

Bank Handlowy w Warszawie S.A.

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2008**

**KPMG Audyt Sp. z o.o.
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 unconsolidated financial statements
for the financial year ended
31 December 2008**

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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 unconsolidated financial statements of Bank Handlowy w Warszawie S.A. seated in Warsaw, 16 Senatorska Street ("the Bank"), which comprise the balance sheet as at 31 December 2008, with total assets of and total liabilities and equity of PLN 41 245 371 thousand, the profit and loss account for the year then ended with a net profit of PLN 645 664 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 63 372 thousand, the cash flow statement for the year then ended with a decrease in cash amounting to PLN 133 971 thousand, and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

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 unconsolidated 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 unconsolidated 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 2002, No. 76, item 694 with amendments) ("the Accounting Act"), the professional standards established by the Polish National Council of Certified Auditors 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 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 unconsolidated financial statements of Handlowy w Warszawie S.A. have been prepared and present fairly in all material respects the financial position of the Bank as at 31 December 2008 and of 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, are in compliance with the respective regulations and the provisions of the Bank's Statute that apply to the Bank's unconsolidated 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) and the information is consistent with the unconsolidated financial statements.

Signed on the Polish original

.....
Certified Auditor No. 90121/8144
Paweł Ryba
Director

Signed on the Polish original

.....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk
Member of the Management Board

Signed on the Polish original

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For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Richard Cysarz
Member of the Management Board

12 March 2009
Warsaw, Poland

Bank Handlowy w Warszawie S.A.

**Report supplementing
the auditor's opinion
on the unconsolidated
financial statements
Financial Year ended
31 December 2008**

**KPMG Audyt Sp. z o.o.
The report supplementing the auditor's opinion
contains 12 pages
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for the financial year ended
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1 General

1.1 General information about the Bank

1.1.1 Company name

Bank Handlowy w Warszawie S.A.

1.1.2 Registered office

16 Senatorska Street
00-923 Warszawa
Poland

1.1.3 Registration in the National Court Register

Registration court: District Court in Warszawa, 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 founded under the Notarial Deed dated 13 April 1870.

The share capital of the Bank amounted to PLN 522 638 400 as at 31 December 2008 divided into 130 659 600 ordinary shares with a nominal value of PLN 4 each.

As at 31 December 2008, 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%

During the year 2008 there were no significant changes in the Bank shareholder structure.

In 2009 Pioneer Pekao Investment Management S.A. ("PPIM") informed about an increase of the total exposure of PPIM's clients up to 5.01% of the total voting rights on Bank's General Meeting as of 12 February 2009.

1.3.2 Related parties

The Bank is a member of the Citigroup Inc. Capital Group.

1.3.3 Management of the Company

The Management Board is responsible for management of the Bank.

At 31 December 2008, the Management Board of the Bank comprised the following members:

- Sławomir Sikora – President of the Management Board,
- Michał Mrozek – Vice-President of the Management Board,
- Peter Rossiter – Vice-President of the Management Board,
- Sonia Wędrychowicz – Horbatowska – Vice-President of the Management Board,
- Witold Zieliński – Vice-President of the Management Board.

Ms. Lidia Jabłonowska-Luba was Member of the Management Board till 31 March 2008. On 23 October 2008 Mr. Peter Rossiter was appointed a Vice-President of the Management Board. Till 1 October 2008 a Vice-President of the Management Board was Mr. Edward Wess.

There were no changes in the composition of the Bank's Management Board during 2009, up to the date of the audit opinion and report on the Bank's financial statements for the year ended 31 December 2008.

1.3.4 Scope of activities

The business activities listed in the Bank's Statute 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 credits 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 an intermediary in money transfers and foreign exchange settlements,

- issuing bank's securities,
- rendering services relating 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 unconsolidated financial statements for the period ended 31 December 2007 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The unconsolidated financial statements were approved at the General Meeting on 19 June 2008 where it was resolved to allocate the profit for the prior financial year of PLN 808 168 455.25 as follows:

- | | |
|-------------------|---------------------|
| • dividends | PLN 620 633 100.00, |
| • reserve capital | PLN 187 535 355.25. |

The closing balances as at 31 December 2007 have been properly recorded as the opening balances of the audited year.

The unconsolidated financial statements were submitted to the Registry Court on 24 June 2008 and were published in Monitor Polski B No. 2063 on 17 December 2008.

