.A. Group

#### **1.1.2 Registered office of the Parent Company of the Group**

ul. Senatorska 16  
00-923 Warszawa  
Polska

#### **1.1.3 Registration of the Parent Company 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
Initial capital as at balance sheet date:	PLN 522 638 400

#### **1.1.4. Management of the Parent Company**

The Management Board is responsible for management of the Parent Company.

At 31 December 2010, the Management Board of the Company was comprised of the following members:

- |                                    |   |
|------------------------------------|---|
| • Sławomir S. Sikora               | – President of the Management Board,      |
| • Robert Daniel Massey Jr          | – Vice-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.         |

On 26 May 2010 the Supervisory Board passed a resolution on appointment of a new member of the Management Board – Robert Daniel Massey Jr.

On 28 February 2011 Mr. Michał H. Mrozek, in connection with an offer of starting a job in the head office of Citibank in New York, ceased to function as Vice – president of the Management Board.

## **1.2 Information about companies comprising the Group**

### **1.2.1 Companies included in the consolidated financial statements**

As at 31 December 2010, the following companies were consolidated by the Group:

Parent Company:

- Bank Handlowy w Warszawie S.A.

Subsidiaries consolidated on the full consolidation basis:

- Dom Maklerski Banku Handlowego S.A.,
- Handlowy-Leasing Sp. z o.o.,
- Handlowy Investments S.A.,
- PPH Spomasz Sp. z o.o. in liquidation.

### **1.2.2 Entities excluded from consolidation**

As at 31 December 2010, the following subsidiaries of the Group were not consolidated:

- Bank Rozwoju Cukrownictwa S.A. in liquidation,
- Handlowy Investments II S.a.r.l.,
- Handlowy Inwestycje Sp. z o.o. in liquidation.

The entities are immaterial in relation to the consolidated financial statement taken as a whole and represent 0.2% of the Group's total assets and 0.2% of the Group's net profit without elimination of intercompany transactions.

## **1.3 Auditor information**

### **1.3.1 Key certified auditor information**

Name and surname: Bożena Graczyk  
Registration number: 9941

Name and surname: Magdalena Szymańska - Serwa  
Registration number: 90115



### **1.3.2 Authorized auditor information**

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Address: ul. Chłodna 51, 00-867 Warsaw  
Registration number: KRS 0000339379  
Registration court: District Court for the Capital City Warsaw in Warsaw,  
XII Commercial Department of the National Court Register  
NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of entities authorised to audit financial statements under number 3546.

### **1.4 Prior period consolidated financial statements**

The consolidated financial statements for the financial year ended 31 December 2009 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting on 28 June 2010.

The consolidated financial statements were submitted to the Registry Court on 2 July 2010 and were published in Monitor Polski B No. 85 on 25 January 2011.

### **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 consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2010, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The Parent Company prepares its consolidated 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 consolidated financial statements have been audited in accordance with the contract dated 9 November 2010, concluded on the basis of the resolution of Supervisory Board dated 24 September 2010 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing.

We have conducted the interim audit in the Parent Company's head office during the period from 9 November 2010 to 31 December 2010.

We audited the consolidated financial statements in the Parent Company's head office during the period from 23 January 2011 to 9 March 2011.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting



Standards as adopted by the European Union and with other applicable regulations and preparation of the Report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements.

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

All required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditors and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k., fulfill independence requirements from the companies included in the Group as described in Art. 56 points 3 and 4 of the Act on certified auditors and their government, audit firms and public oversight dated 7 May 2009 (Official Journal No. 77, item 649). 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 Spółka z ograniczoną odpowiedzialnością sp.k.

## **1.6 Information on audits of the financial statements of the consolidated companies**

### **1.6.1 Parent Company**

The financial statements of the Parent Company for the year ended 31 December 2010 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k., certified auditor number 3546, and received an unqualified opinion.

### **1.6.2 Other consolidated entities**

<b>Entity's name</b>	<b>Authorised auditor</b>	<b>Financial year end</b>	<b>Type of auditor's opinion</b>
Dom Maklerski Banku Handlowego S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2010	audit in progress
Handlowy - Leasing Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2010	audit in progress
Handlowy Investments S.A.	KPMG Audit S.a.r.l.	28.02.2011	audit not started yet
PPH Spomasz Sp. z o.o. w likwidacji	unaudited		

The financial statements of Handlowy Investments S.A. are audited by certified auditors other than KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. The total assets presented in the financial statements of this entity as at 31 December 2010 amount to 0.08% of the total consolidated assets of the Group before consolidation eliminations and the revenues of this entity for the financial year ended 31 December 2010 amount to 0.09% of the consolidated revenues of the Group, before eliminations of intercompany transactions.

