

OPINION OF THE INDEPENDENT AUDITOR

To the Shareholders of Bank Handlowy w Warszawie SA

We have audited the accompanying financial statements of Bank Handlowy w Warszawie SA seated in Warsaw, ul. Senatorska 16, consisting of the introduction to the financial statements, the balance sheet as at 31 December, 2004, with total assets and total liabilities and equity of PLN 33,819,932 thousand, the capital adequacy ratio, the statement of contingencies and commitments granted as at 31 December, 2004 amounting to PLN 11,762,863 thousand, the profit and loss account for the year then ended with a net profit of PLN 414,214 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 205,855 thousand, the cash flow statement for the year then ended with a decrease in cash amounting to PLN 239,847 thousand, and the supplementary information and explanations.

Management Board of Bank Handlowy w Warszawie SA is responsible for the true and fair presentation of the accompanying financial statements and the accuracy of the accounting records. Our responsibility was to audit and express an opinion on the true and fair presentation of the financial statements and whether the financial statements are derived from properly maintained accounting records.

We conducted our audit of financial statements in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with subsequent amendments) and the professional standards established by the Polish National Council of Certified Auditors. These standards require that we plan and perform the audit to obtain reasonable basis for expressing an opinion on the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank's Management Board, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements of Bank Handlowy w Warszawie SA have been prepared from properly maintained accounting records and present fairly, in all material aspects, the financial position of the Bank as at 31 December 2004 and the results of its operations for the year then ended in accordance with the accounting standards as set out in the Polish Accounting Act dated 29 September 1994, the Resolution of the Minister of Finance dated 10 December 2001 regarding special accounting principles for banks (Official Journal from 2001, No. 149, item 1673 with subsequent amendments), requirements relating to issuers of publicly traded securities and regulations and with the respective laws, regulations and the Bank's statute, that apply to the Bank's financial statements.

As required under the Polish Accounting Act dated 29 September 1994, we also report that the Report on the Bank's activities includes the information required by Art. 49 Note 2 of the Accounting Act and requirements of the Resolution of Council of Ministers dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No. 139, item 1569 with subsequent amendments) and the information is consistent with the financial statements.

signed on the Polish original

.....
Certified Auditor No. 3683/5018
Janina Skwarka

signed on the Polish original

.....
On behalf of 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

.....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Robert J. Widdowson, Partner

Warsaw, 24 March 2005

BANK HANDLOWY W WARSZAWIE SA

**REPORT SUPPLEMENTING THE OPINION
ON THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2004**

Contents

| | | |
|----------|---|-----------|
| 1 | General | 3 |
| 1.1 | General information about Bank | 3 |
| 1.2 | Auditor information | 3 |
| 1.3 | Legal status | 3 |
| 1.4 | Prior period financial statements | 5 |
| 1.5 | Audit scope and responsibilities | 6 |
| 2 | Financial analysis of the Bank | 7 |
| 2.1 | Summary of the financial statements | 7 |
| 2.2 | Selected financial ratios | 10 |
| 2.3 | Interpretation of selected financial ratios | 11 |
| 3 | Detailed report | 12 |
| 3.1 | Accounting records | 12 |
| 3.2 | Internal control | 12 |
| 3.3 | Principles of prudence applied by the Bank and the capital adequacy ratio | 12 |
| 3.4 | Materiality level applied by the auditor | 12 |
| 3.5 | Supplementary information and explanations on financial statements | 12 |
| 3.6 | Report on the Bank's activities | 13 |
| 3.7 | Information on the opinion of the independent auditor | 13 |

1 General

1.1 General information about Bank

1.1.1 Bank name

Bank Handlowy w Warszawie SA (hereafter 'Bank')

1.1.2 Bank's registered office

ul. Senatorska 16
00 – 923 Warszawa
Poland

1.1.3 Commercial register

Seat of the court: Warszawa
Date of the registration of the Bank: 22 February 2001
Registration number: KRS 0000001538

1.1.4 Tax Office and Provincial Statistical Office registration

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

1.2 Auditor information

KPMG Audyt Sp. z o. o.
ul. Chłodna 51
00-867 Warsaw
Poland

KPMG Audyt Sp. z o.o. (prior to 9 May 2004 registered as KPMG Polska Audyt Sp. z o.o.) is registered as a company authorised to audit financial statements (number 458).

