



**The Capital Group of
Bank Handlowy w Warszawie S.A.**

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2011**

**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 consolidated financial statements
for the financial year ended
31 December 2011**



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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 the Capital Group of Bank Handlowy w Warszawie S.A., whose parent entity is seated in Warsaw, 16 Senatorska Street ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, 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 for the Consolidated 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 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 the 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 the Capital Group of Bank Handlowy w Warszawie S.A. have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2011 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) 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

13 March 2012
Warsaw

Signed on the Polish original

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



TRANSLATION

**The Capital Group of
Bank Handlowy w Warszawie S.A.**

**Report supplementing
the auditor's opinion
on the consolidated financial
statements
Financial Year ended
31 December 2011**

**The report supplementing the auditor's opinion
contains 12 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2011**

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1. General

1.1 Identification of the Group

1.1.1 Name of the Group

The Capital Group of Bank Handlowy w Warszawie S.A.

1.1.2 Registered office of the Parent Company of the Group

16 Senatorska Street
Warsaw

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

Share 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 2011, the Management Board of the Parent 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,
- Misbah Ur-Rahman-Shah – 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 28 February 2011 Mr. Michał H. Mrozek ceased a function as Vice-president of the Management Board.

On 15 March 2011 the Supervisory Board passed a resolution on appointment of a new member of the Management Board Mr. Misbah Ur-Rahman-Shah.

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2011, 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 2011, 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.

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 Audit 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 audit firms under number 3546.

1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2010 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting on 1 June 2011.

The consolidated financial statements were submitted to the Registry Court on 6 June 2011 and were published in Monitor Polski B No. 2118 on 8 November 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 statement of financial position as at 31 December 2011, 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 28 November 2011, concluded on the basis of the resolution of Supervisory Board dated 15 March 2011 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 the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 28 November 2011 to 13 March 2012.

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 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 from 2009, 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 2011 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

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Dom Maklerski Banku Handlowego S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2011	ongoing
Handlowy-Leasing Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2011	ongoing
Handlowy Investments S.A.	KPMG Audit Sarl (Luxembourg)	28.02.2012	ongoing
PPH Spomasz Sp. z o.o. w likwidacji	Not subject to audit for the year ending 31 December 2011		

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Balance sheet

ASSETS	31.12.2011 PLN '000	% of total assets	31.12.2010 PLN '000	% of total assets
Cash and balances with Central Bank	979 616	2,3	3 206 554	8,5
Due from banks	548 256	1,3	2 273 139	6,1
Financial assets held for trading	5 805 044	13,7	3 995 916	10,7
Debt securities available-for-sale	17 625 355	41,7	13 029 254	34,7
Equity investments accounted for under the equity method	57 945	0,1	56 332	0,1
Other equity investments	24 912	0,0	23 949	0,1
Due from customers	14 719 473	34,8	12 270 109	32,7
Property and equipment	457 929	1,1	475 373	1,3
Intangible assets	1 292 067	3,1	1 285 757	3,4
Tax assets	338 757	0,8	321 669	0,9
current	3 436	0,0	75 298	0,2
deferred	335 321	0,8	246 371	0,7
Other assets	403 182	1,0	569 587	1,5
Non-current assets held-for-sale	25 662	0,1	9 901	0,0
TOTAL ASSETS	42 278 198	100	37 517 540	100,000
EQUITY AND LIABILITIES	31.12.2011 PLN '000	% of total assets	31.12.2010 PLN '000	% of total assets
Liabilities				
Deposits from banks	6 011 378	14,2	3 431 049	9,1
Financial liabilities held for trading	4 840 447	11,4	2 804 437	7,5
Deposits from customers	24 095 847	57,0	23 865 762	63,6
Debt securities issued	25 336	0,1	11 533	0,0
Provisions	34 914	0,1	32 240	0,1
Tax liabilities	72 921	0,2	-	-
current	72 921	0,2	-	-
Other liabilities	752 874	1,8	879 584	2,3
Total liabilities	35 833 717	84,8	31 024 605	82,6
Equity				
Share capital	522 638	1,2	522 638	1,4
Supplementary capital	3 009 396	7,1	3 031 149	8,1
Revaluation reserve	(82 294)	0,2	(44 848)	0,1
Other reserve capitals	2 264 082	5,4	2 248 707	6,0
Retained earnings	730 659	1,7	735 289	2,0
Total equity	6 444 481	15,2	6 492 935	17,4
TOTAL EQUITY AND LIABILITIES	42 278 198	100	37 517 540	100



2.1.3. Consolidated income statement

	1.01.2011 - 31.12.2011 PLN '000	1.01.2010 - 31.12.2010 PLN '000
Interest and similar income	1 927 390	1 973 413
Interest expense and similar charges	(493 036)	(474 593)
Net interest income	1 434 354	1 498 820
Fee and commission income	752 733	747 091
Fee and commission expense	(109 563)	(92 163)
Net fee and commission income	643 170	654 928
Dividend income	5 688	6 040
Net trading income and revaluation	302 917	281 154
Net gain on investment (deposit) securities	30 142	119 921
Net gain on investment (capital) instruments	-	3888
Other operating income	53 254	67 539
Other operating expenses	(42 966)	(73 404)
Net other operating income	10 288	(5 865)
General and administrative expenses	(1 372 006)	(1 313 006)
Depreciation expense	(60 016)	(62 479)
Profit on sale of tangible fixed assets	2 073	1 031
Net impairment loss	(76 809)	(242 520)
Operating profit	919 801	941 912
Share in subsidiaries profits	1 677	666
Gross profit	921 478	942 578
Income tax expense	(185 065)	(187 767)
Net profit	736 413	754 811
Weighted average number of ordinary shares (in pcs)	130 659 600	130 659 600
Net profit per ordinary share (PLN)	5,64	5,78
Diluted net profit per ordinary share (PLN)	5,64	5,78

2.1.3. Consolidated statement of comprehensive income

<i>Net profit for the period</i>	736 413	754 811
Other total comprehensive income:		
Net change in fair value of available-for-sale financial assets	(37 446)	36 178
Exchange rate difference	3 094	(1 061)
Net other total comprehensive income	(34 352)	35 117
Total comprehensive income	702 061	789 928

2.2 Selected financial ratios

	2011	2010	2009
Total assets (PLN '000)	42 278 198	37 517 540	37 633 063
Profit before income tax (PLN '000)	921 478	942 578	655 266
Profit for the period (PLN '000)	736 413	754 811	504 399
Shareholders' equity (PLN '000)*	5 708 068	5 738 124	5 694 990
Return on equity	12,90%	13,15%	8,86%
Receivables to total assets	36,11%	38,76%	44,58%
Income generating assets to total assets	94,05%	92,90%	92,10%
Interest bearing liabilities to total liabilities	82,72%	80,26%	80,91%

* 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.

With the exception of Handlowy Investments S.A. financial statements of entities included in consolidation were prepared at the end of the same reporting period as the financial statements of Parent Company. In case of companies included in consolidation, which prepare financial statements at the end of different reporting period than consolidated financial statement of Parent Company, appropriate adjustments were made to ensure consistency with International Financial Reporting Standards, approved by the European Union.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. 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 prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 r., No 169, item 1327).

3.3 Method of consolidation

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

3.4 Goodwill arising on consolidation

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

3.5 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.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

3.6 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.

3.7 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. This information 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 with amendments) 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 2011, 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

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Certified Auditor No. 90115
Magdalena Szymańska - Serwa

13 March 2012
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