



TRANSLATION

Bank Handlowy w Warszawie S.A.

Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2006

KPMG Audyt Sp. z o.o.
The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 12 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the unconsolidated financial statements
for the financial year ended
31 December 2006

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Bank Handlowy w Warszawie S.A.

We have audited the accompanying unconsolidated financial statements of Bank Handlowy w Warszawie S.A. seated in Warsaw, Senatorska Street 16 (“the Bank”), which comprise the balance sheet as at 31 December 2006, with total assets of and total liabilities and equity of PLN 35 095 894 thousand, the profit and loss account for the year then ended with a net profit of PLN 620 392 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 133 070 thousand, the cash flow statement for the year then ended with an increase in cash amounting to PLN 299 358 thousand, and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards, as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility, based on our audit, is to express an opinion on these unconsolidated financial statements, and whether the financial statements are derived from properly maintained accounting records. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) (“the Accounting Act”), the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the

appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the accompanying unconsolidated financial statements of Bank Handlowy w Warszawie S.A. have been prepared and present fairly, in all material respects, the financial position of the Bank as at 31 December 2006, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Bank's Statute that apply to the Bank's unconsolidated financial statements and have been prepared from accounting records, that in all material respects have been properly maintained.

As required under the Accounting Act we also report that the Report on the Bank's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the unconsolidated financial statements.

Signed on the Polish original

.....
Certified Auditor No. 9941/7390
Bożena Graczyk

Signed on the Polish original

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

Signed on the Polish original

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For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Robert J. Widdowson
Partner

Warsaw, 16 March 2007



Bank Handlowy w Warszawie S.A.

Report supplementing
the auditor's opinion
on the unconsolidated
financial statements
Financial Year ended
31 December 2006

KPMG Audyt Sp. z o.o.
The report supplementing the auditor's opinion
contains 12 pages
Report supplementing the auditor's opinion
on the unconsolidated financial statements
for the financial year ended
31 December 2006

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1 General

1.1 General information about the Bank

1.1.1 Company name

Bank Handlowy w Warszawie S.A. (hereafter 'Bank').

1.1.2 Registered office

16 Senatorska Street
00 – 923 Warszawa
Poland

1.1.3 Registration in the National Court Register

Seat of the court: District Court in Warszawa, XII Commercial Department of
the National Court Register
Date: 22 February 2001
Registration number: KRS 0000001538

1.1.4 Tax Office and Provincial Statistical Office registration

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

1.2 Auditor information

Name: KPMG Audyt Sp. z o.o.
Registered office: Warsaw,
Address: ul. Chłodna 51, 00-867 Warsaw
KRS number.: 0000104753
Registration court: District Court for the Capital City Warsaw in Warsaw, XII
Commercial Department of the National Court Register;
Share capital: PLN 125,000
NIP number: 526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 458.

1.3 Legal status

1.3.1 Share capital

The Bank was founded under the Notarial Deed dated 13 April 1870.

The share capital of the Bank amounted to PLN 522 638 400 as at 31 December 2006 divided into 130 659 600 ordinary shares with a nominal value of PLN 4 each.

As at 31 December 2006, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Voting rights (%)	Nominal value of shares PLN '000	Percentage of share capital (%)
Citibank Overseas Investment Corporation, USA	97 994 700	75.0	391 979	75.0
Other shareholders	32 664 900	25.0	130 659	25.0
Total	130 659 600	100.0	522 638	100.0

During 2006 the subsidiary of COIC - International Finance Associates B.V., decreased its investment in the Bank's shares below 5%.

1.3.2 Related parties

The Bank is a member of the Citigroup Inc.

1.3.3 Management of the Company

The Management Board is responsible for management of the Bank.

At 31 December 2006, the Management Board of the Bank comprised the following members:

- Sławomir S. Sikora – President of the Management Board
- Edward Wess – Vice-president of the Management Board
- Sonia Wędrychowicz –Horbatowska – Vice-president of the Management Board
- Witold Zieliński – Vice-president of the Management Board
- Lidia Jabłonowska-Luba – Member of the Management Board
- Michał H. Mrożek – Member of the Management Board

During 2006 the following changes in composition of the Bank's Management Board took place:

- on 1 January 2006 Witold Zieliński was appointed a Vice-president of the Bank's Management Board;
- on 22 February 2006 Reza Ghaffari, Vice-president of the Bank's Management Board resigned from his position;
- on 28 March 2006 Edward Wess was appointed a Vice-president of the Bank's Management Board;
- on 21 September 2006 Sanjeeb Chaudhuri resigned from the position of Vice-president of the Bank's Management Board;
- on 1 October 2006 Sonia Wędrychowicz-Horbatowska was appointed a Vice-president of the Bank's Management Board.

There were no changes in the composition of the Bank's Management Board during 2007 up to the date of the audit opinion and report on the Bank's financial statements for the year ended 31 December 2006.

