



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

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2012**

The opinion contains 2 pages
The supplementary report contains 12 pages
Opinion of the independent auditor
and the supplementary report
on the audit of the consolidated financial statements
for the financial year ended
31 December 2012

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.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Bank Handlowy w Warszawie S.A. with its registered office in Warsaw, 16 Senatorska Street (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 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 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 2012 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.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

As required under the Accounting Act, we report that the report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

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

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

Signed on the Polish original

.....
Magdalena Szymańska-Serwa
Certified Auditor
Registration No. 90115

14 March 2013
Warsaw



TRANSLATION

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

Supplementary report
on the audit of the consolidated
financial statements
Financial Year ended
31 December 2012

The supplementary report contains 12 pages
The supplementary report
on the audit of the consolidated financial statements
for the financial year ended
31 December 2012



*The Capital Group of Bank Handlowy w Warszawie S.A.
The supplementary report on the audit of the consolidated financial statements
for the financial year ended 31 December 2012*

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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 the 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.

As at 31 December 2012, the Management Board of the Parent Company was comprised of the following members:

- Sławomir S. Sikora – President of the Management Board,
- Brendan Carney – Vice-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,
- Witold Zieliński – Vice-president of the Management Board,
- Iwona Dudzińska – Member of the Management Board.

On 13 May 2012 Mrs. Sonia Wędrychowicz-Horbatowska ceased to function as Vice-president of the Management Board.

On 21 May 2012 the Supervisory Board passed a resolution on appointment of a new member of the Management Board Mr. Brendan Carney.

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2012, 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 2012, the following subsidiaries of the Group were not consolidated:

- 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

1.3.2 Audit Firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000339379
Registration court: District Court for the Capital City of 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 entities authorised to audit financial statements under number 3546, maintained by the National Council of Certified Auditors.

1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2011 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 of the Parent Entity on 20 June 2012.

The consolidated financial statements were submitted to the Registry Court on 27 June 2012 and were published in Monitor Polski B No. 2287 on 28 September 2012.

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting of Bank Handlowy w Warszawie S.A. with its registered office in Warsaw, 16 Senatorska St. and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2012, 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 30 October 2012, concluded on the basis of the resolution of the Supervisory Board dated 16 March 2012 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) (“the Accounting Act”), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements at the Group entities during the period from 26 November 2012 to 14 March 2013.

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 Group’s activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the consolidated 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 accompanying consolidated financial statements, 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 were provided to us by Management of the Group and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

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 the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfil the independence requirements from the companies included in the Group as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Self-Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649 with amendments).



1.6 Information on audits of the financial statements of the consolidated companies

1.6.1 Parent Company

The separate financial statements of the Parent Company for the year ended 31 December 2012 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.	31.12.2012	ongoing
Handlowy-Leasing Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2012	ongoing
Handlowy Investments S.A.	KPMG Audit S.a.r.l. (Luxembourg)	28.02.2013	ongoing
PPH Spomasz Sp. z o.o. w likwidacji	Not subject to audit for the year ending 31 December 2012		