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 Street and relates to the unconsolidated financial statements comprising: the balance sheet as at 31 December 2008 with total assets and total liabilities and equity of PLN 41 245 371 thousand, the profit and loss account for the year then ended with a net profit of PLN 645 664 thousand, the statement of changes in equity for the year then ended an increase in equity of PLN 63 372 thousand, the cash flow statement for the year then ended a decrease in cash amounting to PLN 133 971 thousand and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The audited Bank prepares its unconsolidated 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 unconsolidated financial statements have been audited in accordance with the contract dated 10 October 2008, concluded on the basis of the resolution of Supervisory Board dated 20 March 2009 on the appointment of the auditor.

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

We audited the unconsolidated financial statements in the Bank's head office and branches during the period from 3 November 2008 to 12 March 2009.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the unconsolidated 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 unconsolidated 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 unconsolidated financial statements, and whether the unconsolidated 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 unconsolidated financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the unconsolidated 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 unconsolidated 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 unconsolidated financial statements

2.1.1 Balance sheet

ASSETS	31.12.2008 PLN '000	% of total	31.12.2007 PLN '000	% of total
Cash and balances with central bank	3 530 977	8.56%	3 321 503	8.74%
Financial assets held for trading	7 884 536	19.12%	5 132 265	13.50%
Debt securities available for sale	10 814 828	26.22%	6 467 638	17.02%
Equity investments	291 385	0.71%	302 321	0.80%
Loans and advances	16 322 214	39.57%	20 309 005	53.43%
<i>To financial sector</i>	3 836 034	9.30%	8 910 556	23.44%
<i>To non-financial sector</i>	12 486 180	30.27%	11 398 449	29.99%
Property and equipment	540 200	1.31%	601 088	1.58%
<i>land, buildings and equipment</i>	521 892	1.27%	576 060	1.52%
<i>investment property</i>	18 308	0.04%	25 028	0.07%
Intangible assets	1 279 547	3.10%	1 282 811	3.38%
Income tax assets	325 563	0.79%	368 497	0.97%
Other assets	220 854	0.54%	210 588	0.55%
Non-current assets held for sale	35 267	0.09%	12 645	0.03%
TOTAL ASSETS	41 245 371	100.00%	38 008 361	100.00%

LIABILITIES	31.12.2008 PLN '000	% of total	31.12.2007 PLN '000	% of total
Financial liabilities held for trading	6 888 344	16.70%	4 373 146	11.51%
Financial liabilities valued at amortized cost	28 292 118	68.59%	27 443 267	72.20%
<i>deposits from</i>	27 904 792	67.66%	27 001 251	71.04%
<i>financial sector</i>	7 994 592	19.38%	7 243 219	19.06%
<i>non-financial sector</i>	19 910 200	48.27%	19 758 032	51.98%
<i>other liabilities</i>	387 326	0.94%	442 016	1.16%
Provisions	24 552	0.06%	35 331	0.09%
Income tax liabilities	-	-	93 351	0.25%
Other liabilities	500 907	1.21%	587 188	1.54%
Total liabilities	35 705 921	86.57%	32 532 283	85.59%
EQUITY				
Issued capital	522 638	1.27%	522 638	1.38%
Share premium	2 944 585	7.14%	2 944 585	7.75%
Revaluation reserve	(144 110)	-0.35%	(182 451)	-0.48%
Other reserves	1 570 673	3.81%	1 382 238	3.64%
Retained earnings	645 664	1.57%	809 068	2.13%
Total equity	5 539 450	13.43%	5 476 078	14.41%
TOTAL LIABILITIES AND EQUITY	41 245 371	100.00%	38 008 361	100.00%

2.1.2 Profit and loss account

	01.01.2008 - 31.12.2008 PLN '000	1.01.2007 - 31.12.2007 PLN '000
Interest and similar income	2 241 614	1 936 192
Interest expense and similar charges	(926 651)	(766 153)
Net interest income	1 314 963	1 170 039
Fee and commission income	664 789	794 956
Fee and commission expense	(72 982)	(100 707)
Net fee and commission income	591 807	694 249
Dividend income	66 216	27 222
Net trading income and revaluation	278 191	416 834
Net gain on investment debt securities	57 184	30 086
Net gain on investment equity instruments	-	10 454
Other operating income	117 440	97 115
Other operating expenses	(31 547)	(34 583)
Net other operating income	85 893	62 532
General administrative expenses	(1 361 042)	(1 377 561)
Depreciation expense	(94 718)	(107 542)
Profit on sale of tangible fixed assets	3 173	598
Net impairment losses	(143 713)	83 113
Profit before tax	797 954	1 010 024
Income tax expense	(152 290)	(201 856)
Net profit	645 664	808 168
Weighted average number of ordinary shares	130 659 600	130 659 600
Net profit per ordinary share (in PLN)	4.94	6.19
Diluted net profit per ordinary share (in PLN)	4.94	6.19