1.3.4 Scope of activities

The business activities listed in the Bank's Statute include the following:

- accepting call and term deposits as well as maintaining deposit accounts,
- maintaining other bank accounts,
- 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,
- intermediation in money transfers and foreign exchange settlements,
- issuing bank's securities,
- providing services relating to securities issue,
- safe-keeping of valuables and securities and providing bank safes,
- issuing and processing credit cards and performing the related operations,
- acquiring and selling receivables,
- performing term financial operations and other.

1.4 Prior period financial statements

The unconsolidated financial statements for the period ended 31 December 2005 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The unconsolidated financial statements were approved at the General Meeting on 22 June 2006 where it was resolved to allocate the profit for the prior financial year of PLN 589 245 040.19 as follows:

- | | |
|------------------------------|--------------------|
| • to dividends: | 470 374 560.00 PLN |
| • to equity reserves: | 117 595 480.19 PLN |
| • to the Bank's Social Fund: | 1 275 000.00 PLN |

The closing balances as at 31 December 2005 have been properly recorded as the opening balances of the audited year.

The unconsolidated financial statements were submitted to the Registry Court on 3 July 2006 and were submitted for publishing in Monitor Polski B on 28 June 2006.

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting of Bank Handlowy w Warszawie S.A. seated in Warsaw, 16 Senatorska Street, and relates to the unconsolidated financial statements comprising: the balance sheet as at 31 December 2006 with total assets and total liabilities and equity of PLN 35 095 894 thousand, the profit and loss account for the year then with a net profit of PLN 620 392 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 133 070 thousand, the cash flow statement for the year then ended with an increase in cash amounting to PLN 299 358 thousand and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.



The audited Bank prepares its unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of Extraordinary General Meeting dated 7 December 2004.

The unconsolidated financial statements have been audited in accordance with the contract dated 16 November 2006, concluded on the basis of the resolution of Supervisory Board dated 28 March 2006 on the appointment of the auditor.

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

We audited the unconsolidated financial statements in the Bank's head office and branches during the period from 16 November 2006 to 12 March 2007.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with other applicable regulations.

Our responsibility is to express an opinion, and to prepare a supplementing report, on the unconsolidated financial statements, and whether the unconsolidated financial statements are derived from properly maintained accounting records, based on our audit.

Management of the Bank submitted a statement dated the same date as this report as to the true and fair presentation of the unconsolidated financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the unconsolidated financial statements.

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

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the unconsolidated financial statements of the Bank fulfill independence requirements. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o.o.



2 Financial analysis of the Bank

2.1 Summary of the unconsolidated financial statements

2.1.1 Balance sheet

ASSETS	31.12.2006 PLN '000	% of total	31.12.2005 PLN '000	% of total
Cash and balances with central bank	535 623	1.52%	922 649	2.82%
Financial assets held for trading	4 551 094	12.96%	5 878 624	17.99%
Debt securities available for sale	8 247 313	23.50%	7 171 157	21.95%
Equity investments	300 534	0.86%	284 304	0.87%
Loans and advances	19 030 974	54.23%	15 839 648	48.49%
<i>to financial sector</i>	9 562 908	27.25%	6 898 665	21.12%
<i>to non-financial sector</i>	9 468 066	26.98%	8 940 983	27.37%
Property and equipment	626 481	1.79%	687 894	2.11%
<i>land, buildings and equipment</i>	617 095	1.76%	646 946	1.98%
<i>investment property</i>	9 386	0.03%	40 948	0.13%
Intangible assets	1 284 883	3.66%	1 313 418	4.02%
Deferred tax assets	273 216	0.78%	300 162	0.92%
Other assets	233 237	0.66%	199 221	0.61%
Non-current assets held for sale	12 539	0.04%	72 348	0.22%
TOTAL ASSETS	35 095 894	100.00%	32 669 425	100.00%

EQUITY AND LIABILITIES

31.12.2006 PLN '000	% of total	31.12.2005 PLN '000	% of total
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**Liabilities**

Due to central bank	250 113	0.72%	-	-
Financial liabilities held for trading	3 316 847	9.45%	3 420 219	10.47%
Financial liabilities valued at amortized cost	25 529 437	72.74%	23 223 955	71.09%
<i>Deposits from</i>	24 843 591	70.79%	22 768 006	69.69%
<i>financial sector</i>	6 481 772	18.47%	5 808 791	17.78%
<i>non-financial sector</i>	18 361 819	52.32%	16 959 215	51.91%
<i>Other liabilities</i>	685 846	1.95%	455 949	1.40%
Provisions	47 023	0.13%	57 245	0.18%
Income tax liabilities	-	-	162 788	0.50%
Other liabilities	647 910	1.85%	629 354	1.93%
Liabilities held for sale	-	-	4 370	0.01%
Total Liabilities	29 791 330	84.89%	27 497 931	84.18%

