



Independent Registered Auditor's Opinion

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

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, which comprise the statement of financial position as at 31 December 2014, showing total assets and total equity and liabilities of PLN 49,603,377 thousand, the income statement for the financial year from 1 January to 31 December 2014, showing a net profit of PLN 971,423 thousand, the statement of comprehensive income for the financial year from 1 January to 31 December 2014, showing a total comprehensive income of PLN 1,061,579 thousand, the statement of changes in equity, the statement of cash flows for the financial year from 1 January to 31 December 2014 and additional information on adopted accounting policies and other explanatory notes.

The Bank's Management Board is responsible for preparing the financial statements and Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. Members of the Management Board and Members of the Supervisory Board of the Bank are obliged to ensure that the financial statements and the Director's Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion on whether the financial statements comply in all material respects with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Bank's financial position and its financial results, and whether the accounting records constituting the basis for their preparation are properly maintained.

We conducted our audit in accordance with:

- a. the provisions of Chapter 7 of the Accounting Act;
- b. national standards of auditing issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting policies applied by the Bank and significant estimates made in the preparation of the financial statements, as well as overall assessment of their presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Opinion

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

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

- a. give a fair and clear view of the Bank's financial position as at 31 December 2014 and of the financial results for the year from 1 January to 31 December 2014, 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 and the Bank's Memorandum of Association;
- c. have been prepared on the basis of properly maintained books of account, in accordance with the applicable accounting policies.

The information contained in the Bank Directors' Report for the year from 1 January to 31 December 2014 has been presented 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 ("the Decree" – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited financial statements.

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

Adam Celiński

Key Registered Auditor
No. 90033

Warsaw, 13 March 2015

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 2014



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.

**Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2014**

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

This report contains 17 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	15
V. Final information	17



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 financial year from 1 January to 31 December 2014

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 2014 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 7,348,585 thousand.

- e. As at 31 December 2014, 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 audited 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.



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 financial year from 1 January to 31 December 2014

I. General information about the Bank (cont.)

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

- Sławomir S. Sikora President of the Management Board
- Brendan Carney Vice 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
from 19 March 2014
- Misbah Ur-Rahman-Shah Vice President of the Management Board
to 18 March 2014
- Iwona Dudzińska Member of the Management Board
- Czesław Piasek Member of the Management Board
from 20 May 2014

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 S.A. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, starting from 2005, the Bank has decided to prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 dated 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 13 March 2015. 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 financial year from 1 January to 31 December 2014

II. Information about the audit

- a. The audit of the financial statements for the year from 1 January to 31 December 2014 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 Adam Celiński (no. 90033).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Bank by Resolution No. 9/V/2014 of the Supervisory Board dated 19 March 2014 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 No. 77, item 649, as amended).
- d. The audit was conducted in accordance with an agreement dated 6 May 2014 in the following periods:
 - interim audit from 3 November 2014 to 31 December 2014;
 - final audit from 2 January 2015 to 13 March 2015.



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 financial year from 1 January to 31 December 2014

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

STATEMENT OF FINANCIAL POSITION as at 31 December 2014

			Change		Structure	
	31.12.2014 PLN '000	31.12.2013 PLN '000	PLN '000	(%)	31.12.2014 (%)	31.12.2013 (%)
ASSETS						
Cash and balances with Central Bank	1,522,949	778,464	744,485	95.6	3.1	1.7
Amounts due from banks	2,065,614	3,539,922	(1,474,308)	(41.6)	4.2	7.9
Financial assets held-for-trading	12,721,335	5,746,799	6,974,536	121.4	25.6	12.8
Debt securities available-for-sale	14,435,099	17,616,041	(3,180,942)	(18.1)	29.1	39.1
Equity investments	240,417	247,483	(7,066)	(2.9)	0.5	0.6
Amounts due from customers	16,545,902	14,811,383	1,734,519	11.7	33.4	32.9
Tangible fixed assets	347,855	355,655	(7,800)	(2.2)	0.7	0.8
Intangible assets	1,386,118	1,415,204	(29,086)	(2.1)	2.8	3.1
Receivables due to current income tax	10,358	72,837	(62,479)	(85.8)	-	0.2
Asset due to deferred income tax	157,815	204,035	(46,220)	(22.7)	0.3	0.5
Other assets	167,802	161,196	6,606	4.1	0.3	0.4
Non-current assets held-for-sale	2,113	12,738	(10,625)	(83.4)	-	-
TOTAL ASSETS	49,603,377	44,961,757	4,641,620	10.3	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 financial year from 1 January to 31 December 2014

