



Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Bank Handlowy w Warszawie S.A.

Report on the financial statements

We have audited the accompanying financial statements of Bank Handlowy w Warszawie S.A. (hereinafter called "the Bank"), with its registered office in Warsaw, Senatorska 16 Street, Warsaw, which comprise the statement of financial position as at 31 December 2015, the income statement for the year from 1 January to 31 December 2015, the statement of comprehensive income for the period from 1 January to 31 December 2015, the statement of changes in equity, the cash flow statements for the financial year and explanatory notes to the financial statements containing additional information on adopted accounting policies and other explanatory notes.

Management and Supervisory Board's Responsibility for the financial statements

The Bank's Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and for the preparation of the Report on the Bank's operations and for the correctness of the accounting records in accordance with applicable laws. The Bank's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board are obliged to ensure that the financial statements and the Report on the Bank's operations meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Auditor's Responsibility

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion and the report on whether the financial statements present, in all material respects, a true and fair view of the Bank's financial position and its financial results in accordance with the regulations and the applicable accounting policies and on the correctness of the accounting records constituting the basis for their preparation.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

PricewaterhouseCoopers Sp. z o.o., International Business Center, Al. Armii Ludowej 14, 00-638 Warszawa, Polska, T: +48 (22) 746 4000, F: +48 (22) 742 4040, www.pwc.com

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax identification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.



Independent Registered Auditor's Report (cont.)

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 Audit and 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 are free from 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 the auditor's 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, the auditor considers 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, 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 audit opinion.

Opinion

In our opinion, the accompanying financial statements in all material respects:

- a. give a true and fair view of the Bank's financial position as at 31 December 2015 and its financial performance and its cash flows for the year from 1 January to 31 December 2015, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- b. comply in terms of form and content with the applicable laws including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2014, item 133) and the Bank's Memorandum of Association;
- c. have been prepared on the basis of correctly maintained books of account.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Independent Registered Auditor's Report (cont.)

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Bank's operations

The information contained in the Report on the Bank's operations for the year from 1 January to 31 December 2015 accommodate the requirements of article 49 paragraph 2 of the Accounting Act, the Decree and the Banking Act dated 29 August 1997 ("the Banking Act" - Journal of Laws of 2015, item 128, with further amendments) and is consistent with the information contained in the audited financial statements.

Based on the knowledge of the Bank and its environment obtained during our audit we have not identified any material misstatements in the Report on the Bank's operations.

The financial information included in section II "Selected financial data of Bank Handlowy w Warszawie S.A." of the Report on the Bank's operations were audited in accordance with the scope described in *Auditor's Responsibility* paragraph and requirements of the Banking Act. In our opinion, financial information included in section II "Selected financial data of Bank Handlowy w Warszawie S.A." of the Report on the Bank's operations were prepared, in all material respects, in accordance with the Banking Act requirements.

In the Statement of Corporate Governance, which is a separate part of the Report on the Bank's operations, the Bank included information in accordance with the scope defined in the Decree. This information is consistent with the applicable regulations and with the information contained in the financial statements.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Anna Bączyk

Key Registered Auditor
No. 11810

Warsaw, 7 March 2016

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.

Registered auditor's report on the audit of the financial statements for the year from 1 January to 31 December 2015

**Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015**

**To the General Shareholders' Meeting and the Supervisory Board
of Bank Handlowy w Warszawie S.A.**

This report contains 16 consecutively numbered pages and consists of:

	Page
I. General information about the Bank	2
II. Information about the audit.....	4
III. The Bank's results, financial position and significant items of financial statements	5
IV. The independent registered auditor's statement	14
V. Final information	16

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

I. General information about the Bank

- a. Bank Handlowy w Warszawie S.A. ("the Bank") has its seat in Warsaw, Senatorska 16 Street.
- b. The Bank was formed on the basis of a Notarial Deed drawn up on 13 April 1870. The Memorandum of Association of the Bank was drawn up as a Notarial Deed at the Notary Public's Office of Andrzej Przybyła in Warsaw on 31 March 1998 and registered with Rep. A No. 2189/98. On 22 February 2001, the Bank was entered in the Register of Businesses maintained by the District Court in Warsaw, XIX Business Department of the National Court Register, with the reference number KRS 0000001538.
- c. The Bank was assigned a tax identification number (NIP) 526-03-00-291 for the purpose of making tax settlements and a REGON number 000013037 for statistical purposes.
- d. As at 31 December 2015 the Bank's share capital amounted to PLN 522,638 thousand and consisted of 130,659,600 ordinary shares, with a nominal value of PLN 4.00 each. Total equity as at that date amounted to PLN 6,782,466 thousand.
- e. As at 31 December 2015, the Bank's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN '000)	Type of shares held	Votes (%)
Citibank Overseas Investment Corporation, USA	97,994,700	391,979	ordinary	75.0
Other shareholders	32,664,900	130,659	ordinary	25.0
	130,659,600	522,638		100.0

