

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

**AUDITOR'S OPINION
AND
AUDIT REPORT
ON FINANCIAL STATEMENTS**

FOR THE 2015 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 financial statements of Bank Polska Kasa Opieki S.A. ("Bank") with its registered office in Warsaw at Grzybowska 53/57, including statement of financial position prepared as of 31 December 2015, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the financial year from 1 January 2015 to 31 December 2015 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 financial statements and a report on the activities 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 financial statements and the report on the activities 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 financial statements with the accounting principles (policy) adopted by the Bank 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 Bank and on the correctness of the underlying accounting records.

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 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) and material estimates applied by the Bank, verification - largely on a test basis - of the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited 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 Bank as of 31 December 2015 as well as its financial performance in the financial year from 1 January 2015 to 31 December 2015,
- 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 and based on properly kept accounting records,
- comply with the provisions of law and the articles of association of the Bank, which affect the contents of the financial statements.

The Report on the activities of the Bank for the 2015 financial year is complete within the meaning of the Article 49, paragraph 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 disclosed information derived from the audited financial statements was verified in accordance with the Article 111a, paragraph 1 of the Banking Law (Journal of Laws of 2015 item 128 as amended) and is consistent with the attached 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 – Deputy Chairman 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, 8 February 2016

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 FINANCIAL STATEMENTS
OF BANK POLSKA KASA OPIEKI S.A.
FOR THE 2015 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Bank

The Bank 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 recorded 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, based on the decision of 2 July 2001.

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

As of 31 December 2015, the Bank's share capital equaled PLN 262,470 thousand and was divided into 262,470,034 ordinary shares with a face value of PLN 1 each.

In the audited period, the Bank conducted activities mainly in the area of accepting cash as demand deposits or term deposits and keeping deposit accounts as well as granting credits and loans.

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

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

Changes in the composition of the Management Board of the Bank during the audited period and until the date of the opinion:

- the Supervisory Board appointed Adam Niewiński to hold the position of the Vice-President of the Board effective from April 30, 2015.

2. Information on the financial statements for the previous financial year

The activities of the Bank in 2014 resulted in a net profit of PLN 2,662,266 thousand. The financial statements of the Bank for the 2014 financial year 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 financial statements for the 2014 financial year was held on 30 April 2015. The General Shareholders' Meeting decided to distribute the net profit for 2014 in the following manner:

- | | |
|---------------------------------|---------------------------|
| – dividends for shareholders | – PLN 2,624,701 thousand, |
| – fund for general banking risk | – PLN 37,565 thousand. |

The financial statements for the 2014 financial year were submitted to the National Court Register (KRS) on 15 May 2015.

The consolidated financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 15 May 2015.

3. 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. The audit of the financial statements was performed based on the agreement of 17 June 2013 concluded between the Bank Polska Kasa Opieki S.A. and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with 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 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 from 28 September 2015 until the opinion date.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting the 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 financial statements of the Bank.

4. Availability of data and management's representations

The scope of our audit was not limited.

During the audit 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 8 February 2016.

II. ECONOMIC AND FINANCIAL POSITION OF THE BANK

Presented below are the main items from the income statement, statement of comprehensive income, 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 financial statements for the 2015 financial year.

<u>Main items from statement of financial position (PLN '000)</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Total assets	165,760,670	164,322,831
Cash and due from Central Bank	7,881,598	9,226,249
Loans and advances to banks	7,512,226	7,215,362
Financial assets held for trading	1,116,993	513,078
Derivative financial instruments (held for trading) - assets	3,254,117	4,464,894
Loans and advances to customers	118,508,582	111,389,077
Hedging instruments (assets)	421,640	470,822
Investment (placement) securities	20,989,942	24,572,130
Investment in subsidiaries	1,099,654	857,513
Intangible assets	611,620	601,673
Property, plant and equipment	1,443,757	1,525,593
Income tax assets	759,559	674,378
Other assets	2,070,741	2,726,716
Amounts due to other banks	4,553,114	3,129,856
Financial liabilities held for trading	611,442	591,311
Derivative financial instruments (held for trading) - liabilities	3,201,798	4,422,292
Amounts due to customers	129,256,866	126,381,270
Hedging instruments (liabilities)	1,702,759	1,484,428
Debt securities issued	1,668,706	2,819,713
Provisions	422,930	436,952
Other liabilities	1,547,738	1,602,382
Total equity, including:	22,794,403	23,387,244
- Share capital	262,470	262,470
<u>Main items from the income statement and comprehensive income statement (PLN '000)</u>	<u>2015</u>	<u>2014</u>
Net interest income	4,039,623	4,334,504
Net fee and commission income	1,750,515	1,832,488
Dividend income	210,609	153,548
Result on financial assets and liabilities held for trading	418,506	431,468
Gains (losses) on disposal	229,601	271,413
Net impairment losses on financial assets and off-balance sheet commitments	(513,978)	(541,369)
Operating costs	(3,412,801)	(3,196,191)
Income tax expense	(501,157)	(607,839)
Net profit for the period	2,290,398	2,662,266
Total comprehensive income	2,031,860	3,153,075

<u>Ratio analysis</u>	<u>2015</u>	<u>2014</u>
Return on equity ratio (ROE)	10.14%	11.55%
Return on assets ratio (ROA)	1.39%	1.67%
Cost to income ratio	51.85%	45.82%
Capital ratio	18.20%	17.08%
Equity ratio	13.75%	14.23%