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

STATEMENT OF FINANCIAL POSITION as at 31 December 2014 (selected lines) (cont.)

	31.12.2014	31.12.2013	Change		Structure	
			PLN '000	PLN '000	PLN '000	(%)
					(%)	(%)
LIABILITIES						
Amounts due to banks	5,004,190	6,172,957	(1,168,767)	(18.9)	10.1	13.7
Financial liabilities held-for-trading	6,770,922	4,196,896	2,574,026	61.3	13.7	9.3
Hedging derivatives	-	24,710	(24,710)	(100.0)	-	0.1
Amounts due to customers	29,803,545	26,634,357	3,169,188	11.9	60.0	59.2
Provisions	26,188	88,701	(62,513)	(70.5)	0.1	0.2
Other liabilities	649,947	622,914	27,033	4.3	1.3	1.4
TOTAL LIABILITIES	42,254,792	37,740,535	4,514,257	12.0	85.2	83.9
EQUITY	7,348,585	7,221,222	127,363	1.8	14.8	16.1
TOTAL LIABILITIES AND EQUITY	49,603,377	44,961,757	4,641,620	10.3	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 financial year from 1 January to 31 December 2014

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 2014 (selected lines)

	Change				Structure	
	2014 PLN '000	2013 PLN '000	PLN '000	(%)	2014 (%)	2013 (%)
Interest and similar income	1,478,451	1,627,970	(149,519)	(9.2)	52.0	54.2
Interest expense and similar charges	(328,885)	(405,845)	76,960	(19.0)	19.8	22.2
Net interest income	1,149,566	1,222,125	(72,559)	(5.9)		
Fee and commission income	662,203	676,415	(14,212)	(2.1)	23.3	22.5
Fee and commission expense	(85,585)	(95,669)	10,084	(10.5)	5.2	5.2
Net fee and commission income	576,618	580,746	(4,128)	(0.7)		
Dividend income	48,867	8,912	39,955	448.3	1.7	0.3
Net income on trading financial instruments and revaluation	382,105	346,999	35,106	10.1	13.4	11.6
Net gain on debt investment securities	229,922	305,339	(75,417)	(24.7)	8.1	10.2
Net gain on capital investment instruments	6,429	1,844	4,585	248.6	0.2	-
Net gain on hedge accounting	(379)	2,050	(2,429)	(118.5)	-	0.1
Net other operating income and expense	14,911	(1,772)	16,683	(941.5)	0.5	0.1
General administrative expenses	(1,178,686)	(1,271,187)	92,501	(7.3)	71.0	69.5
Depreciation expense	(66,318)	(55,754)	(10,564)	18.9	4.0	3.0
Profit/loss on sale of other assets	6,384	(124)	6,508	(>100.0)	0.2	-
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	18,272	34,138	(15,866)	(46.5)	0.6	1.1
Profit before tax	1,187,691	1,173,316	14,375	1.2		
Income tax expense	(216,268)	(238,534)	22,266	(9.3)		
Net profit	971,423	934,782	36,641	3.9		
Total income	2,847,544	3,003,667	(156,123)	(5.2)	100.0	100.0
Total expense	(1,659,853)	(1,830,351)	170,498	(9.3)	100.0	100.0
Profit before tax	1,187,691	1,173,316	14,375	1.2		

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 financial year from 1 January to 31 December 2014