- f. During the year the Bank's operations comprised, among others:
- accepting cash placements payable on demand or on maturity and maintaining accounts for these placements;
 - maintaining other bank accounts;
 - clearing cash transactions;
 - granting loans and cash advances;
 - granting and confirming bank guarantees and opening and confirming letters of credit;
 - issuing payment cards and conducting transactions with the use of such cards;
 - conducting derivative transactions.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

I. General information about the Bank (cont.)

g. During the year the Management Board of the Bank comprised:

- Sławomir S. Sikora President of the Management Board
- Witold Zieliński Vice President of the Management Board
- Barbara Sobala Vice President of the Management Board
- Maciej Kropidłowski Vice President of the Management Board
- David Mouillé Vice President of the Management Board
from 11 August 2015
- Brendan Carney Vice President of the Management Board
to 30 June 2015
- Czesław Piasek Member of the Management Board
- Iwona Dudzińska Member of the Management Board
to 31 July 2015

On 3 December 2015 Mrs. Katarzyna Majewska has been appointed as the Member of the Management Board for a 3-year term, effective from 11 January 2016.

h. The Bank has the following related entities:

Citibank N.A.	- ultimate parent company
Citibank Overseas Investment Corporation	- parent company
Handlowy-Leasing Sp. z o.o.	- Subsidiary
Dom Maklerski Banku Handlowego S.A.	- Subsidiary
PPH Spomasz Sp. z o.o. in liquidation	- Subsidiary
Handlowy Investments S.A.	- Subsidiary
Handlowy-Inwestycje Sp. z o.o.	- Subsidiary

and companies belonging to the Bank's ultimate parent's group.

i. The Bank is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Bank has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union as of 2005.

The decision to prepare the Bank's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution No. 6 passed on 7 December 2004.

j. As the parent Company of the Group, the Bank has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 7 March 2016. To better understand the Bank's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

II. Information about the audit

- a. The audit of the financial statements for the year from 1 January to 31 December 2015 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Anna Bączyk (no. 11810).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Bank by Resolution No. 7/V/2015 of the Supervisory Board dated 20 March 2015 in accordance with paragraph 18 of the Bank's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2015, item 1011).
- d. The audit was conducted in accordance with an agreement dated 10 July 2015, in the following periods:
 - interim audit from 1 November 2015 to 31 December 2015;
 - final audit from 4 January 2016 to 7 March 2016.



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

III. The Bank's results, financial position and significant items of financial statements

STATEMENT OF FINANCIAL POSITION as at 31 December 2015 (selected lines)

			Change		Structure	
	31.12.2015 PLN '000	31.12.2014 PLN '000	PLN '000	(%)	31.12.2015 (%)	31.12.2014 (%)
ASSETS						
Cash and balances with Central Bank	2,170,237	1,522,949	647,288	42.5	4.4	3.1
Amounts due from banks	756,859	2,065,614	(1,308,755)	(63.4)	1.5	4.2
Financial assets held-for-trading	6,959,692	12,721,335	(5,761,643)	(45.3)	14.1	25.6
Hedging derivatives	1,795	-	1,795	-	-	-
Debt securities available-for-sale	18,351,259	14,435,099	3,916,160	27.1	37.1	29.1
Equity investments	299,946	240,417	59,529	24.8	0.6	0.5
Amounts due from customers	18,847,968	16,545,902	2,302,066	13.9	38.2	33.4
Tangible fixed assets	342,941	347,855	(4,914)	(1.4)	0.7	0.7
Intangible assets	1,370,392	1,386,118	(15,726)	(1.1)	2.8	2.8
Receivables due to current income tax	14,351	10,358	3,993	38.5	-	-
Asset due to deferred income tax	162,059	157,815	4,244	2.7	0.3	0.3
Other assets	162,873	167,802	(4,929)	(2.9)	0.3	0.3
Non-current assets held-for-sale	1,928	2,113	(185)	(8.8)	-	-
TOTAL ASSETS	49,442,300	49,603,377	(161,077)	(0.3)	100.0	100.0

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

III. The Bank's results, financial position and significant items of financial statements (cont.)

STATEMENT OF FINANCIAL POSITION as at 31 December 2015 (selected lines) (cont.)