Equity

Share capital	522 638	1.48%	522 638	1.60%
Share premium	2 944 585	8.39%	2 944 585	9.01%
Revaluation reserve	(81 501)	-0.23%	(64 554)	-0.20%
Other reserves	1 297 175	3.70%	1 101 418	3.37%
Retained earnings	621 667	1.77%	667 407	2.04%
Total equity	5 304 564	15.11%	5 171 494	15.82%

TOTAL LIABILITIES AND EQUITY

35 095 894	100.00%	32 669 425	100.00%
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2.1.2 Profit and loss account

	01.01.2006 - 31.12.2006 PLN '000	01.01.2005 - 31.12.2005 PLN '000
Interest and similar income	1 609 874	1 643 670
Interest expense and similar charges	(605 640)	(655 216)
Net interest income	1 004 234	988 454
Fee and commission income	712 350	605 191
Fee and commission expense	(140 252)	(95 531)
Net fee and commission income	572 098	509 660
Dividend income	34 202	21 094
Net trading income and revaluation	313 351	463 889
Net gain on investment debt securities	36 571	121 841
Net gain on investment equity instruments	44	15 544
Other operating income	122 837	128 703
Other operating expenses	(33 650)	(51 996)
Net other operating income	89 187	76 707
General administrative expenses	(1 333 863)	(1 351 035)
Depreciation expense	(129 167)	(139 312)
Profit / (loss) on sale of assets	116 064	6 589
Net impairment losses	98 097	35 214
Profit before tax	800 818	748 645
Income tax expense	(180 426)	(159 400)
Net profit	620 392	589 245
Weighted average number of ordinary shares	130 659 600	130 659 600
Earnings per ordinary share (in PLN)	4.75	4.51
Diluted earnings per ordinary share (in PLN)	4.75	4.51

2.2 Selected financial ratios

	31.12.2006	31.12.2005
Total assets	35 095 894	32 669 425
Gross profit	800 818	748 645
Net profit	620 392	589 245
Shareholders' equity *	4 684 172	4 582 249
Return on equity *	13.24%	12.86%
Capital adequacy ratio	13.40%	13.37%
Receivables to total assets	54.23%	48.48%
Income generating assets to total assets	91.55%	89.30%
Interest bearing liabilities to total liabilities	82.19%	81.56%

*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.

Total assets increased by PLN 2 426 469 thousand (or 7.4%). Compared to the previous year the increase in assets resulted mainly from the increase in loans and advances of PLN 3 191 326 thousand (or 20.1%) and in debt securities available-for-sale by PLN 1 076 156 thousand (or 15.0%), partially off-set by a decrease in financial assets held for trading by PLN 1 327 530 thousand (or 22.6%).

An increase in liabilities resulted mainly from an increase in financial liabilities valued at amortized cost which increased by PLN 2 305 482 thousand (or 9.9%). Equity increased by PLN 133 070 thousand (or 2.6%) as a result of increase in other reserves in the amount of PLN 195 757 thousand (or 17.8%).

Profit before tax for the year ended 31 December 2006 amounted to PLN 800 818 thousand and increased by PLN 52 173 thousand (or 7.0%) compared to the year ended 31 December 2005. The increase in gross profit results mainly from gain on disposal of assets which increased by PLN 109 475 thousand (or 1661.5%), an increase of net reversal of impairment losses by PLN 62 883 thousand (or 178.6%), an increase in net fee and commission income by PLN 62 438 thousand (or 12.3%) and decrease in general administrative expenses by PLN 17 172 thousand partially off-set by the decrease in net trading income and revaluation by PLN 150 538 thousand (or 32.5%) and decrease of net gain of investments debt securities by PLN 85 270 thousand (or 70.0%).

Net profit for the year ended 31 December 2006 amounted to PLN 620 392 thousand and increased by PLN 31 147 thousand (or 5.3%) compared to the year ended 31 December 2005.

3 Detailed report

3.1 Proper operation of the accounting system

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

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

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

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

3.2 Verification of assets and liabilities

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

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

3.3 Compliance with banking regulations

Based on our audit we have not identified any significant deviations in the Bank's compliance with the banking regulatory norm pertaining among other to loan concentration, obligatory reserve and capital adequacy ratio.

3.4 Audit materiality

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

3.5 Notes to the financial statements

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



3.6 Report on the Bank's activities

The Report on the Bank's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the unconsolidated financial statements.

3.7 Information on the opinion of the independent auditor

Based on our audit of the unconsolidated financial statements as at and for the year ended 31 December 2006, we have issued an unqualified opinion.

Signed on the Polish original

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Certified Auditor No. 9941/7390
Bożena Graczyk

Signed on the Polish original

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

Signed on the Polish original

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

Warsaw, 16 March 2007