

**Powszechna Kasa Oszczędności
Bank Polski SA**
**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2015**

The opinion contains 3 pages
The supplementary report contains 11 pages
Opinion of the independent auditor
and the supplementary report
on the audit of the separate financial statements
for the financial year ended
31 December 2015

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 Powszechna Kasa Oszczędności Bank Polski SA

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Powszechna Kasa Oszczędności Bank Polski SA, with its registered office in Warsaw, ul. Puławska 15 (“the Bank”), which comprise the statement of financial position as at 31 December 2015, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management’s and Supervisory Board’s Responsibility for the Financial Statements

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of these 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 Bank’s activities. Management of the Bank is also responsible for such internal control as management determines is necessary to enable the preparation of the 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 2013, item 330 with amendments) (“the Accounting Act”), Management of the Bank and members of the Supervisory Board are required to ensure that the financial statements and the report on the Bank’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance. Those standards require that we comply with 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 policies used and the reasonableness of accounting estimates made by management of the Bank, 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 separate financial statements of Powszechna Kasa Oszczędności Bank Polski SA have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2015 and its unconsolidated financial performance and its unconsolidated 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 articles of association that apply to the Bank's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Other Matters

The financial statements of the Bank as at and for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements dated 16 March 2015.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Bank's Activities

As required under the Accounting Act and the Banking Act dated 29 August 1997 (Official Journal from 2015, item 128 with amendments) ("the Banking Act"), we report that the accompanying report on the Powszechna Kasa Oszczędności Bank Polski SA activities includes, in all material respects, the information required by Art. 49 of the Accounting Act, by Art. 111a of the Banking 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 2014, item 133) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Inflancka 4A
00-189 Warsaw

Signed on the Polish original

.....

Marcin Podsiadły
Key Certified Auditor
Registration No. 12774
Limited Liability Partner
with power of attorney

3 March 2016

Signed on the Polish original

.....

Stacy Ligas
Member of the Management Board of
KPMG Audyt Sp. z o.o., entity which is the
General Partner of KPMG Audyt Spółka
z ograniczoną odpowiedzialnością sp.k

**Powszechna Kasa Oszczędności
Bank Polski SA**

**Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2015**

The supplementary report contains 11 pages
The supplementary report
on the audit of the separate financial statements
for the financial year ended
31 December 2015

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1. General

1.1. General information about the Bank

1.1.1. The Bank's name

Powszechna Kasa Oszczędności Bank Polski SA

1.1.2. Registered office

ul. Puławska 15
02-515 Warsaw

1.1.3. Registration in the National Court Register

Registration court:	District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Department of the National Court Register
Date:	12 July 2001
Registration number:	KRS 0000026438
Share capital as at the end of reporting period:	PLN 1,250,000,000.00

1.1.4. Management of the Bank

The Management Board is responsible for management of the Bank.

At 31 December 2015, the Management Board of the Bank was comprised of the following members:

- | | |
|-----------------------|---|
| • Zbigniew Jagiełło | – President of the Management Board, |
| • Piotr Alicki | – Vice President of the Management Board, |
| • Bartosz Drabikowski | – Vice President of the Management Board, |
| • Piotr Mazur | – Vice President of the Management Board, |
| • Jarosław Myjak | – Vice President of the Management Board, |
| • Jacek Obłękowski | – Vice President of the Management Board, |
| • Jakub Papierski | – Vice President of the Management Board. |

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname:	Marcin Podsiadły
Registration number:	12774

1.2.2. Audit Firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office: ul. Inflancka 4A, 00-189 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, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2014 were audited by PricewaterhouseCoopers Sp. z o.o. and received an unmodified opinion.

On 25 June 2015 the separate financial statements were approved at the General Meeting. The net profit for the prior financial year amounts to PLN 3,079,471 thousand. On 25 June 2015 General Meeting decided to divide Bank's net profit for the 2014 period and undistributed profit from the last year. According to Management Board recommendation net profit for the 2014 period was allocated to other capital. Undistributed profit in the amount of PLN 1,250,00 thousand was not allocated to dividend payment.

The separate financial statements were submitted to the Registry Court on 1 July 2015.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw, ul. Puławska 15 and relates to the separate financial statements comprising: the statement of financial position as at 31 December 2015, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Bank prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the resolution of General Meeting of Shareholders dated 19 May 2005.

The separate financial statements have been audited in accordance with the contract dated 10 April 2015, concluded on the basis of the resolution of the Supervisory Board dated 11 March 2015 on the appointment of the auditor.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act") and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance.

We audited the separate financial statements at the Bank during the period from 1 October 2015 to 3 March 2016.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the 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 Bank's activities.

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

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

All required statements, explanations and information were provided to us by Management of the Company 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 as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2015, item 1011 with amendments).