			Change		Structure	
	31.12.2015 PLN '000	31.12.2014 PLN '000	PLN '000	(%)	31.12.2015 (%)	31.12.2014 (%)
LIABILITIES						
Amounts due to banks	6,922,125	5,004,190	1,917,935	38.3	14.0	10.1
Financial liabilities held-for-trading	3,247,523	6,770,922	(3,523,399)	(52.0)	6.6	13.7
Hedging derivatives	112,383	-	112,383	-	0.2	-
Amounts due to customers	31,764,349	29,803,545	1,960,804	6.6	64.3	60.0
Provisions	22,814	26,188	(3,374)	(12.9)	-	0.1
Other liabilities	590,640	649,947	(59,307)	(9.1)	1.2	1.3
TOTAL LIABILITIES	42,659,834	42,254,792	405,042	1.0	86.3	85.2
EQUITY	6,782,466	7,348,585	(566,119)	(7.7)	13.7	14.8
TOTAL LIABILITIES AND EQUITY	49,442,300	49,603,377	(161,077)	(0.3)	100.0	100.0

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

III. The Bank's results, financial position and significant items of financial statements (cont.)

INCOME STATEMENT for the financial year from 1 January to 31 December 2015 (selected lines)

			Change		Structure	
	2015 PLN '000	2014 PLN '000	PLN '000	(%)	2015 (%)	2014 (%)
Interest and similar income	1,227,976	1,478,451	(250,475)	(16.9)	51.8	52.0
Interest expense and similar charges	(265,266)	(328,885)	63,619	(19.3)	16.7	19.8
Net interest income	962,710	1,149,566	(186,856)	(16.3)		
Fee and commission income	655,465	662,203	(6,738)	(1.0)	27.7	23.3
Fee and commission expense	(61,406)	(85,585)	24,179	(28.3)	3.9	5.2
Net fee and commission income	594,059	576,618	17,441	3.0		
Dividend income	22,957	48,867	(25,910)	(53.0)	1.0	1.7
Net income on trading financial instruments and revaluation	290,708	382,105	(91,397)	(23.9)	12.3	13.4
Net gain on debt investment securities	145,246	229,922	(84,676)	(36.8)	6.1	8.1
Net gain on capital investment instruments	2,232	6,429	(4,197)	(65.3)	0.1	0.2
Net gain/(loss) on hedge accounting	7,949	(379)	8,328	(2.197.4)	0.3	-
Net other operating (expense)/income	(10,732)	14,911	(25,643)	(172.0)	0.7	0.5
General administrative expenses	(1,183,516)	(1,178,686)	(4,830)	0.4	74.4	71.0
Depreciation expense	(68,085)	(66,318)	(1,767)	2.7	4.3	4.0
Profit on sale of other assets	102	6,384	(6,282)	(98.4)	-	0.2
Net impairment allowances for financial assets and net provisions for financial liabilities and guarantees granted	16,411	18,272	(1,861)	(10.2)	0.7	0.6
Profit before tax	780,041	1,187,691	(407,650)	(34.3)		
Income tax expense	(159,814)	(216,268)	56,454	(26.1)		
Net profit	620,227	971,423	(351,196)	(36.2)		
Total income	2,369,046	2,847,544	(478,498)	(16.8)	100.0	100.0
Total expense	(1,589,005)	(1,659,853)	70,848	(4.3)	100.0	100.0
Profit before tax	780,041	1,187,691	(407,650)	(34.3)		

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

III. The Bank's results, financial position and significant items of financial statements (cont.)

STATEMENT OF COMPREHENSIVE INCOME
for the year from 1 January to 31 December 2015

			Change	
	2015	2014	PLN '000	(%)
	PLN '000	PLN '000		
Net profit	620,227	971,423	(351,196)	(36.2)
Other comprehensive income that may be reclassified to income statement:				
Net valuation of financial assets available-for-sale	(216,431)	95,812	(312,243)	(325.9)
Other comprehensive income which may not be reclassified to income statement:				
Net actuarial profits/(losses) on specific services program valuation	886	(5,656)	6,542	(115.7)
Total comprehensive income for the period	404,682	1,061,579	(656,897)	(61.9)