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 2014

			Change	
	2014 PLN '000	2013 PLN '000	PLN '000	(%)
Net profit	971,423	934,782	36,641	3.9
Other comprehensive income that may be reclassified to income statement:				
Net valuation of financial assets available-for-sale	95,812	(300,769)	396,581	(131.9)
Net actuarial loss on valuation of defined benefit plans	(5,656)	-	(5,656)	-
Total comprehensive income for the period	1,061,579	634,013	427,566	67.4



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 financial year from 1 January to 31 December 2014

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 financial year and its financial position as at the balance sheet date compared with the previous year:

	2014	2013
Profitability ratios		
Return on equity (net profit / average net assets) (1)	13.3%	12.8%
Return on assets (net profit / average assets) (1)	2.1%	2.1%
Interest margin (interest income / average working assets) – (interest expense / average interest-bearing liabilities) (1) (3)	2.5%	2.8%
Profitability ratio on interest-bearing assets (interest income / average interest-bearing assets) (1) (3)	3.3%	4.0%
C/I ratio (general administrative expenses and depreciation expense / profit/loss on banking activities) (2)	51.6%	53.8%
Cost of borrowings (interest expense / average interest-bearing liabilities) (1)	0.8%	1.1%
Earnings per share	7.4	7.2
	31.12.2014	31.12.2013
Asset quality ratios		
Impaired loans and advances to customers to gross loans and advances to customers	5.0%	7.4%
Provision coverage of not impaired loans and advances	0.4%	0.6%
Provision coverage of impaired loans and advances	76.6%	72.4%
Other ratios		
Total Capital Ratio (TCR) (4)	17.2%	17.0%
Share capital Tier I (PLN'000)	4,860,152	4,647,514
Total regulatory capital requirement (PLN'000)	2,254,224	2,185,198

- 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 due to financial assets and provisions value losses for granted financial and guarantees liabilities.
- 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 rules, appropriately: as of 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; as of 31 December 2013 calculated according to the rules set out in Resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2010 concerning the scope and detailed rules of calculation of capital requirements in respect of particular risks (PFSA Official Journal No. 2, item 11, as amended).

The above ratios have been calculated on the basis of 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 financial year from 1 January to 31 December 2014

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

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 financial year from 1 January to 31 December 2014

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

The financial statements do not take into account the effects of deflation. The consumer price index (on a December to December basis) amounted to -1.0% in the audited year (inflation 0.7% in 2013).

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 49,603,377 thousand. During the year total assets increased by PLN 4,641,620 thousand, i.e. by 10.3%.
- The assets were primarily financed by customer deposits. As at 31 December 2014 the amounts due to customers amounted to PLN 29,803,545 thousand and represented 60.0% of total equity and liabilities (an increase in comparison to the previous year by PLN 3,169,188 thousand, i.e. by 11.9%). An increase of amounts due to customers was mainly driven by increase of deposits from non-financial sector entities by PLN 3,538,944 thousand.
- As at the balance sheet date, amounts due to banks amounted to PLN 5,004,190 thousand, which represented a decrease by PLN 1,168,767 thousand, i.e. by 18.9% compared to the previous year. This drop was mainly due to a decrease of term deposits (by PLN 986,306 thousand, i.e. by 29.4%) and current accounts (by PLN 197,677 thousand, i.e. by 22.9%).
- Total equity as at 31 December 2014 amounted to PLN 7,348,585 thousand. An increase of total equity by PLN 127,363 thousand, i.e. by 1.8% compared to the previous year was due to:
 - net profit generated by the Bank in the amount of PLN 971,423 thousand in the audited financial year;
 - payment of dividend from the profit for 2013 in the amount of PLN 934,216 thousand;
 - increase of revaluation reserve related to a difference from valuation of financial assets available-for-sale (net) by PLN 95,812 thousand;
 - decrease of supplementary capital related to actuarial losses on valuation of defined benefit plans (net) by PLN 5,656 thousand.
- The higher level of financing influenced mainly an increase of financial assets held-for-trading and amounts due from customers (an increase by PLN 6,974,536 thousand, i.e. by 121.4% and by PLN 1,734,519 thousand, i.e. by 11.7% respectively compared to the balance as at the end of 2013).