1.3 Legal status

1.3.1 Share capital

Bank Handlowy w Warszawie SA 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 2004 and was divided into 130,659,600 ordinary shares with a nominal value per share of PLN 4.

*Report supplementing the opinion on the financial statements
for the financial year ended 31 December 2004*

Translation of document originally issued in Polish

As at 31 December 2004 the shareholder structure of the Bank was as follows:

| Name of the Shareholder | Number of shares | Number of voting rights (in %) | Book value of shares (PLN) | Percentage of share capital (in %) |
|---|--------------------|--------------------------------|----------------------------|------------------------------------|
| Citibank Overseas Investment Corporation, USA | 97,994,700 | 75.0 | 391,979 | 75.0 |
| International Finance Associates, USA | 18,722,874 | 14.3 | 74,891 | 14.3 |
| Other shareholders | 13,942,026 | 10.7 | 55,768 | 10.7 |
| Total | 130,659,600 | 100.00 | 522,638 | 100.00 |

1.3.2 Related parties

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

1.3.3 Management Board

At 31 December 2004 the Management Board of the Bank was comprised of the following members:

| | |
|--|--------------------------|
| President of the Management Board | Sławomir Sikora |
| Vice-president of the Management Board | Sunil Sreenivasan |
| Vice-president of the Management Board | Philip Vincent King |
| Vice-president of the Management Board | David J. Smith |
| Member of the Management Board | Lidia Jabłonowska - Luba |
| Member of the Management Board | Michał H. Mrozek |

In 2004 the following changes in composition of Bank's Management Board took place:

- on 30 March 2004, Wiesław Kalinowski, Vice-president of the Bank's Management Board resigned from his position;
- on 25 May 2004 Michał H. Mrozek was appointed as a Member of the Bank's Management Board;
- on 7 December 2004 the Bank's Supervisory Board appointed Reza Ghaffari as a Vice-president of the Bank's Management Board. The resolution came into power on 3 February 2005 after Reza Ghaffari had received a work permit;
- on 7 February 2005 David J. Smith resigned from the position of Member of the Management Board.

1.3.4 Scope of activities

According to the Bank's Statute, the main activities include the following:

- accepting deposits payable on request or on a given date and account operation for such deposits,
- operation of other bank accounts,
- performing cash settlements in all forms accepted in domestic and international banking relation,
- extending credits and cash loans,
- conducting operations which involve checks, bills of exchange and warrants,
- issuing and confirming sureties,
- issuing and confirming bank guarantees and open letters of credit,
- performing FX operations,
- provision of agency services in money transfers abroad by residents and settlements with non-residents in Poland,
- issuing of banking securities,
- commissioned operations related to issue of securities,
- safe-keeping of valuable objects and securities and safe-box services,
- issuing of payment cards and processing of operations executed with use of such cards,
- purchase and sale of receivables,
- processing of forward transactions,

and other.

1.4 Prior period financial statements

The financial statements for the year ended 31 December 2003 were audited by KPMG Polska Audyt Sp. z o.o. and received an unqualified opinion.

The financial statements for the year ended 31 December 2003 were approved at the General Shareholder's Meeting on 24 June 2004, where it was resolved to distribute the profit for the prior financial year of PLN 242,510,355.70 as follows:

| | in PLN |
|---|-----------------------|
| Appropriation for payment of dividend | 241,720,260.00 |
| Appropriation for equity reserves | 790,075.70 |
| Net profit for the year ended 31 December 2003 | 242,510,335.70 |

The financial statements were submitted to the Registry Court on 7 July 2004 and were published in the Monitor Polski B, No. 1328 on 30 November 2004.