2.2 Selected financial ratios

	31.12.2008	31.12.2007
Total assets (PLN '000)	41 245 371	38 008 361
Gross profit (PLN '000)	797 954	1 010 024
Net profit (PLN '000)	645 664	808 168
Shareholders' equity (PLN '000)*	4 893 786	4 667 910
Return on equity	13.19%	17.31%
Receivables to total assets	39.57%	53.43%
Income generating assets to total assets	94.18%	93.49%
Interest bearing liabilities to total liabilities	85.30%	83.71%

* excluding current-year net profit

2.3 Interpretation of selected financial ratios

Changes of the most significant items of balance sheet and income statement are presented below:

Total assets as of 31.12.2008 have increased by PLN 3 237 010 thousand (8.5%) compared to 31.12.2007 and accounted for PLN 41 245 371 thousand. On the assets side the increase was mainly connected with an increase in debt securities available for sale by PLN 4 347 190 thousand (67.2%) and financial assets held for trading by PLN 2 752 271 thousand (53.6%). Both increases were partially off-set by a decrease of loans and advances by PLN 3 986 791 thousand (19.6%).

On the equity and liabilities side the most significant influence on the increase of total position balance had the increase of financial liabilities held for trading by PLN 2 515 198 thousand (57.5%). The increase in equity was mainly attributable to the growth of other reserves by PLN 188 435 thousand (13.6%).

Profit before tax for the year ended 31 December 2008 accounted for PLN 797 954 thousand and decreased by PLN 212 070 thousand (21%), comparing to the year ended 31 December 2007. The decrease in the gross profit resulted mainly from net charges to impairment losses of PLN 143 713 thousand (PLN 83 113 thousand of net releases in 2008), the decrease in net trading income and revaluation by PLN 138 643 thousand (33.3%) and the decrease in net fee and commission income by PLN 102 442 thousand (14.8%). Those decreases were partially off-set by the increase of net interest income by PLN 144 924 thousand (12.4%).

Net profit for the year ended 31 December 2008 amounted to PLN 645 664 thousand and decreased by PLN 162 504 thousand (20.1%), compared to the year ended 31 December 2007.

3 Detailed report

3.1 Proper operation of the accounting system

The Bank maintains current documentation describing the applied accounting principles, adopted by the Management Board, to the extent required by Art. 10 of the Accounting Act.

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system. Our assessment covered in particular:

- appropriateness and consistency of the accounting principles used,
- correctness of the documentation of business transactions,
- fairness, accuracy and verifiability of the books of account, including the matching of accounting entries with supporting documentation and the financial statements,
- compliance of the adopted policies relating to safeguarding of accounting records, books of account and the financial statements with the Accounting Act.

On the basis of the work performed we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

3.2 Verification of assets and liabilities

The Bank performed a verification of assets and liabilities and in accordance with the requirements and time frame specified in Art. No. 26 of the Accounting Act.

Count differences have been recorded in the period covered by the unconsolidated financial statements.

3.3 Compliance with banking regulations

Based on our audit we have not identified any significant deviations in the bank's compliance with the banking regulatory norm pertaining among other to loan concentration – with consideration of information in the note 43 of the financial statements, obligatory reserve and capital adequacy ratio.

3.4 Audit materiality

We have planned and applied an appropriate level of precision in conducting our audit procedures in order to obtain reasonable assurance about whether the unconsolidated financial statements taken as a whole are free of material misstatements.

3.5 Notes to the financial statements

All information included in the notes to the unconsolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the financial statements taken as a whole.

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) and the information is consistent with the unconsolidated financial statements.

3.7 Information on the opinion of the independent auditor

Based on our audit of the unconsolidated financial statements as at and for the year ended 31 December 2008, we have issued an unqualified opinion.

Signed on the Polish original

.....
Certified Auditor No. 90121/8144
Paweł Ryba
Director

Signed on the Polish original

.....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk
Member of the Management Board

Signed on the Polish original

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For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Richard Cysarz
Member of the Management Board

12 March 2009
Warsaw, Poland