



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

**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 14 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 2008**

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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 Street (“Group”), which comprise the consolidated balance sheet as at 31 December 2008, with total assets and total liabilities and equity of PLN 42 550 345 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 600 434 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 22 725 thousand, the consolidated cash flow statement for the year then ended with a decrease in cash amounting to PLN 138 793 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

### *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 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 are free of 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 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, 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 of the Management Board 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.

*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*

.....  
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. Group**

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

**Financial Year ended  
31 December 2008**

**KPMG Audyt Sp. z o.o.  
The report supplementing the auditor's opinion  
contains 14 pages  
Report supplementing the auditor's opinion  
on the consolidated financial statements  
for the financial year ended  
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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**

16 Senatorska Street  
00-923 Warszawa  
Poland

#### **1.1.3 Registration of the Parent Company 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 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 2008, 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 2008, the following subsidiaries of the Group were not consolidated:

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

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 0.1% 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 Bank was established under the Notarial Deed dated 13 April 1870.

The share capital of the Parent Company amounted to PLN 522 638 400 as at 31 December 2007 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 of 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 Parent Company 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 Parent Company's General Meeting as of 12 February 2009.

#### 1.4.2 Management of the Parent Company

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

At 31 December 2008, the Management Board of the Parent Company was comprised of the following members:

- Sławomir Sikora – President of the Management Board,
- Michał Mrożek – 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 Jabłowska-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.

### **1.4.3 Scope of activities**

The business activities listed in the Parent Company'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.

The business activities of subsidiaries of the Group 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 2007 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 19 June 2008.

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

The consolidated 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.



## **1.6 Audit scope and responsibilities**

This report was prepared for the General Meeting of Bank Handlowy w Warszawie S.A. seated in Warsaw, 16 Senatorska Street and relates to the consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2008, with total assets and total liabilities and equity of PLN 42 550 345 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 600 434 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 22 725 thousand, the consolidated cash flow statement for the year then ended with a decrease in cash amounting to PLN 138 793 thousand, and the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The audited Company prepares its 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 10 October 2008, concluded on the basis of the resolution of Supervisory Board dated 20 March 2008 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 consolidated financial statements in the Parent Company's head office and branches during the period from 3 November 2008 to 12 March 2009.

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 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.

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 2008 were audited by KPMG Audyty Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

### **1.7.2 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 Audyty Sp. z o.o.   | 31.12.2008                | audit in progress                |
| Handlowy - Leasing Sp. z o.o.         | KPMG Audyty Sp. z o.o.   | 31.12.2008                | audit in progress                |
| Handlowy Investments S.A.             | KPMG Audit S.a.r.l.  | 29.02.2009                | audit not started yet            |
| PPH Spomasz Sp. z o.o. in liquidation | Was not a subject to audit for the year ended 31 December 2008 |                           |                                  |

The financial statements of Handlowy Investments S.A. are audited by certified auditors other than KPMG Audyty Sp. z o.o. The total assets presented in the financial statements of this entity as at 31 December 2008 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 2008 amount to 0.04 % 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

|  | 31.12.2008<br>PLN '000 | % of total     | 31.12.2007<br>PLN '000 | % of total     |
|--|------------------------|----------------|------------------------|----------------|
| <b>ASSETS</b>  |                        |                |                        |                |
| Cash and balances with central bank                      | 3 530 977              | 8.30%          | 3 321 503              | 8.54%          |
| Financial assets held for trading                        | 7 885 488              | 18.53%         | 5 135 708              | 13.20%         |
| Debt securities available for sale                       | 10 814 828             | 25.42%         | 6 467 638              | 16.62%         |
| Equity investments accounted for under the equity method | 56 469                 | 0.13%          | 58 388                 | 0.15%          |
| Other equity investments                                 | 11 095                 | 0.03%          | 21 909                 | 0.06%          |
| Loans and advances                                       | 17 581 499             | 41.32%         | 21 205 373             | 54.50%         |
| <i>to financial sector</i>                               | 3 695 522              | 8.69%          | 8 718 832              | 22.41%         |
| <i>to non-financial sector</i>                           | 13 885 977             | 32.63%         | 12 486 541             | 32.09%         |
| Property and equipment                                   | 571 947                | 1.34%          | 612 797                | 1.58%          |
| <i>land, buildings and equipment</i>                     | 553 639                | 1.30%          | 587 769                | 1.51%          |
| <i>investment property</i>                               | 18 308                 | 0.04%          | 25 028                 | 0.07%          |
| Intangible assets  | 1 283 326              | 3.02%          | 1 284 078              | 3.30%          |
| Income tax assets  | 336 290                | 0.79%          | 374 468                | 0.96%          |
| Other assets   | 443 159                | 1.04%          | 413 477                | 1.06%          |
| Non-current assets held-for-sale                         | 35 267                 | 0.08%          | 12 645                 | 0.03%          |
| <b>TOTAL ASSETS</b>                                      | <b>42 550 345</b>      | <b>100.00%</b> | <b>38 907 984</b>      | <b>100.00%</b> |