*Report supplementing the opinion on the financial statements
for the financial year ended 31 December 2004*

Translation of document originally issued in Polish

The closing balances as at 31 December 2003 have been properly recorded as the opening balances of the audited year.

1.5 Audit scope and responsibilities

This report of the independent auditor was prepared for the Shareholders of Bank Handlowy w Warszawie SA, seated in Warsaw, ul. Senatorska 16, and relates to the financial statements comprising of the introduction to the financial statements, the balance sheet as at 31 December 2004, with total assets and total liabilities and equity of PLN 33,819,932 thousand, the capital adequacy ratio, the statement of contingencies and commitments granted as at 31 December 2004 amounting to PLN 11,762,863 thousand, the profit and loss account for the year then ended with a net profit of PLN 414,214 thousand, the statement of changes in equity for the year then ended, with an increase in equity of PLN 205,855 thousand, the cash flow statement for the year then ended with a decrease in cash amounting to PLN 239,847 thousand, and the supplementary information and explanations.

The financial statements have been audited on the basis of the resolution of Bank's Supervisory Board dated 25 May 2004 on the appointment of the entity authorized to audit financial statements of the Bank.

The financial statements have been audited in accordance with the contract dated 10 November 2004.

We conducted the audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with subsequent amendments) and the professional standards established by the Polish National Council of Certified Auditors.

We have audited the financial statements in the Bank's head office and branches during the period from 22 November 2004 to 11 March 2005.

We have conducted an independent audit of these financial statements in order to express an opinion thereon and present this, together with a written supplementing report of the independent auditor, to the Bank's Shareholders.

On 24 March 2005 the Bank's Management Board submitted a representation letter as to the completeness, fairness, clarity and accuracy of the financial statements presented for audit which confirmed that there were no undisclosed matters which could significantly influence the information presented in the financial statements for the audited year.

All our requests for documents and information necessary for expressing our opinion and preparing the report have been fulfilled by the Management Board.

The Management Board and Supervisory Board members of KPMG Audyty Sp. z o.o. and other persons related to the audit of financial statements of the Bank meet the 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 Audyty Sp. z o.o.

2 Financial analysis of the Bank

2.1 Summary of the financial statements

2.1.1 Balance sheet

| ASSETS | 31.12.2004 | 31.12.2003 |
|--|-------------------|-------------------|
| | PLN '000 | PLN '000 |
| Cash and due from NBP | 841,114 | 1,186,514 |
| Due from financial sector | 8,496,980 | 8,724,786 |
| Due from non-financial sector | 9,707,041 | 13,252,870 |
| Due from public sector | 1,538 | 3,131 |
| Receivables subject to securities sale and repurchase agreements | 293,209 | 288,601 |
| Debt securities | 7,303,033 | 3,912,427 |
| Investments in subsidiary undertakings | 389,036 | 338,218 |
| Investments in joint ventures | 6,671 | 5,323 |
| Investments in associated undertakings | 11,829 | 12,388 |
| Minority investments | 27,749 | 23,633 |
| Other securities and other financial assets | 4,105,123 | 3,624,895 |
| Intangible assets | 1,237,133 | 1,295,012 |
| Tangible fixed assets | 711,710 | 764,145 |
| Other assets | 388,347 | 315,717 |
| Prepayments | 299,419 | 280,556 |
| TOTAL ASSETS | 33,819,932 | 34,028,216 |

*Report supplementing the opinion on the financial statements
for the financial year ended 31 December 2004*