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 financial year from 1 January to 31 December 2014

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

- As at 31 December 2014, financial assets held-for-trading amounted to PLN 12,721,335 thousand and comprised mainly Treasury bonds in the amount of PLN 6,944,306 thousand and derivative instruments in the amount of PLN 5,624,460 thousand. The balance of the Treasury bonds valuation increased by PLN 4,842,770 thousand, i.e. by 230.4% and derivative instruments valuation increased by PLN 2,093,334 thousand, i.e. by 59.3%.
- As at 31 December 2014, an increase in valuation of derivative instruments both in financial assets held-for-trading and financial liabilities held-for-trading was primarily due to increase in valuation of interest rate swaps (an increase by PLN 1,889,794 thousand, i.e. by 64.9% on the assets side and by PLN 1,973,248 thousand, i.e. by 67.2% on the liabilities side).
- As at the end of the audited year, amounts due from banks amounted to PLN 2,065,614 thousand and decreased by PLN 1,474,308 thousand, i.e. by 41.6% mainly due to a decrease of amounts payable as a result of purchasing securities with repurchase agreement (a decrease by PLN 1,160,179 thousand) and a decrease in the balance of deposits (a decrease by PLN 208,037 thousand).
- As at 31 December 2014, the net balance of amounts due from customers amounted to PLN 16,545,902 thousand. At the end of 2014, the gross loan portfolio amounted to PLN 17,282,540 thousand and comprised mainly of loans and advances due from the non-financial sector entities in the gross amount of PLN 14,142,915 thousand, unlisted debt securities in the amount of PLN 1,118,225 thousand, purchased receivables in the amount of PLN 1,006,797 thousand, and receivables from purchased securities under repurchase agreements in the gross amount of PLN 599,899 thousand. An increase of amounts due from customers was mainly due to an increase of the balance of loans and advances due from the non-financial sector entities by the gross amount of PLN 1,220,946 thousand, as well as an increase in the balance of receivables from purchased securities under repurchase agreements in the gross amount of PLN 499,110 thousand.
- The balance of impairment allowances for amounts due from customers decreased by PLN 185,333 thousand, i.e. by 20.1% and as at 31 December 2014 amounted to PLN 736,638 thousand. This decrease resulted largely from a decrease in the impairment allowances of amounts due from individual customers (a decrease of PLN 140,491 thousand, i.e. by 26.2%), mainly as a result a sale of a part of a retail exposure and an improvement of the quality of a loan portfolio. As at 31 December 2014, the share of impaired loans and advances in the total balance of loans and advances decreased by 2.4 pp. and amounted to 5.0%. The coverage ratio of impairment allowances for impaired loans and advances amounted to 76.6% and increased by 4.2 pp. compared to the end of 2013.



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 financial year from 1 January to 31 December 2014