2. Financial analysis of the Bank

2.1. Summary analysis of the separate financial statements

2.1.1. Statement of financial position

ASSETS	31.12.2015 PLN '000	% of total assets	31.12.2014 PLN '000	% of total assets
Cash and balances with the Central Bank	13 707 730	5.2	11 698 248	4.8
Due from banks	4 592 360	1.8	2 608 547	1.1
Financial assets held for trade	793 213	0.3	1 928 659	0.8
Derivative financial instruments	4 348 034	1.7	5 483 508	2.3
Financial assets designated upon initial recognition at fair value through profit and loss	12 796 036	4.8	13 417 667	5.5
Loans and advances to customers	188 552 440	71.9	177 557 571	72.8
Investment securities held for sale	27 859 727	10.6	22 092 136	9.1
Investments in associates and joint ventures	2 037 987	0.8	1 813 774	0.7
Assets held for sale	422 676	0.2	416 760	0.2
Intangible assets	2 797 791	1.1	2 898 612	1.2
Property and equipment	2 276 322	0.9	2 251 373	0.9
<i>investement property</i>	8 239	-	184	-
Current tax assets	40 762	-	94 343	-
Deferred tax asset	644 611	0.3	671 404	0.3
Other assets	1 510 341	0.6	827 925	0.3
TOTAL ASSETS	262 380 030	100.0	243 760 527	100.0
EQUITY AND LIABILITIES	31.12.2015 PLN '000	% of total equity and liabilities	31.12.2014 PLN '000	% of total equity and liabilities
Liabilities				
Deposits from Central Bank	4 219	-	4 427	-
Deposits from banks	18 249 857	7.0	18 439 584	7.6
Derivative financial instruments	4 627 189	1.8	5 545 502	2.3
Deposits from customers	201 809 202	76.9	185 920 562	76.3
Liabilities under issue of debt securities	1 717 661	0.7	866 087	0.3
Subordinated liabilities	2 499 163	1.0	2 413 985	1.0
Other liabilities	3 009 074	1.2	2 665 058	1.1
Provisions	245 778	-	303 166	0.1
Total liabilities	232 162 143	88.5	216 158 371	88.7
Equity				
Share capital	1 250 000	0.5	1 250 000	0.5
Other capital	25 146 745	9.5	23 139 892	9.5
Undistributed profits	1 250 000	0.5	132 793	-
Net profit for the period	2 571 142	1.0	3 079 471	1.3
Total equity	30 217 887	11.5	27 602 156	11.3
TOTAL EQUITY AND LIABILITIES	262 380 030	100.0	243 760 527	100.0

2.1.2. Profit and loss account

	1.01.2015 - 31.12.2015 PLN '000	1.01.2014 - 31.12.2014 PLN '000
CONTINUING OPERATION		
Interest income	9 382 901	9 908 359
Interest expense	(2 562 763)	(2 959 506)
Net interest income	6 820 138	6 948 853
Fee and commission income	3 323 686	3 513 357
Fee and commission expense	(719 144)	(898 768)
Net fee and commission income	2 604 542	2 614 589
Income from dividends	137 257	91 465
Net income from other financial instruments carried at fair value	25 128	57 967
Net income on investments	103 380	161 651
Net foreign exchange gains (losses)	417 870	324 895
Other operating income	162 011	154 452
Other operating costs	(96 194)	(94 827)
Other operating income and costs net	65 817	59 625
Net impairment allowance and write-downs	(1 474 630)	(1 980 723)
Total administrative expences	(5 562 492)	(4 467 584)
Operating result	3 137 010	3 810 738
Profit before income tax	3 137 010	3 810 738
Income tax expense	(565 868)	(731 267)
Net profit	2 571 142	3 079 471

2.1.3. Statement of comprehensive income

	1.01.2015 - 31.12.2015	1.01.2014 - 31.12.2014
	PLN '000	PLN '000
Net profit	2 571 142	3 079 471
Other comprehensive income	44 589	216 440
Items that may be reclassified to the profit and loss	48 172	217 450
Cash flow hedges (gross)	(77 607)	161 478
Deferred tax on cash flow hedges	14 746	(30 681)
Cash flow hedges (net)	(62 861)	130 797
Unrealised net gains on financial assets available for sale (gross)	137 078	106 978
Deferred tax on unrealised net gains on financial assets available for sale	(26 045)	(20 325)
Unrealised net gains on financial assets available for sale (net)	111 033	86 653
Items that may not be reclassified to the profit and loss	(3 583)	(1 010)
Actuarial gains and losses / Shares settlement (net)	(3 583)	(1 010)
Actuarial gains and losses (gross)	(4 491)	(1 247)
Deferred tax	908	237
Total comprehensive income	2 615 731	3 295 911

2.2. Selected financial ratios

	2015	2014	2013
Total assets (PLN '000)	262 380 030	243 760 527	196 279 932
Profit before income tax (PLN '000)	3 137 010	3 810 738	3 959 845
Profit for the period (PLN '000)	2 571 142	3 079 471	3 233 762
Shareholders' equity (PLN '000) *	27 646 745	24 522 685	21 877 480
Return on equity *	9.30%	12.56%	14.78%
Return on Assets **	0.98%	1.26%	1.65%
Cost to Income ratio ***	54.67%	43.55%	41.11%
Capital adequacy ratio	15.28%	13.37%	13.38%
Loan to Deposit ratio****	93.43%	95.50%	92.13%
Loan Portfolio Coverage ratio*****	4.02%	4.07%	4.15%

* excluding current-year net profit

** net profit for the period / average total assets

*** general administrative expenses / result on core activities

**** loans and receivables from customers / liabilities due to customers

***** impairment on loans and receivables from customers / gross loans and receivables from customers

3. Detailed report

3.1. 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 and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2013, item 329).

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system.

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

The Bank performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2013, item 329) and reconciled and recorded the results thereof in the accounting records.

3.2. Notes to the separate financial statements

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

3.3. Compliance with banking regulations

Based on our audit, we have not identified significant incompliance by the Bank with banking prudential regulatory norms, and also, we have not identified any material misstatements in determination of the solvency ratio.

3.4. 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 (Official Journal from 2013, item 330 with amendments), by Art. 111a of the Banking Act dated 29 August 1997 (Official Journal from 2015, item 128 with amendments) 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 2014, item 133) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Inflancka 4A
00-189 Warsaw

Signed on the Polish original

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Marcin Podsiadły
Key Certified Auditor
Registration No. 12774
Limited Liability Partner
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3 March 2016

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Stacy Ligas
Member of the Management Board of
KPMG Audyt Sp. z o.o., entity which is the
General Partner of KPMG Audyt Spółka
z ograniczoną odpowiedzialnością sp.k