

**BANK POLSKA KASA OPIEKI S.A. CAPITAL  
GROUP  
WARSAW, GRZYBOWSKA 53/57**

**AUDITOR'S OPINION  
AND  
AUDIT REPORT  
ON CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE 2014 FINANCIAL YEAR**

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## AUDITOR'S OPINION

### To the Shareholders and Supervisory Board of Bank Polska Kasa Opieki S.A

We have audited the attached consolidated financial statements of the Bank Polska Kasa Opieki S.A. Capital Group ("Capital Group"), for which Bank Polska Kasa Opieki S.A. ("Bank") with its registered office in Warsaw, at Grzybowska 53/57 is the Parent Company. Those consolidated financial statements include: consolidated statement of financial position prepared as of 31 December 2014, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the financial year from 1 January 2014 to 31 December 2014 and explanatory notes comprising a summary of significant accounting policies and other explanatory information as required by the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations.

Preparation of consolidated financial statements and a report on the activities of the Capital Group in line with the law is the responsibility of the Management Board of the Bank.

The Management Board of the Bank and members of its Supervisory Board are obliged to ensure that the consolidated financial statements and the report on the activities of the Capital Group meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the consolidated financial statements with the accounting principles (policy) adopted by the Capital Group and whether the financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Capital Group.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act,
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the consolidated financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) applied by the Bank and the subsidiaries of the Capital Group, verification - largely on a test basis - of the basis for the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

- give a true and fair view of the information material to evaluation of the economic and financial position of the Capital Group as of 31 December 2014 as well as its financial performance in the financial year from 1 January 2014 to 31 December 2014,
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations, and in all matters not regulated in the standards – in accordance with the provisions of the Accounting Act and its executory provisions,
- comply with the provisions of law applicable to the Capital Group which affect the contents of the consolidated financial statements.

The report on the activities of the Capital Group for the 2014 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133) and consistent with underlying information disclosed in the audited consolidated financial statements.

Dorota Snarska-Kuman  
Key certified auditor  
conducting the audit  
No. 9667

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Dorota Snarska-Kuman – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 10 February 2015

***The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.***

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL  
STATEMENTS OF THE BANK POLSKA KASA OPIEKI S.A. CAPITAL GROUP  
FOR THE 2014 FINANCIAL YEAR**

## I. GENERAL INFORMATION

### 1. Details of the audited Parent Company

The Parent Company of the Bank Polska Kasa Opieki S.A. Capital Group („Capital Group”) operates under the business name Bank Polska Kasa Opieki S.A. („Bank”). The Bank’s registered office is located in Warsaw at Grzybowska 53/57.

The Bank operates as a joint stock company. The Bank is in the Commercial Register kept by the District Court in Capital City Warsaw, XII Business-Registry Division of the National Court Register, under KRS number 0000014843.

The Bank operates based on the provisions of the Code of Commercial Companies and Banking Law.

As of 31 December 2014, the Bank’s share capital amounted to PLN 262,470 thousand and was divided into 262,470,034 ordinary shares with a face value of PLN 1 each.

Composition of the Management Board of the Bank as at the date of the opinion:

– Luigi Lovaglio	– President of the Board,
– Diego Biondo	– Vice-President of the Board,
– Andrzej Kopyrski	– Vice-President of the Board,
– Grzegorz Piwowar	– Vice-President of the Board,
– Stefano Santini	– Vice-President of the Board,
– Marian Ważyński	– Vice-President of the Board.

During the audited period and until the date of the opinion there were no changes in the composition of the Management Board.

### 2. Structure of the Capital Group

The consolidated financial statements as of 31 December 2014 included the following entities:

a) Parent Company – Bank Polska Kasa Opieki S.A.

We have audited the financial statements of Bank Polska Kasa Opieki S.A. for the period from 1 January to 31 December 2014. As a result of our audit, on 10 February 2015 we issued an unqualified opinion.

b) Companies subject to full consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
Pekao Bank Hipoteczny S.A., Warsaw	100.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014
Centralny Dom Maklerski S.A., Warsaw	100.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014

Pekao Leasing Sp. z o.o. (*), Warsaw	36.49	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014
Pekao Leasing Holding S.A., Warsaw	100.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014
Pekao Faktoring Sp. z o.o., Lublin	100.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014
Pekao Pioneer Powszechne Towarzystwo Emerytalne, Warsaw	65.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014
Centrum Kart S.A., Warsaw	100.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014
Pekao Financial Services Sp. z o.o., Warsaw	100.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014
Centrum Bankowości Bezpośredniej Sp. z o.o., Kraków	100.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014
Pekao Property S.A., Warsaw	100.00	I.J. Koniarczycki biegli rewidenci s.c, Unqualified	31 December 2014
Pekao Fundusz Kapitałowy Sp. z o.o., Warsaw	100.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. In progress	31 December 2014
Pekao Telecentrum, Sp. z o.o. w likwidacji, Warsaw	100.00	Financial statements are not audited	31 December 2014

(\* ) The total share of the Group in Pekao Leasing Sp. z o.o. equity is 100.00% (36.49% directly and 63.51% via Pekao Leasing Holding S.A.).