Translation of document originally issued in Polish

| LIABILITIES | 31.12.2004 | 31.12.2003 |
|--|--------------------|--------------------|
| | PLN '000 | PLN '000 |
| Liabilities | | |
| Due to NBP | 718 | 41,145 |
| Due to financial sector | 4,304,594 | 3,826,082 |
| Due to non-financial sector | 16,729,658 | 18,039,260 |
| Due to public sector | 531,517 | 465,145 |
| Liabilities in respect of securities subject to sale and repurchase agreements | 408,559 | 470,803 |
| Other liabilities arising from financial instruments | 4,194,290 | 3,651,195 |
| Special funds and other payables | 277,585 | 222,120 |
| Accruals and deferred income | 1,003,509 | 918,205 |
| Provisions | 216,717 | 447,331 |
| | 27,667,147 | 28,081,286 |
| Shareholders' Equity | | |
| Share capital | 522,638 | 522,638 |
| Equity reserves | 3,044,585 | 3,044,585 |
| Revaluation reserve | 19,651 | (13,212) |
| Other reserves | 2,116,561 | 2,115,273 |
| Retained earnings (loss brought forward) | 35,136 | (10,847) |
| Net profit (loss) | 414,214 | 288,493 |
| | 6,152,785 | 5,946,930 |
| TOTAL LIABILITIES | 33,819,932 | 34,028,216 |
| Capital adequacy ratio (in %) | 19.29% | 16.04% |
| OFF-BALANCE SHEET ITEMS | | |
| | 31.12.2004 | 31.12.2003 |
| | PLN '000 | PLN '000 |
| Contingent liabilities granted | 11,762,863 | 15,058,891 |
| Commitments received | 2,952,341 | 3,297,354 |
| Commitments resulting from sale/purchase transactions | 191,926,365 | 167,002,522 |
| Other | 5,267,673 | 6,264,593 |
| TOTAL OFF-BALANCE SHEET ITEMS | 211,909,242 | 191,623,360 |

*Report supplementing the opinion on the financial statements
for the financial year ended 31 December 2004*

Translation of document originally issued in Polish

2.1.2 Profit and loss account

| | 1.01.2004 – 31.12.2004 PLN ‘000 | 1.01.2003 – 31.12.2003 PLN ‘000 |
|--|--|--|
| Interest income | 1,653,161 | 1,386,301 |
| Interest expense | (753,892) | (637,474) |
| Net interest income | 899,269 | 748,827 |
| Fee and commission income | 655,854 | 570,945 |
| Fee and commission expense | (65,390) | (48,794) |
| Net fee and commission income | 590,464 | 522,151 |
| Income from shares and other securities | 16,526 | 64,750 |
| Net profit on financial operations | 51,765 | 132,175 |
| Net profit on foreign exchange | 360,352 | 481,361 |
| Profit/(loss) on banking activity | 1,918,376 | 1,949,264 |
| Other operating income | 90,101 | 77,865 |
| Other operating expenses | (117,209) | (113,759) |
| General administrative expenses | (1,264,318) | (1,119,779) |
| Depreciation and amortization | (142,179) | (155,445) |
| Charges to provisions and revaluation | (1,090,609) | (1,148,878) |
| Release of provisions and revaluation | 1,081,848 | 961,170 |
| Net (charges to)/release of provisions and decrease in respect of revaluation | (8,761) | (187,708) |
| Operating profit | 476,010 | 450,438 |
| Extraordinary (losses) / gains | - | - |
| Profit (loss) before tax | 476,010 | 450,438 |
| Corporate income tax | (123,668) | (190,284) |
| Participation in net profits (losses) of subordinated entities accounted for under equity method | 61,872 | 28,339 |
| Net profit (loss) | 414,214 | 288,493 |

*Report supplementing the opinion on the financial statements
for the financial year ended 31 December 2004*