An analysis of the above figures and ratios indicated the following trends in 2015:

- 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 31.12.2014 and balances as at the end of each month in 2015 decreased as at the end of 2015 and amounted to 10.14% in comparison to 11.55% as at the end of 2014;
- 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 31.12.2014 and 31.12.2015 decreased as at the end of 2015 and amounted to 1.39% in comparison to 1.67% as at the end of 2014;
- 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 refund of administrative expenses to total income estimated as sum of net interest in, 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 refund of administrative expenses) increased from 45.82% for 2014 to 51.85% for 2015;
- capital 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 2015 amounted to 18.20% in comparison to 17.08% as at the end of 2014;
- equity ratio calculated as a relation of total equity to the sum of total equity and total liabilities decreased as at the end of 2015 and amounted to 13.75% in comparison to 14.23% at the end of 2014.

Application of prudence principles

During our audit we have not identified significant discrepancies indicating lack of application in 2015 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 2015 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. Evaluation of the accounting system

The Bank has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act. The principles have been applied consistently and did not change compared to the principles applied in the prior year. The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

Based on tests performed during the audit procedures, we have verified the adopted accounting system and found no misstatements that would affect the financial statements. Our audit did not include, though, the entire accounting system used by the Bank.

The Bank performed a physical count of assets and liabilities and equity within the scope necessary to confirm the existence of the presented assets and liabilities and equity.

2. Information identifying the audited financial statements

The audited financial statements were prepared as of 31 December 2015 and include:

- income statement for the period from 1 January 2015 to 31 December 2015, with a net profit of PLN 2,290,398 thousand,
- statement of comprehensive income for the period from 1 January 2015 to 31 December 2015 with a total comprehensive income of PLN 2,031,860 thousand,
- statement of financial position prepared as of 31 December 2015, with total assets and liabilities plus equity of PLN 165,760,670 thousand,
- statement of changes in equity for the period from 1 January 2015 to 31 December 2015, disclosing an decrease in equity of PLN 592,841 thousand,
- cash flow statement for the period from 1 January 2015 to 31 December 2015, showing a cash outflow of PLN 984,919 thousand,
- explanatory notes, comprising a summary of significant accounting policies and other explanatory information.

The structure of assets and liabilities plus equity as well as items affecting the profit or loss has been presented in the financial statements.

3. Information about selected material items of the financial statements

Financial assets and liabilities

The bank classifies its financial instruments into the following categories:

- financial assets or financial liabilities measured at fair value through profit or loss,
- loans and receivables,
- financial assets held to maturity,
- available-for-sale financial assets,
- other financial liabilities.

The structure by terms and types of financial assets and liabilities has been presented in details in the respective explanatory notes to the statement of financial position.

Structure of loans and advances from banks and customers

The structure by terms and types of loans and advances from banks and customers has been presented details in the respective explanatory notes to the statement of financial position.

In Bank Polska Kasa Opieki S.A. impairment allowances are recognised in accordance with the IAS/IFRS. The allowances reflect impairment, which is recognised if the Bank has objective evidence that the receivables cannot be recovered in line with the signed loan agreement. Objective evidences of impairment were defined in accordance with recommendation of Basel Committee and with the International Accounting Standards (IAS 39). The impairment allowance is calculated based on the estimated recoverable amount. Impairment is analysed using both the individual (for individually significant impaired exposures) and collective approach (individually insignificant exposures with impairment, and exposures with incurred but not reported losses).

The Bank systematically on an annual basis compares the assumptions and parameters used for loss calculations with the actual situation, including loss identification period. The comparison takes into account changes of economic conditions, amendments to Bank's credit policies and loans collection process. The process provides assurance that the level of impairment allowances is adequate. Credit Committee of the Bank is responsible for adequate level of impairment allowance.

The disclosures regarding management of credit risk and exposure to credit risk were presented in explanatory notes to the financial statements.

Structure of deposits from banks and customers

The structure by terms and types of deposits from banks and customers has been presented details in the respective explanatory notes to the financial statements.

Accrued income and expense

The explanatory notes describe the structure of accrued income and expense.

Significant accrued income and expense were properly included in the financial year. The items have been recognized correctly in all material respects in relation to the financial statements as a whole.

4. Completeness and correctness of drawing up notes and explanations and the report on the activities of the Bank

The Bank confirmed the validity of the going concern principle in the preparation of the financial statements. The notes and explanations give a correct and complete description of measurement principles regarding assets, liabilities and equity, profit or loss and principles of preparation of the financial statements.

The explanatory notes to the financial statements give a correct and complete description of the reporting items and clearly present other information required under IFRS.

The Management Board of Bank prepared and supplemented the financial statements with a report on the activities of the Bank in the 2015 financial year. The report contains information required under the Article 49, paragraph 2 of the Accounting Act, the Article 111a, paragraph 1 of the Banking Law (Journal of Laws of 2015 item 128 as amended, "Banking Law") 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). In accordance with the Article 111a, paragraph 3 of the Banking Law, we have audited the report with respect to the disclosed information derived directly from the audited 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 Bank 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 – Deputy Chairman of the Management Board of Deloitte Polska Sp. z o.o.
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Warsaw, 8 February 2016