c) Companies subject to equity method of consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
Dom Inwestycyjny Xelion Sp. z o.o., Warsaw	50.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Unqualified	31 December 2014
Pioneer Pekao Investment Management S.A., Warsaw	49.00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. In progress	31 December 2014
Krajowa Izba Rozliczeniowa S.A., Warsaw	34.44	BDO Sp. z o.o. In progress	31 December 2014
CPF Management - Tortola, British Virgin Islands	40.00	The company does not prepare financial statements	Not applicable
Polish Banking System S.A. w likwidacji, Warsaw	48.90	The company does not prepare financial statements	Not applicable
PPU Budpress Sp. z o.o. w likwidacji, Żyrardów	36.20	The company does not prepare financial statements	Not applicable

On 26 September 2014 Pekao Property S.A. (the acquiring entity) merged with Property Sp. z o.o. w likwidacji (the acquired entity).

For the merger purposes, Pekao Property S.A. issued shares that was taken up by the Bank, the owner of Property Sp. z o.o. w likwidacji, in exchange for the assets of liabilities of Property Sp. z o.o. w likwidacji that was contributed into Pekao Property S.A. The merger transaction was classified as business combination under common control and recognized at book value.

On 7 August 2014, the Bank acquired the remaining 19.90% of the issued shares of Pekao Leasing Holding S.A. The Group now holds 100% share in the equity of Pekao Leasing Holding S.A. As a result of the transaction the Group also increased its total share in the equity of Pekao Leasing Sp. z o.o. to 100% (36.49% via Bank and 63.51% via Pekao Leasing Holding S.A.).

### **3. Information about the consolidated financial statements for the prior financial year**

The activities of the Capital Group in 2013 resulted in a net profit of PLN 2,794,990. The consolidated financial statements of the Capital Group for 2013 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. The certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the consolidated financial statements for the 2013 financial year was held on 12 June 2014.

In accordance with applicable laws, the consolidated financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 10 July 2014.

### **4. Details of the authorized entity and the key certified auditor acting on its behalf**

The entity authorized to audit the financial statements was appointed by the Shareholders' Meeting of the Bank. The audit of the consolidated financial statements was performed based on the agreement of 17 June 2013 concluded between Bank Polska Kasa Opieki S.A. and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the consolidated financial statements was conducted under the supervision of Dorota Snarska-Kuman, key certified auditor (No. 9667) in the registered office of the Bank, in its branches, as well as outside the Bank's premises from 13 October 2014 until the date of this opinion.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009 No. 77, item 649, as amended) to express an unbiased and independent opinion on the consolidated financial statements of the Capital Group.

### **5. Availability of data and management's representations**

The scope of our audit was not limited.

During the audit, all necessary documents and data as well as detailed information and explanations, were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of the Bank of 10 February 2015.

## **II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP**

Presented below are the main items from the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, as well

as financial ratios describing the financial performance of the Bank and its economic and financial position compared to the prior year, calculated based on the financial data included in the consolidated financial statements for the 2014 financial year.

<u>Main items from consolidated statement of financial position (PLN thousand)</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
Total assets	167,625,028	158,521,712
Cash and due from Central Bank	9,226,254	4,191,229
Loans and advances to banks	7,169,872	7,547,785
Financial assets held for trading	448,453	188,377
Derivative financial instruments (held for trading)	4,447,975	1,996,934
Loans and advances to customers	111,871,948	101,012,515
Receivables from finance leases	3,112,048	2,931,248
Hedging instruments	470,822	250,186
Investment (placement) securities	24,712,776	34,995,737
Assets held for sale	37,102	45,864
Investments in associates	184,228	176,002
Intangible assets	627,032	626,571
Property, plant and equipment	1,544,139	1,589,636
Income tax assets	879,991	995,766
Other assets	2,856,928	1,942,501
Amounts due to other banks	5,344,702	6,417,657
Financial liabilities held for trading	591,311	309,742
Derivative financial instruments (held for trading)	4,417,706	2,051,501
Amounts due to customers	125,609,000	119,796,706
Hedging instruments	1,484,428	1,007,884
Debt securities issued	3,857,043	3,063,737
Provisions	442,456	393,537
Other liabilities	1,761,422	1,958,692
Total equity, including:	24,045,732	23,514,171
– Share capital	262,470	262,470
 <u>Main items from consolidated income statements and consolidated comprehensive income statements (PLN thousand)</u>	 <u>2014</u>	 <u>2013</u>
Net interest income	4,461,294	4,505,562
Net fee and commission income	2,043,735	2,142,844
Result on financial assets and liabilities held for trading	443,301	465,057
Gains (losses) on disposal	272,055	305,139
Net impairment losses on financial assets and off-balance sheet commitments	(559,575)	(663,650)
Operating costs	(3,357,179)	(3,371,756)
Income tax expense	(634,573)	(659,240)
Net profit for the period	2,725,116	2,794,990
Total comprehensive income	3,215,736	2,357,765
 <u>Ratio analysis</u>	 <u>31.12.2014</u>	 <u>31.12.2013</u>
Return on equity ratio (ROE)	11.46%	11.97%
Return on assets ratio (ROA)	1.66%	1.80%