2 Financial analysis of the Group

2.1 Summary analysis of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2012 PLN '000	% of total assets	31.12.2011 PLN '000	% of total assets
Cash and balances with Central Bank	1,357,308	3.1	979,616	2.3
Due from banks	1,461,901	3.4	548,256	1.3
Financial assets held for trading	6,838,483	15.7	5,805,044	13.7
Debt securities available-for-sale	15,003,003	34.5	17,625,355	41.7
Equity investments valued at equity method	15,110	0.1	57,945	0.1
Other equity investments	19,921	-	24,912	-
Amounts due from customers	16,221,412	37.3	14,719,473	34.8
Tangible fixed assets	409,916	0.9	457,929	1.1
Intangible assets	1,379,931	3.2	1,292,067	3.1
Income tax assets	221,488	0.5	338,757	0.8
<i>current</i>	2,702	-	3,436	-
<i>deferred</i>	218,786	0.5	335,321	0.8
Other assets	567,736	1.3	403,182	1.0
Non-current assets held-for-sale	12,554	-	25,662	0.1
TOTAL ASSETS	43,508,763	100	42,278,198	100
EQUITY AND LIABILITIES	31.12.2012 PLN '000	% of total liabilities	31.12.2011 PLN '000	% of total liabilities
Liabilities				
Amounts due to banks	2,356,429	5.4	6,011,378	14.2
Financial liabilities held-for-trading	5,846,404	13.4	4,840,447	11.4
Amounts due to customers	26,852,165	61.7	24,095,847	57.0
Liabilities due to debt securities issuance	-	-	25,336	0.1
Provisions	28,656	0.1	34,914	0.1
Liabilities due to income tax	55,343	0.1	72,921	0.2
<i>current</i>	55,343	0.1	72,921	0.2
Other liabilities	978,351	2.3	752,874	1.8
Total liabilities	36,117,348	83.0	35,833,717	84.8
Equity				
Share capital	522,638	1.2	522,638	1.2
Supplementary capital	3,011,380	6.9	3,009,396	7.1
Revaluation reserve	257,791	0.6	(82,294)	(0.2)
Other reserves	2,637,066	6.1	2,264,082	5.4
Retained earnings	962,540	2.2	730,659	1.7
Total equity	7,391,415	17.0	6,444,481	15.2
TOTAL EQUITY AND LIABILITIES	43,508,763	100	42,278,198	100



2.1.2. Consolidated income statement

	1.01.2012 - 31.12.2012	1.01.2011 - 31.12.2011
	PLN '000	PLN '000
Interest and similar income	2,076,259	1,927,390
Interest expense and similar charges	(587,978)	(493,036)
Net interest income	1,488,281	1,434,354
Fee and commission income	707,240	752,733
Fee and commission expense	(108,382)	(109,563)
Net fee and commission income	598,858	643,170
Dividend income	6,493	5,688
Net income on trading financial instruments and revaluation	371,993	302,917
Net gain on investment securities	279,451	30,142
Other operating income	34,834	53,254
Other operating expenses	(53,264)	(42,966)
Net other operating income	(18,430)	10,288
General administrative expenses	(1,364,951)	(1,372,006)
Depreciation expense	(64,683)	(60,016)
Profit on sale of tangible fixed assets	84	2,073
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	(58,101)	(76,809)
Operating profit	1,238,995	919,801
Share in net profits of entities valued at equity method	540	1,677
Profit before tax	1,239,535	921,478
Income tax expense	(269,403)	(185,065)
Net profit	970,132	736,413
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Net earnings per share (PLN)	7.42	5.64
Diluted net earnings per share (PLN)	7.42	5.64



2.1.3. Consolidated statement of comprehensive income

	1.01.2012 - 31.12.2012 PLN '000	1.01.2011 - 31.12.2011 PLN '000
<i>Net profit for the period</i>	970,132	736,413
Other total comprehensive income:		
Net valuation of available-for-sale financial assets	340,085	(37 446)
Foreign exchange difference	(2,386)	3,094
Other comprehensive income after tax	337,699	(34 352)
Total comprehensive income for period	1,307,831	702,061

2.2 Selected financial ratios

	2012	2011	2010
Total assets (PLN '000)	43,508,763	42,278,198	37,517,540
Profit (loss) before income tax (PLN '000)	1,239,535	921,478	942,578
Profit (loss) for the period (PLN '000)	970,132	736,413	754,811
Shareholders' equity (PLN '000)*	6,421,283	5,708,068	5,738,124
Return on equity	15.11%	12.90%	13.15%
Receivables to total assets	40.64%	36.11%	38.76%
Income generating assets to total assets	94.04%	94.05%	92.90%
Interest bearing liabilities to total liabilities	80.57%	82.72%	80.26%

* 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. the financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the 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 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 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.



3.5 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Bank Handlowy w Warszawie S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

3.6 Compliance with banking regulations

Based on our audit we have not identified significant incompliance by the Parent Company with the banking prudential regulatory norms pertaining among other to exposure concentration, obligatory reserve and capital adequacy.

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. The notes to the consolidated financial statements 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.

On behalf of KPMG Audyt Spółka z ograniczoną
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Signed on the Polish original

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