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

III. The Bank's results, financial position and significant items of financial statements (cont.)

Selected ratios characterising the Bank's financial position and results

The following ratios characterise the Bank's operating activities, financial results during the year and its financial position as at the balance sheet date compared with previous years:

	2015	2014
Profitability ratios		
Return on equity (net profit / average net assets) (1)	8.8%	13.3%
Return on assets (net profit / average assets) (1)	1.3%	2.1%
Interest margin (interest income / average working assets) – (interest expense / average interest-bearing liabilities) (1) (3)	2.0%	2.5%
Profitability ratio on interest-bearing assets (interest income / average interest-bearing assets) (1) (3)	2.6%	3.3%
C/I ratio (general administrative expenses and depreciation expense / profit/loss on banking activities) (2)	62.1%	51.6%
Cost of borrowings (interest expense / average interest-bearing liabilities) (1)	0.6%	0.8%
Earnings per share	4.7	7.4
	31.12.2015	31.12.2014
Asset quality ratios		
Impaired amounts due from customers to gross amounts due from customers	3.5%	5.0%
Provision coverage of not impaired loans and advances	0.3%	0.4%
Provision coverage of impaired loans and advances	74.4%	76.6%
Other ratios		
Total Capital Ratio (TCR) (4)	16.8%	17.2%
Share capital Tier I (PLN'000)	4,719,986	4,860,152
Total regulatory capital requirement (PLN'000)	2,252,301	2,254,224

- 1) The average balances of balance sheet items were calculated on the basis of the balances of the individual items as at the beginning and the end of the current financial year and the previous financial year.
- 2) The profit on banking activities defined as the profit before tax less general administrative expenses and depreciation expense and net impairment allowances for financial assets and net provisions for financial liabilities and guarantees granted.
- 3) Interest-bearing assets defined as balances with the central bank (excluding cash), amounts due from banks and from customers and investment securities and derivative instruments.
- 4) Ratio calculated according to the current at a given reporting moment rule: as of 31 December 2015 and 31 December 2014 according to the rules specified in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

The above ratios have been calculated on the basis of the financial statements.

It was not the purpose of the audit to present the Bank in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Bank's operations and its circumstances.



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

III. The Bank's results, financial position and significant items of financial statements (cont.)

The following comments are based on information obtained during the audit of the financial statements.

The factors described below had a significant impact on the Bank's results of operations and on its financial position as at the balance sheet date:

- At the end of the financial year, the Bank's total assets amounted to PLN 49,442,300 thousand. During the year total assets decreased by PLN 161,077 thousand, i.e. by 0.3%.
- The assets were primarily financed by customer deposits. As at 31 December 2015 the amounts due to customers amounted to PLN 31,764,349 thousand and represented 64.3% of total equity and liabilities - share of amount due to customers in total equity and liabilities increased by 4,3 p.p. as compared to the balance as of the end of 2014. An increase of amounts due to customers by PLN 1,960,804 thousand (by 6,6%) was mainly driven by increase of deposits from non-financial sector entities by PLN 1,504,549 thousand.
- As at the balance sheet date, amounts due to banks amounted to PLN 6,922,125 thousand, which represented an increase by PLN 1,917,935 thousand, i.e. by 38.3% compared to the previous year. This growth was mainly due to an increase of term deposits (by PLN 2,090,468 thousand, i.e. by 88.2%) while balance of liabilities due to sold securities under repurchase agreements and credit and loans received decreased in total by PLN 178,960 thousand, i.e. by 9,1%
- Total equity as at 31 December 2015 amounted to PLN 6,782,466 thousand. A decrease of total equity by PLN 566,119 thousand, i.e. by 7.7% compared to the previous year was due to:
 - payment of dividend from the profit for 2014 in the amount of PLN 970,801 thousand;
 - decrease of revaluation reserve related to a difference from valuation of financial assets available-for-sale (net) by PLN 216,431 thousand;
 - net profit generated by the Bank in the amount of PLN 620,227 thousand in the audited financial year.
- As at 31 December 2015, financial assets held-for-trading amounted to PLN 6,959,692 thousand and comprised mainly governmental bonds in the amount of PLN 4,279,640 thousand and derivative instruments in the amount of PLN 2,267,132 thousand. The balance of the Treasury bonds valuation decreased by PLN 2,664,666 thousand, i.e. by 38.4% and derivative instruments valuation decreased by PLN 3,357,328 thousand, i.e. by 59.7%.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

