



Bank Handlowy w Warszawie S.A.  
Group

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 15 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 2009



**KPMG Audyt Sp. z o.o.**

ul. Chłodna 51  
00-867 Warszawa  
Poland

Telefon +48 22 528 11 00

Fax +48 22 528 10 09

E-mail kpmg@kpmg.pl

Internet www.kpmg.pl

*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., which comprise the consolidated balance sheet as at 31 December 2009, with total assets and total liabilities and equity of PLN 37,633,063 thousand, the consolidated income statement for the year then ended with a net profit of PLN 504,399 thousand and the consolidated statement of comprehensive income for the year then ended with a total comprehensive income of PLN 566,698 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 573.580 thousand, the consolidated statement of cash flows for the year then ended with an increase in cash amounting to PLN 525,861 thousand and notes to the consolidated financial statements, comprising of a summary significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements. 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 whether the financial statements are free from material misstatement.

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 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 2009 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 with amendments) and the information is consistent with the consolidated financial statements.

*Signed on the Polish original*

.....  
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*

.....  
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



TRANSLATION

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

**Report supplementing  
the auditor's opinion  
on the consolidated financial  
statements  
Financial Year ended  
31 December 2009**

The report supplementing the auditor's opinion  
contains 15 pages  
Report supplementing the auditor's opinion  
on the consolidated financial statements  
for the financial year ended  
31 December 2009

## Contents

1.	General	4
1.1	Identification of the Group	4
1.1.1	Name of the Group	4
1.1.2	Registered office of the Parent Company of the Group	4
1.1.3	Registration of the Parent Company in the National Court Register	4
1.1.4	Registration of the Parent Company in the Tax Office and Statistical Office	4
1.2	Information about companies comprising the Group	4
1.2.1	Companies included in the consolidated financial statements	4
1.2.2	Entities excluded from consolidation	4
1.3	Auditor information	5
1.4	Legal status	5
1.4.1	Share capital	5
1.4.2	Management of the Parent Company	5
1.4.3	Scope of activities	6
1.5	Prior period consolidated financial statements	6
1.6	Audit scope and responsibilities	7
1.7	Information on audits of the financial statements of the consolidated companies	9
1.7.1	Parent Company	9
1.7.2	Other consolidated entities	9
2	Financial analysis of the Group	10
2.1	Summary of the consolidated financial statements	10
2.1.1	Consolidated balance sheet	10
2.1.2	Consolidated income statement	11
2.2	Consolidated statement of comprehensive income	12
2.3	Selected financial ratios	12
2.4	Interpretation of selected financial ratios	12
3	Detailed report	14
3.1	Accounting principles	14
3.2	Basis of preparation of the consolidated financial statements	14
3.3	Method of consolidation	14
3.4	Consolidation of equity	14
3.5	Consolidation eliminations	14
3.6	Compliance with banking regulations	15
3.7	Audit materiality	15



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

*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*

3.8	Notes to the consolidated financial statements	15
3.9	Report of the Management Board of the Parent Company on the Group's activities	15
3.10	Information on the opinion of the independent auditor	15

## **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

#### **1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office**

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

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

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

As at 31 December 2009, 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 2009, 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 0.3% of the Group's net profit without elimination of intercompany transactions.

### 1.3 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.

### 1.4 Legal status

#### 1.4.1 Share capital

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

The share capital of the Parent Company 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 (%)
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%

#### 1.4.2 Management of the Parent Company

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

At 31 December 2009, the Management Board of the Parent Company 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 Parent Company.

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

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

### **1.4.3 Scope of activities**

The business activities listed in the Parent Company'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.

The business activities of subsidiaries of the Group, according to their articles of association, include the following:

- Dom Maklerski Banku Handlowego SA – brokerage activities,
- Handlowy - Leasing Sp. z o.o. – leasing activities,
- Handlowy Investments S.A. – investment activities,
- PPH Spomasz Sp. z o.o. in liquidation – no activities.

## **1.5 Prior period consolidated financial statements**

The consolidated financial statements for the financial year ended 31 December 2008 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 18 June 2009.

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

The consolidated financial statements were submitted to the Registry Court on 18 June 2009 and were published in Monitor Polski B No. 2374 on 26 November 2009.