## 2 Financial analysis of the Group

### 2.1 Summary of the consolidated financial statements

#### 2.1.1 Consolidated balance sheet

ASSETS	31.12.2010 PLN '000	% of total assets	31.12.2009 PLN '000	% of total assets
Cash and balances with Central Bank	3 206 554	8.6	4 113 355	10.9
Financial assets held for trading	3 995 916	10.7	5 397 125	14.3
Debt securities available-for-sale	13 029 254	34.7	8 290 225	22.0
Equity investments accounted for under the equity method	56 332	0.2	56 895	0.2
Other equity investments	23 949	0.1	24 140	0.1
Loans and advances	14 543 248	38.8	16 777 255	44.6
<i>to financial sector</i>	2 949 839	7.9	4 802 562	12.8
<i>to non-financial sector</i>	11 593 409	30.9	11 974 693	31.8
Property and equipment	475 373	1.3	505 192	1.3
<i>land, buildings and equipment</i>	457 065	1.2	486 884	1.3
<i>investment property</i>	18 308	0.1	18 308	0.1
Intangible assets	1 285 757	3.4	1 282 574	3.4
Income tax assets	321 669	0.9	476 372	1.3
Other assets	569 587	1.5	690 384	1.8
Non-current assets held-for-sale	9 901	0.0	19 546	0.1
<b>TOTAL ASSETS</b>	<b>37 517 540</b>	<b>100.0</b>	<b>37 633 063</b>	<b>100.0</b>



**Bank Handlowy w Warszawie S.A. Group**  
Report supplementing the opinion on the consolidated financial statements  
for the financial year ended 31 December 2009  
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<b>EQUITY AND LIABILITIES</b>	<b>31.12.2010</b>	<b>% of total</b>	<b>31.12.2009</b>	<b>% of total</b>
	<b>PLN '000</b>	<b>assets</b>	<b>PLN '000</b>	<b>assets</b>
<b>Liabilities</b>				
Due to Central Bank	-	-	980 446	2.6
Financial liabilities held for trading	2 804 437	7.5	3 108 493	8.3
Financial liabilities valued at amortized cost	27 308 344	72.8	26 359 837	70.0
<i>deposits from</i>	26 430 223	70.5	25 307 218	67.3
<i>financial sector</i>	6 007 190	16.0	4 735 260	12.6
<i>non-financial sector</i>	20 423 033	54.4	20 571 958	54.7
<i>debt securities issued</i>	11 533	0.0	-	-
<i>other liabilities</i>	866 588	2.3	1 052 619	2.8
Provisions	32 240	0.1	49 390	0.1
Other liabilities	879 584	2.3	935 508	2.5
<b>Total liabilities</b>	<b>31 024 605</b>	<b>82.7</b>	<b>31 433 674</b>	<b>83.5</b>
<b>Equity</b>				
Issued capital	522 638	1.4	522 638	1.4
Share premium	3 031 149	8.1	3 030 546	8.1
Revaluation reserve	(44 848)	0.1	(81 026)	0.2
Other reserves	2 248 707	6.0	2 225 712	5.9
Retained earnings	735 289	2.0	501 519	1.3
<b>Total equity</b>	<b>6 492 935</b>	<b>17.3</b>	<b>6 199 389</b>	<b>16.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>37 517 540</b>	<b>100.0</b>	<b>37 633 063</b>	<b>100.0</b>