III. The Bank's results, financial position and significant items of financial statements (cont.)

- As at 31 December 2015, an decrease in valuation of derivative instruments on the assets side (financial assets held-for-trading) as well as the liabilities side (financial liabilities held-for-trading) was primarily due to decrease in value and number of transactions of interest rate swaps (a drop by PLN 3,266,152 thousand, i.e. by 68.1% on the assets side and by PLN 3,275,087 thousand, i.e. by 66.7% on the liabilities side). Decrease in value and number of transactions was in particular due to derivatives portfolio compression performed regularly by the Bank according to the Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR).
- As at the end of the audited year, amounts due from banks amounted to PLN 756,859 thousand and decreased by PLN 1,308,755 thousand, i.e. by 63.4% mainly due to a decrease of amounts payable as a result of purchasing securities with repurchase agreement (a decrease by PLN 466,528 thousand), a decrease in the balance of deposits (a decrease by PLN 378,837 thousand) and a decrease in the balance of loans and advances (a decrease by PLN 354,611 thousand).
- As at 31 December 2014, the net balance of amounts due from customers amounted to PLN 18,847,968 thousand. At the end of 2015, the gross loan portfolio amounted to PLN 19,425,364 thousand and comprised mainly of loans and advances due from non-financial sector entities in the gross amount of PLN 15,254,953 thousand, receivables from purchased securities under repurchase agreements in the gross amount of PLN 1,356,247 thousand, purchased receivables in the gross amount of PLN 1,102,720 thousand and unlisted debt securities from non-financial sector entities in the gross amount of PLN 1,075,891 thousand. A growth of amounts due from customers was mainly due to an increase of the balance of loans and advances due from non-financial sector entities by the gross amount of PLN 1,112,038 thousand, as well as an increase in the balance of receivables from purchased securities under repurchase agreements in the gross amount of PLN 756,348 thousand.
- The balance of impairment allowances for amounts due from customers decreased by PLN 159,242 thousand, i.e. by 21.6% and as at 31 December 2015 amounted to PLN 577,396 thousand. This decrease resulted largely from a decrease in the impairment allowances of amounts due from portfolio (a decrease of PLN 128,616 thousand, i.e. by 36.6%), mainly as a result of sale of retail NPL portfolio and improvement in quality of portfolio. As at 31 December 2015, the share of impaired loans and advances in the total balance of loans and advances decreased by 1.5 pp. and amounted to 3.5%. The coverage ratio of impairment allowances for impaired loans and advances amounted to 74.4% and decreased by 2.2 pp. compared to the end of 2014.
- As at 31 December 2015, debt securities available-for-sale amounted to PLN 18,351,259 thousand and represented 37.1% of total assets. An increase of this balance by PLN 3,916,160 thousand, i.e. by 27.1% was due to an increase of Treasury bonds portfolio, which as at the end of the audited year increased by PLN 8,088,942 thousand. At the same time, the portfolio of bills issued by the central banks decreased by PLN 4,499,750 thousand.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