Translation of document originally issued in Polish

2.2 Selected financial ratios

| | 31.12.2004 | 31.12.2003 |
|---|-------------------|-------------------|
| | PLN '000 | PLN '000 |
| Total assets (PLN '000) | 33,819,932 | 34,028,216 |
| Profit before tax (PLN '000) | 476,010 | 450,438 |
| Net profit (PLN '000) | 414,214 | 288,493 |
| Shareholders' equity * (PLN '000) | 5,738,571 | 5,658,437 |
| Return on equity * (PLN '000) | 7.2% | 5.1% |
| Capital adequacy ratio | 19.29% | 16.04% |
| Receivables to total assets | 53.8% | 64.6% |
| Income earning assets to total assets | 76.3% | 76.9% |
| Interest bearing liabilities to total liabilities | 77.4% | 77.7% |

* *excluding current year net profit*

2.3 Interpretation of selected financial ratios

Changes in the most significant items of the balance sheet and the profit and loss account are described below.

The total balance sheet amount decreased by PLN 208,284 thousand (or 0.6 %) in comparison with 31 December 2003. The decrease in assets resulted mainly from a decrease in due from non-financial sector of PLN 3,545,829 thousand (or 26.8%), partially compensated by an increase in debt securities of PLN 3,390,606 thousand (or 86.7%). The decrease in liabilities relates to due to non-financial sector, which decreased by PLN 1,309,602 thousand (or 7.3%), partially compensated by an increase in other liabilities arising from financial instruments of PLN 543,095 thousand (or 14.9%) and an increase in due to financial sector of PLN 478,512 thousand (or 12.5%).

Profit before tax for the year ended 31 December 2004 amounted to PLN 476,010 thousand and increased by PLN 25,572 thousand (or 5.7%) in comparison with the year ended 31 December 2003.

Net profit for the year ended 31 December 2004 amounted to PLN 414,214 thousand and increased by PLN 125,721 thousand (or 43.6%) in comparison to the year ended 31 December 2003.

3 Detailed report

3.1 Accounting records

The Bank holds current documentation describing the applied accounting principles, approved by the Management Board and described in the introduction to the financial statements, to the extent required by the Accounting Act and requirements for issuers of publicly traded securities.

The financial statements were prepared on the basis of accounting records which are maintained in accordance with the requirements of section 2 “Maintenance of the accounting records” and section 8 “Data protection” of the Accounting Act dated 29 September 1994.

3.2 Internal control

Internal control includes functional controls performed in individual divisions responsible for the respective activity area of the Bank and is enforced by Internal Audit Department and the Management Board members.

During our audit of the financial statements, we reviewed the accounting system and underlying system of internal control to the extent necessary to enable us to express an opinion on the Bank’s financial statements.

Our review should not be relied upon to disclose all irregularities or material weaknesses in the system. Our procedures did not identify any significant irregularities in the accounting and internal control system.

3.3 Principles of prudence applied by the Bank and the capital adequacy ratio

In the context of the audit of the financial statements, no material exceptions have been noted in the principles of prudence applied by the Bank. Capital adequacy ratio was calculated properly.

3.4 Materiality level applied by the auditor

In order to issue the audit opinion on the financial statements treated as a whole, materiality levels applied by the auditor were adequate to the materiality and the risk assessment of particular items of the financial statements.

3.5 Supplementary information and explanations on financial statements

All information included in the supplementary information and explanations to the financial statements is presented accurately and completely. Supplementary information to the financial statements comprising introduction to the financial statement and additional explanatory notes is an integral part of the financial statements.

3.6 Report on the Bank's activities

The report on the Bank's activities includes information specified in Article 49 Note 2 of the Polish Accounting Act and requirements of the Resolution of Council of Ministers dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No. 139, item 1569 with amendments) and it is consistent with the data included in the financial statements.

3.7 Information on the opinion of the independent auditor

Based on our audit of the financial statements of Bank Handlowy w Warszawie SA as at 31 December 2004 we have issued an unqualified opinion.

signed on the Polish original

.....
Certified Auditor No. 3683/5018
Janina Skwarka

signed on the Polish original

.....
On behalf of 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

.....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Robert J. Widdowson, Partner

Warsaw, 24 March 2005