|  | 31.12.2008<br>PLN '000 | % of total     | 31.12.2007<br>PLN '000 | % of total     |
|--|------------------------|----------------|------------------------|----------------|
| <b>LIABILITIES</b>                             |                        |                |                        |                |
| Financial liabilities held for trading         | 6 806 790              | 16.00%         | 4 373 146              | 11.24%         |
| Financial liabilities valued at amortized cost | 29 345 498             | 68.97%         | 28 000 003             | 71.96%         |
| <i>deposits from</i>                           | 27 857 332             | 65.47%         | 26 896 411             | 69.13%         |
| <i>financial sector</i>                        | 7 922 260              | 18.62%         | 7 085 042              | 18.21%         |
| <i>non-financial sector</i>                    | 19 935 072             | 46.85%         | 19 811 369             | 50.92%         |
| <i>other liabilities</i>                       | 1 488 166              | 3.50%          | 1 103 592              | 2.84%          |
| Provisions                                     | 24 578                 | 0.06%          | 37 548                 | 0.10%          |
| Income tax liabilities                         | 77                     | -              | 101 889                | 0.26%          |
| Other liabilities                              | 747 593                | 1.76%          | 792 314                | 2.04%          |
| <b>Total liabilities</b>                       | <b>36 924 536</b>      | <b>86.78%</b>  | <b>33 304 900</b>      | <b>85.60%</b>  |
| <b>EQUITY</b>                                  |                        |                |                        |                |
| Share capital                                  | 522 638                | 1.23%          | 522 638                | 1.34%          |
| Share premium                                  | 3 029 703              | 7.12%          | 3 028 809              | 7.78%          |
| Revaluation reserve                            | (144 110)              | -0.34%         | (182 450)              | -0.47%         |
| Other reserves                                 | 1 627 692              | 3.83%          | 1 454 355              | 3.74%          |
| Retained earnings                              | 589 886                | 1.39%          | 779 732                | 2.00%          |
| <b>Total equity</b>                            | <b>5 625 809</b>       | <b>13.22%</b>  | <b>5 603 084</b>       | <b>14.40%</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>            | <b>42 550 345</b>      | <b>100.00%</b> | <b>38 907 984</b>      | <b>100.00%</b> |