III. The Bank's results, financial position and significant items of financial statements (cont.)

- As at 31 December 2015, the Bank performed a revaluation of fair value of equity investment available-for-sale in VISA Europe Ltd. to the amount of PLN 63,323 thousand. The difference in valuation (in amount of PLN 63,323 thousand) was booked in Other comprehensive income.
- Revaluation reserve as at 31 December 2015 was negative – PLN (163,809) thousand (at the end of 2014, revaluation reserve was positive and amounted to PLN 52,622 thousand). Change was mainly driven by revaluation of financial assets available for sale. During 2015, the Bank established hedging relationship under hedge accounting of fair value due to minimizing the risk of interest rates, on which fixed rate securities available-for-sale were exposed. Part of change in fair value valuation of hedge instruments involved in secured risk was recognized in income statement.
- The profit before tax for the audited year amounted to PLN 780,041 thousand and was lower than the profit before tax for 2014 by PLN 407,650 thousand, i.e. by 34.3%. The profit before tax comprised mainly of: net interest income of PLN 962,710 thousand, net fee and commission income of PLN 594,059 thousand, net income on trading financial instruments and revaluation of PLN 290,708 thousand and net gain on debt investment securities of PLN 145,246 thousand, reduced primarily by general administrative expenses of PLN 1,183,516 thousand.
- Net interest income amounted to PLN 962,710 thousand and decreased by PLN 186,856 thousand, i.e. by 16.3% compared to the previous year. A decrease of the net interest income was due to a decrease of interest income by PLN 250,475 thousand. At the same time, interest expense decreased by PLN 63,619 thousand compared to the previous year. A decrease of interest income was mainly due to a lower interest income from amounts due from customers by PLN 162,309 thousand. A decrease of interest income and expense was mainly due to decrease of market interest rates.
- Net fee and commission income amounted to PLN 594,059 thousand in the audited year and was higher by PLN 17,441 thousand, i.e. by 3.0% compared to the previous year. This was due to a decrease of fee and commission expense by PLN 24,179 thousand, due to a decrease of payment and credit cards expenses by PLN 25,271 thousand. At the same time, fee and commission income decreased by PLN 6,738 thousand.
- General administrative expenses amounted to PLN 1,183,516 thousand in the audited year (including administrative expenses which amounted to PLN 635,353 thousand and staff expenses which amounted to PLN 548,163 thousand) and increased by PLN 4,830 thousand, i.e. by 0.4% compared to the previous year. An increase of general administrative expenses was mainly due to an increase of the costs related to the Bank Guarantee Fund by PLN 93,472 thousand. Other costs show decreasing trend. Staff expenses decrease by PLN 13,624 thousand (i.e. by 2,4%). Costs of external services related to the distribution of banking products, building maintenance and rent costs and Advertising and marketing costs decrease by PLN 79,956 thousand in total (i.e. by 42,5%).



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

III. The Bank's results, financial position and significant items of financial statements (cont.)

- Net impairment allowances for financial assets and net provisions for financial liabilities and guarantees granted were positive in the audited year and amounted to PLN 16,411 thousand (in 2014 it was positive and amounted to PLN 18,272 thousand). Net impairment comprised in particular of reversal of impairment losses on financial assets related to receivables from sold retail portfolio, previously written-off, in the amount of PLN 27,929 thousand.
- As a result, in the audited year the Bank generated a net profit of PLN 620,227 thousand, which was lower by PLN 351,196 thousand, i.e. by 36.2% compared to the previous year.

The financial statements have been prepared on the assumption that the Bank will continue in operation as a going concern.



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

IV. The independent registered auditor's statement

- a. The Management Board of the Bank provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The financial statements of the Bank for the year from 1 January to 31 December 2014 were approved by Resolution No. 3 passed by the General Shareholders' Meeting on 22 June 2015 and filed with the National Court Register in Warsaw on 26 June 2015.
- d. We have assessed the operation of the accounting system. Our assessment covered in particular:
 - the accuracy of the documentation relating to business transactions;
 - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
 - the methods used for controlling access to data and the computerised data processing system;
 - the safeguarding of the accounting documentation, books of account, and financial statements.

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

- e. During the audit performed we have not identified any significant instances of Bank's non-compliance with banking regulatory norms during the period from 1 January 2015 to the day of issuance of this report. As at 31 December 2015, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland, Resolutions of Polish Financial Supervisory Authority and the Regulation of the European Parliament and the Council (EU) No. 575/2013 from 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (CRR) and other regulations issued by the Commission (EU) pursuant to this Regulation, included banking regulatory norms in relation, among others, to the following:
 - concentration of credit risk,
 - concentration of investments in shares,
 - classification of loans and guarantees to risk groups and creation of provisions for the risk associated with activities of banks,
 - liquidity measures,
 - level of obligatory reserve,
 - capital adequacy.



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

IV. The independent registered auditor's statements (cont.)

- f. As at 31 December 2015 the capital adequacy ratio of the Bank amounted to 16.77% and was correctly determined in accordance with CRR. This statement is based on recalculation of the quotient of own funds amounting to PLN 4.719.986 thousand divided by risk weighted assets amounting to PLN 28.153.763 thousand as per COREP reporting prepared by the Bank as at the balance sheet date.
- g. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- h. The information in the Directors' Report for the year ended 31 December 2015 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the financial statements.



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

V. Final information

This report has been prepared in connection with our audit of the financial statements of Bank Handlowy w Warszawie S.A., Senatorska 16 Street, Warsaw. The financial statements were signed by the Bank's Management Board on 7 March 2016.

This report should be read together with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting and the Supervisory Board of Bank Handlowy w Warszawie S.A. dated 7 March 2016, concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Anna Bączyk

Key Registered Auditor
No. 11810

Warsaw, 7 March 2016



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax identification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.