## **1.6 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 2009, with total assets and total liabilities and equity of PLN 37,633,063 thousand, the consolidated income statement for the year then ended with a net profit of PLN 504,399 thousand and the consolidated statement of comprehensive income for the year then ended with a total comprehensive income of PLN 566,698 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 573,580 thousand, the consolidated statement of cash flows for the year then ended with an increase in cash amounting to PLN 525,861 thousand and notes to the consolidated financial statements, comprising 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 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 of the consolidated financial statements in the Parent Company's head office during the period from 30 November 2009 to 31 December 2009.

We audited the consolidated financial statements in the Parent Company's head office during the period from 30 November 2009 to 10 March 2010.

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.

Management of the Parent Company and members of the Supervisory Board are obliged to ensure that the consolidated financial statements and the Report of Managements Board on the Group'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.

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.



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

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 consolidated financial statements fulfil independence requirements from the companies included in the Group. 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.

## 1.7 Information on audits of the financial statements of the consolidated companies

### 1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2009 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

### 1.7.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Dom Maklerski Banku Handlowego S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	audit in progress
Handlowy - Leasing Sp. z o.o.	KPMG Audyt Sp. z o.o.	31.12.2009	audit in progress
Handlowy Investments S.A.	KPMG Audit S.a.r.l.	28.02.2010	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 Sp. z o.o. The total assets presented in the financial statements of this entity as at 31 December 2009 amount to 0.10% of the total consolidated assets of the Group before consolidation eliminations and the revenues of this entity for the financial year ended 31 December 2009 amount to 0.05% 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	31.12.2009 PLN '000	% of total assets	31.12.2008 PLN '000	% of total assets
Cash and balances with Central Bank	4,113,355	10.9	3,530,977	8.3
Financial assets held for trading	5,397,125	14.3	7,885,488	18.6
Debt securities available-for-sale	8,290,225	22.0	10,814,828	25.5
Equity investments accounted for under the equity	56,895	0.2	56,469	0.1
Other equity investments	24,140	0.1	11,095	-
Loans and advances	16,777,255	44.6	17,581,499	41.3
<i>to financial sector</i>	4,802,562	12.8	3,695,522	8.7
<i>to non-financial sector</i>	11,974,693	31.8	13,885,977	32.6
Property and equipment	505,192	1.3	571,947	1.3
<i>land, buildings and equipment</i>	486,884	1.2	553,639	1.2
<i>investment property</i>	18,308	0.1	18,308	0.1
Intangible assets	1,282,574	3.4	1,283,326	3.0
Income tax assets	476,372	1.3	336,290	0.8
Other assets	690,384	1.8	443,159	1.0
Non-current assets held-for-sale	19,546	0.1	35,267	0.1
<b>TOTAL ASSETS</b>	<b>37,633,063</b>	<b>100.0</b>	<b>42,550,345</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>	<b>31.12.2009 PLN '000</b>	<b>% of total assets</b>	<b>31.12.2008 PLN '000</b>	<b>% of total assets</b>
<b>Liabilities</b>				
Due to Central Bank	980,446	2.6	-	-
Financial liabilities held for trading	3,108,493	8.3	6,806,790	16.0
Financial liabilities valued at amortized cost	26,359,837	70.0	29,345,498	68.9
<i>deposits from</i>	25,307,218	67.3	27,857,332	65.4
<i>financial sector</i>	4,735,260	12.6	7,922,260	18.6
<i>non-financial sector</i>	20,571,958	54.7	19,935,072	46.8
<i>other liabilities</i>	1,052,619	2.8	1,488,166	3.5
Provisions	49,390	0.1	24,578	0.1
Income tax liabilities	-	-	77	-
Other liabilities	935,508	2.5	747,593	1.8
<b>Total liabilities</b>	<b>31,433,674</b>	<b>83.5</b>	<b>36,924,536</b>	<b>86.8</b>
<b>Equity</b>				
Issued capital	522,638	1.4	522,638	1.2
Share premium	3,030,546	8.1	3,029,703	7.1
Revaluation reserve	(81,026)	0.2	(144,110)	0.3
Other reserves	2,225,712	5.9	1,627,692	3.8
Retained earnings	501,519	1.3	589,886	1.4
<b>Total equity</b>	<b>6,199,389</b>	<b>16.5</b>	<b>5,625,809</b>	<b>13.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>37,633,063</b>	<b>100.0</b>	<b>42,550,345</b>	<b>100.0</b>