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

- As at 31 December 2014, debt securities available-for-sale amounted to PLN 14,435,099 thousand and represented 29.1% of total assets. A decrease of this balance by PLN 3,180,942 thousand, i.e. by 18.1% was due to a decrease of portfolio of bills issued by Narodowy Bank Polski, as well as of portfolio of bonds issued by banks, which as at the end of the audited year decreased by PLN 5,248,896 thousand and PLN 106,700 thousand respectively. At the same time, the Treasury bonds portfolio increased by PLN 2,174,654 thousand.
- The profit before tax for the audited year amounted to PLN 1,187,691 thousand and was higher than the profit before tax for 2013 by PLN 14,375 thousand, i.e. by 1.2%. The profit before tax comprised mainly of: net interest income of PLN 1,149,566 thousand, net fee and commission income of PLN 576,618 thousand, net income on trading financial instruments and revaluation of PLN 382,105 thousand and net gain on debt investment securities of PLN 229,922 thousand, reduced by general administrative expenses of PLN 1,178,686 thousand.
- Net interest income amounted to PLN 1,149,566 thousand and decreased by PLN 72,559 thousand, i.e. by 5.9% compared to the previous year. A decrease of the net interest income was due to a decrease of interest income by PLN 149,519 thousand. At the same time, interest expense decreased by PLN 76,960 thousand compared to the previous year. A decrease of interest income was mainly due to a lower interest income from amounts due from customers and debt securities available-for-sale by PLN 88,207 thousand and PLN 83,134 thousand respectively. A decrease of interest income and expense was mainly due to lowering market interest rates.
- Net fee and commission income amounted to PLN 576,618 thousand in the audited year and was lower by PLN 4,128 thousand, i.e. by 0.7% compared to the previous year. This was due to a decrease of fee and commission income by PLN 14,212 thousand, which was mainly a result of a decrease of income from payment and credit cards primarily due to a decrease of the interchange fee. At the same time, fee and commission expense decreased by PLN 10,084 thousand.
- General administrative expenses amounted to PLN 1,178,686 thousand in the audited year (including administrative expenses which amounted to PLN 616,899 thousand and staff expenses which amounted to PLN 561,787 thousand) and decreased by PLN 92,501 thousand, i.e. by 7.3% compared to the previous year. A decrease of general administrative expenses was mainly due to a decrease of the remuneration costs (a decrease by PLN 87,654 thousand, i.e. by 18.3%). A decrease of general administrative expenses for 2013 include the costs of restructuring of the retail branch network, which resulted in creating by the Group a restructuring provisions of PLN 62,353 thousand in 2013.



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 financial year from 1 January to 31 December 2014

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

- Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities was positive in the audited year and amounted to PLN 18,272 thousand (in 2013 was positive and amounted to PLN 34,138 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 19,816 thousand.
- As a result, in the audited year the Bank generated a net profit of PLN 971,423 thousand, which was higher by PLN 36,641 thousand, i.e. by 3.9% 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 financial year from 1 January to 31 December 2014

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 Bank has up-to-date documentation of its accounting policies, approved by the Management Board. The Bank's accounting policies were tailored to its needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies compared with the previous year.
- d. The closing balances as at the end of the previous year were correctly brought forward as the opening balances of the current financial year in all material respects.
- e. The stocktaking of assets and liabilities were carried out and reconciled in accordance with the Accounting Act, and the results were included in the accounting records for the audited year.
- f. The financial statements of the Bank for the year from 1 January to 31 December 2013 were approved by Resolution No. 6/2014 passed by the General Shareholders' Meeting on 24 June 2014 and filed with the National Court Register in Warsaw on 27 June 2014.
- g. In accordance with the Resolution No. 29/2014 of the General Shareholders' Meeting of 24 June 2014, the net profit for the prior year of PLN 934,782 thousand was appropriated for a dividend payment to the Bank's shareholders in the amount of PLN 934,216 thousand and for an increase of supplementary capital in the amount of PLN 566 thousand.
- h. The financial statements for the previous financial year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion.
- i. 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.



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 financial year from 1 January to 31 December 2014

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

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.

- j. We determined the materiality levels at the planning stage. Materiality levels specify the limits up to which identified irregularities may be left unadjusted without any detriment to the quality of the financial statements and to the correctness of the underlying books of account, since failing to make such adjustments will not be misleading for the readers of the financial statements. Materiality measures both the quantity and quality of audited items and that is why it varies for different statement of financial position and income statement items. Due to the complexity and quantity of the materiality levels adopted for audit purposes, they are included in the audit documentation.
- k. The total capital requirement, together with the requirement concerning the risk of excessive capital exposure, amounted to PLN 2,254,224 thousand as at the balance sheet date. The share capital ratio as at 31 December 2014 amounted to 17.2%. As at the balance sheet date, the Bank complied with the prudence principle in all material respects.
- l. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- m. The information in the Directors' Report for the year from 1 January to 31 December 2014 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 financial year from 1 January to 31 December 2014

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 13 March 2015.

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 13 March 2015, 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:

Adam Celiński

Key Registered Auditor
No. 90033

Warsaw, 13 March 2015



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.