## 2.1.2 Consolidated income statement

	1.01.2010 - 31.12.2010 PLN '000	1.01.2009 - 31.12.2009 PLN '000
Interest and similar income	1 972 045	2 098 938
Interest expense and similar charges	(474 593)	(593 557)
<b>Net interest income</b>	<b>1 497 452</b>	<b>1 505 381</b>
Fee and commission income	747 091	660 011
Fee and commission expense	(92 163)	(99 146)
<b>Net fee and commission income</b>	<b>654 928</b>	<b>560 865</b>
Dividend income	6 040	6 451
Net trading income and revaluation	281 154	269 248
Net gain on investment (deposit) securities	119 921	77 845
Net gain on investment (capital) instruments	3 888	3 437
Other operating income	68 907	208 635
Other operating expenses	(73 404)	(50 005)
<b>Net other operating income</b>	<b>(4 497)</b>	<b>158 630</b>
General administrative expenses	(1 313 006)	(1 305 059)
Depreciation expense	(62 479)	(78 847)
Profit/ (loss) on sale of tangible fixed assets	1 031	2 698
Net impairment losses	(242 520)	(545 809)
<b>Operating income</b>	<b>941 912</b>	<b>654 840</b>
Share in profits / (losses) of undertakings accounted for under the equity method	666	426
<b>Net profit</b>	<b>942 578</b>	<b>655 266</b>
Income tax expense	(187 767)	(150 867)
<b>Net profit</b>	<b>754 811</b>	<b>504 399</b>
Weighted average number of ordinary shares	130 659 600	130 659 600
Net profit per ordinary share (in PLN)	5.78	3.86
Diluted net profit per ordinary share (in PLN)	5.78	3.86
Net profit attributable to holders of the parent company	754 811	504 399
Net profit attributable to non-controlling interest	-	-



### 2.1.3 Consolidated statement of comprehensive income

<b><i>Profit for the period</i></b>	<b><i>754 811</i></b>	<b><i>504 399</i></b>
<b>Other comprehensive income:</b>		
Net change in fair value of available-for-sale financial assets	36 178	63 084
Foreign currency translation differences	(1 061)	(785)
<b><i>Other comprehensive income for the period, net of income tax</i></b>	<b><i>35 117</i></b>	<b><i>62 299</i></b>
<b><i>Total comprehensive income for the period</i></b>	<b><i>789 928</i></b>	<b><i>566 698</i></b>
Total comprehensive income attributable to holders of the parent company	789 928	566 698
Total comprehensive income attributable to non-controlling interest	-	-

### 2.2 Selected financial ratios

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total assets (PLN '000)	37 517 540	37 633 063	42 550 345
Profit before income tax (PLN '000)	942 578	655 266	759 162
Profit for the period (PLN '000)	754 811	504 399	600 434
Shareholders' equity (PLN '000)*	5 738 124	5 694 990	5 025 375
Return on equity	13.15%	8.86%	11.95%
Receivables to total assets	38.76%	44.58%	41.32%
Income generating assets to total assets	92.90%	92.10%	93.73%
Interest bearing liabilities to total liabilities	80.26%	80.91%	84.96%

\* excluding current-year net profit

### **3 Detailed report**

#### **3.1 Accounting principles**

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company.

Except for Handlowy Investments S.A. entity, the financial statements of the entities included in the consolidated financial statements were prepared as of the same balance sheet date as the financial statements of the Parent Company. With respect to consolidated entities, preparing their financial statements as at a date different than the balance sheet date of the financial statements of the Parent Company, the requirements of International Financial Reporting Standards as adopted by the European Union were followed.

#### **3.2 Basis of preparation of the consolidated financial statements**

The consolidated financial statements of the Bank Handlowy w Warszawie Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation.

#### **3.3 Method of consolidation**

The method of consolidation is described in note 2 of the notes to the consolidated financial statements.

#### **3.4 Consolidation of equity and calculation of non-controlling interest**

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

#### **3.5 Consolidation eliminations**

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.



The consolidation eliminations were based on the accounting records of Bank Handlowy w Warszawie S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

### **3.6 Compliance with banking regulations**

Base on our audit we have not identified any significant deviations in the Parent Company's compliance with the banking regulatory norm pertaining among other to loan concentration, obligatory reserve and capital adequacy ratio.

### **3.7 Notes to the consolidated financial statements**

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. The notes to the consolidated financial statements should be read in conjunction with the consolidated financial statements.

### **3.8 Report of the Management Board of the Parent Company on the Group's activities**

The Report of the Management Board of the Parent Company on the Group'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 as later amended) and the information is consistent with the consolidated financial statements.



### **3.9 Information on the opinion of the independent auditor**

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2010, we have issued an unqualified opinion.

On behalf of KPMG Audyt Spółka z ograniczoną  
odpowiedzialnością sp.k. registration number 3546  
ul. Chłodna 51, 00-867 Warsaw

*Signed on the Polish original*

*Signed on the Polish original*

.....  
Certified Auditor No. 90115  
Magdalena Szymańska – Serwa

.....  
Certified Auditor No. 9941  
Limited Liability Partner with power of  
attorney  
Bożena Graczyk

9 March 2011  
Warsaw