## 2.1.2 Consolidated profit and loss account

|   | <b>01.01.2008-<br/>31.12.2008<br/>PLN '000</b> | <b>01.01.2007-<br/>31.12.2007<br/>PLN '000</b> |
|---|--|--|
| Interest and similar income   | 2 318 624                                      | 1 976 851                                      |
| Interest expense and similar charges  | (952 874)                                      | (772 431)                                      |
| <b>Net interest income</b>  | <b>1 365 750</b>                               | <b>1 204 420</b>                               |
| Fee and commission income   | 721 122  | 871 142  |
| Fee and commission expense  | (102 177)                                      | (134 459)                                      |
| <b>Net fee and commission income</b>  | <b>618 945</b>                                 | <b>736 683</b>                                 |
| Dividend income   | 11 761   | 5 940  |
| Net income on financial instruments and revaluation                               | 259 342  | 422 520  |
| Net gain on investment debt securities  | 57 184   | 30 086   |
| Net profit on investment equity instruments                                       | (168)  | 47 489   |
| Other operating income  | 125 349  | 107 724  |
| Other operating expenses  | (35 924)                                       | (42 659)                                       |
| <b>Net other operating income</b>   | <b>89 425</b>                                  | <b>65 065</b>                                  |
| General administrative expenses   | (1 398 793)                                    | (1 413 707)                                    |
| Depreciation expense  | (97 115)                                       | (108 837)                                      |
| Profit / (loss) on sale of tangible fixed assets                                  | 3 255  | 596  |
| Net impairment charges  | (153 080)                                      | 52 556   |
| <b>Operating income</b>   | <b>756 506</b>                                 | <b>1 042 811</b>                               |
| Share in profits / (losses) of undertakings accounted for under the equity method | 2 656  | (8 586)  |
| <b>Profit before tax</b>  | <b>759 162</b>                                 | <b>1 034 225</b>                               |
| Income tax expenses   | (158 728)                                      | (210 010)                                      |
| <b>Net profit</b>   | <b>600 434</b>                                 | <b>824 215</b>                                 |
| Weighted average number of ordinary shares  | 130 659 600                                    | 130 659 600                                    |
| Net profit per ordinary share (in PLN)  | 4.60   | 6.31   |
| Diluted net profit per ordinary share (in PLN)                                    | 4.60   | 6.31   |

## 2.2 Selected financial ratios

|   | <b>31.12.2008</b> | <b>31.12.2007</b> |
|---|-------------------|-------------------|
|   | <b>PLN '000</b>   | <b>PLN '000</b>   |
| Total assets                                      | 42 550 345        | 38 907 984        |
| Gross profit                                      | 759 162           | 1 034 225         |
| Net profit  | 600 434           | 824 215           |
| Shareholders' equity *                            | 5 025 375         | 4 778 869         |
| Return on equity*                                 | 11.95%            | 17.25%            |
| Receivables to total assets                       | 41.32%            | 54.50%            |
| Income generating assets to total assets          | 93.73%            | 93.07%            |
| Interest bearing liabilities to total liabilities | 84.96%            | 83.20%            |

\* *excluding current-year net profit*

## 2.3 Interpretation of selected financial ratios

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

Total assets of the Group as of 31.12.2008 have increased by PLN 3 642 361 thousand (9.36%) compared to 31.12.2007 and accounted for PLN 42 550 345 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 2 749 780 thousand (53.3%). Both increases were partially off-set by a decrease of loans and advances by PLN 3 623 874 thousand (17.09%).

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 2 433 644 thousand (55.7%) and the increase in financial liabilities valued at amortized cost by PLN 1 345 495 thousand (4.8%). The increase in equity was mainly attributable to the growth of other reserves by PLN 173 337 thousand (11.9%).

Profit before tax for the year ended 31 December 2008 accounted for PLN 759 162 thousand and decreased by PLN 275 063 thousand (26.6%), comparing to the year ended 31 December 2007. The decrease in the gross profit resulted mainly from the net charges to impairment losses of PLN 153 080 thousand (PLN 52 566 thousand of net releases in 2008), the decrease in net income on financial instruments and revaluation by PLN 163 178 thousand (38.6%) and the decrease in net fee and commission income by PLN 117 738 thousand (16%). Those increases were partially off-set by the increase in net interest income by PLN 161 330 thousand (13.4%).

Net profit for the year ended 31 December 2008 amounted to PLN 600 434 thousand and decreased by PLN 223 781 thousand (27.2%), compared to the year ended 31 December 2007.

### **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., 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 Handlowy Investments S.A., 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 S.A. 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 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**

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 balance sheet date 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.

### **3.6 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 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.

### **3.8 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.

### **3.9 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 notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the consolidated financial statements taken as a whole.

### **3.10 Report 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) and the information is consistent with the consolidated financial statements.





### **3.11 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 2008, we have issued an unqualified.

*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*

.....  
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