## 2.1.2 Consolidated income statement

	1.01.2009 - 31.12.2009	1.01.2008 - 31.12.2008
	PLN '000	PLN '000
Interest and similar income	2,098,938	2,318,624
Interest expense and similar charges	(593,557)	(952,874)
<b>Net interest income</b>	<b>1,505,381</b>	<b>1,365,750</b>
Fee and commission income	660,011	721,122
Fee and commission expense	(103,997)	(102,177)
<b>Net fee and commission income</b>	<b>556,014</b>	<b>618,945</b>
Dividend income	6,451	11,761
Net trading income and revaluation	269,248	259,342
Net gain on investment (deposit) securities	77,845	57,184
Net gain on investment (capital) instruments	3,437	(168)
Other operating income	208,635	125,349
Other operating expenses	(50,005)	(35,924)
<b>Net other operating income</b>	<b>158,630</b>	<b>89,425</b>
General administrative expenses	(1,300,208)	(1,398,793)
Depreciation expense	(78,847)	(97,115)
Profit/ (loss) on sale of tangible fixed assets	2,698	3,255
Net impairment losses	(545,809)	(153,080)
<b>Operating income</b>	<b>654,840</b>	<b>756,506</b>
	426	2,656
Share in profits / (losses) of undertakings accounted for under the equity method		
<b>Net profit (loss)</b>	<b>655,266</b>	<b>759,162</b>
Income tax expense	(150,867)	(158,728)
<b>Net profit (loss)</b>	<b>504,399</b>	<b>600,434</b>
Weighted average number of ordinary shares	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	3.86	4.60
Diluted net profit per ordinary share (in PLN)	3.86	4.60

## 2.2 Consolidated statement of comprehensive income

<i>Profit/(loss) for the period</i>	504,399	600,434
<b>Other comprehensive income:</b>		
Net change in fair value of available-for-sale financial assets	63,084	38,340
Foreign currency translation differences	(785)	5,548
<i>Other comprehensive income for the period, net of income tax</i>	<i>62,299</i>	<i>43,888</i>
<b>Total comprehensive income for the period</b>	<b>566,698</b>	<b>644,322</b>

## 2.3 Selected financial ratios

	2009	2008
Total assets (PLN '000)	37,633,063	42,550,345
Profit (loss) before income tax (PLN '000)	655,266	759,162
Profit (loss) for the period (PLN '000)	504,399	600,434
Shareholders' equity (PLN '000)*	5,694,990	5,025,375
Return on equity	8.86%	11.95%
Receivables to total assets	44.58%	41.32%
Income generating assets to total assets	92.10%	93.73%
Interest bearing liabilities to total liabilities	80.91%	84.96%

\* 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 4,917,282 thousand, i.e. 11.56% and amounted to PLN 37,633,063 thousand. On the asset side the decrease followed a decrease in financial assets held for trading by PLN 2,488,363 thousand, i.e. 31.56% 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 the decrease of total position balance had the decrease in financial liabilities held for trading by PLN 3,698,297 thousand, i.e. 54.33% as well as of financial liabilities carried at amortized cost by PLN 2,985,661 thousand, i.e. 10.17%. Changes in financial assets and liabilities held for trading resulted mainly from 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 655,266 thousand and decreased by PLN 103,896 thousand, i.e. 13.69%, comparing to the year ended 31 December 2008. The decrease in the gross profit resulted mainly from the net impairment charges, which in 2009 and decreased by PLN 392,729 thousand, i.e. 256.55% and amounted to PLN 545,509 thousand. The



decrease was partially off-set by the increase in net interest income by PLN 139,631 thousand, 10.22% and in other operating income by PLN 83,286 thousand, i.e. 66.44%, 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 504,399 thousand and decreased by PLN 96,035 thousand, i.e. 15.99%, compared to the year ended 31 December 2008.



### **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**

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 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 consolidated financial statements taken as a whole are free of material misstatements.

### **3.8 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 taken as a whole.

### **3.9 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 with amendments) and the information is consistent with the consolidated financial statements.

### **3.10 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 2009, we have issued an unqualified.

*Signed on the Polish original*

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

Warsaw, 10 March 2010

*Signed on the Polish original*

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