Cost to income ratio	46.61%	46.04%
Capital adequacy ratio	17.30%	18.33%
Equity ratio	14.34%	14.83%

An analysis of the above figures and ratios indicated the following trends in 2014:

- return on equity ratio (ROE) calculated as a relation of net profit for the period to equity estimated as an average of the balance as at 31 December 2013 and balances as at the end of each month in 2014 decreased as at the end of 2014 and amounted to 11.46% in comparison to 11.97% as at the end of 2013,
- return on assets ratio (ROA) calculated as a relation of net profit for the period to total assets estimated as an average of the balances as at 31 December 2013 and 31 December 2014 decreased as at the end of 2014 and amounted to 1.66% in comparison to 1.80% as at the end of 2013,
- cost to income ratio calculated as a relation of total costs estimated as a sum of administrative expenses, depreciation and amortization, impairment allowances of property plant and equipment and intangible assets less refundation of administrative expenses to total income estimated as sum of net interest income, net fee and commission income, dividend income, result on financial assets and liabilities held for trading, result on fair value hedge accounting, gains (losses) on disposal and other operating income (less refundation of administrative expenses) increased from 46.04% for 2013 to 46.61% for 2014,
- capital adequacy ratio calculated in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms as at the end of 2014 amounted to 17.30% in comparison to 18.33% as at the end of 2013,
- equity ratio calculated as a relation of total equity to the sum of total equity and total liabilities decreased as at the end of 2014 and amounted to 14.34% in comparison to 14.83% at the end of 2013.

### **Application of prudence principles**

During our audit we have not identified significant discrepancies indicating lack of application of prudence principles determined by Polish Law, resolutions of Management of National Bank of Poland and resolutions of Polish Financial Supervision Authority.

### **Capital ratio**

During our audit we have not identified significant discrepancies in the area of calculation of capital ratio as at 31 December 2014 in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms.

## **III. DETAILED INFORMATION**

### **1. Information about the audited consolidated financial statements**

The audited consolidated financial statements were prepared as at 31 December 2014 and include:

- consolidated income statement for the period from 1 January 2014 to 31 December 2014, with a net profit in the amounts PLN 2,725,116 thousand,

- consolidated statement of comprehensive income for the period from 1 January 2014 to 31 December 2014 with a total comprehensive income of PLN 3,215,736 thousand,
- consolidated statement of financial position prepared as of 31 December 2014, with total assets and liabilities plus equity of PLN 167,625,028 thousand,
- consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014, disclosing an increase in equity of PLN 531,561 thousand,
- consolidated cash flow statement for the period from 1 January 2014 to 31 December 2014, showing a cash inflow of PLN 4,940,322 thousand,
- explanatory notes, comprising a summary of significant accounting policies and other explanatory information.

The audit covered the period from 1 January 2014 to 31 December 2014 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Bank;
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation;
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

## **2. Consolidation documentation**

The Bank presented the consolidation documentation including:

- financial statements of entities included in the consolidated financial statements;
- financial statements of controlled entities, adjusted to International Financial Reporting Standards as adopted by the European Union (“IFRS”) and the accounting principles (policy) applied during consolidation;
- all consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements;
- calculation of the fair value of the net assets of controlled entities;
- calculation of goodwill and gain from a bargain purchase as well as impairment losses for goodwill;
- calculation of non-controlling interests;
- calculation of exchange differences arising from translation of the financial statements of controlled entities denominated in foreign currencies.

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Bank and the subsidiaries included in consolidation were summed up.

The equity method was applied with respect to associated entities. The value of the Bank’s interest in the associated company was adjusted by increases or decreases in the equity of the associated company attributable to the Bank, which occurred in the period covered by consolidation, and decreased by dividends due from such companies.

The Bank preparing the consolidated financial statements has not applied any material simplifications and exceptions to the consolidation principles with respect to the controlled entities.

### **3. Completeness and correctness of drawing up notes and explanations and the report on the activities of the Capital Group**

The Bank confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes and explanations to the consolidated financial statements gives a description of measurement principles regarding assets and liabilities plus equity, financial performance and principles of preparation of the consolidated financial statements.

The Bank prepared notes in the form of tables to individual items of the consolidated statement of financial position and consolidated income statement and consolidated statement of comprehensive income as well as narrative descriptions in line with the requirement of IFRS.

The Management Board of Bank prepared and supplemented the consolidated financial statements with a report on the activities of the Capital Group in the 2014 financial year. The report contains information determined by Article 49 of the Accounting Act and the Ordinance of the Minister of Finance Ordinance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133). We have audited the report with respect to the disclosed information derived directly from the audited consolidated financial statements.

## **IV. CLOSING COMMENTS**

### Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Bank's Management Board, in which the Board stated that the Capital Group complied with the laws in force.

Dorota Snarska-Kuman  
Key certified auditor  
conducting the audit  
No. 9667

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Dorota Snarska-Kuman – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 10 February 2015