



## **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 consolidated financial statements of the Bank Handlowy w Warszawie S.A. Group (hereinafter called "the Group"), having Bank Handlowy w Warszawie S.A., Senatorska 16 Street, Warsaw, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement for the year from 1 January to 31 December 2015, the consolidated statement of comprehensive income for the period from 1 January to 31 December 2015, the consolidated statement of changes in equity, the consolidated cash flow statement 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 consolidated financial statements***

The Parent Company's Management Board is responsible for the preparation and fair presentation of these consolidated 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 Group's operations and for the correctness of the accounting records in accordance with applicable laws. The Parent Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of consolidated 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 consolidated financial statements and the Report on the Group'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 consolidated financial statements and to express an opinion and the report on whether the consolidated financial

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*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](http://www.pwc.com)*



## **Independent Registered Auditor's Report (cont.)**

statements present, in all material respects, a true and fair view of the Group'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.

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements in all material respects:

- a. give a true and fair view of the Group'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 consolidation documentation.

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## **Independent Registered Auditor's Report (cont.)**

### ***Report on Other Legal and Regulatory Requirements***

#### *Opinion on the Report on the Group's operations*

The information contained in the Report on the Group'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 consolidated financial statements.

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

The financial information included in section IV "Selected financial data of the Capital Group of Bank Handlowy w Warszawie S.A." of the Report on the Group'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 IV "Selected financial data of the Capital Group of Bank Handlowy w Warszawie S.A." of the Report on the Group'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 Group's operations, the Group 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 consolidated 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

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# **Bank Handlowy w Warszawie S.A. Group**

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

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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.

**Registered auditor's report on the audit of the consolidated 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 17 consecutively numbered pages and consists of:**

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

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**I. General information about the Group**

- a. Bank Handlowy w Warszawie S.A. ("the Bank", "the Parent Company") with its seat in Warsaw, Senatorska 16 Street, is the parent company of the Bank Handlowy w Warszawie S.A. Group ("the Group").
- b. The Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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.
- e. As at 31 December 2015, the Parent Company'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
	<b>130,659,600</b>	<b>522,638</b>		<b>100.0</b>

- f. In the audited year, the Group'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;
  - brokerage activity;
  - leasing activity,
  - investing activity.

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

**I. General information about the Group (cont.)**

g. As at 31 December 2015, the Bank Handlowy w Warszawie S.A. Group comprised the following entities:

Name	Nature of equity relationship (indirect and direct interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Bank Handlowy w Warszawie S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2015
Dom Maklerski Banku Handlowego S.A.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Sp. z o.o.	audit in progress	31 December 2015
Handlowy-Leasing Sp. z o.o.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Sp. z o.o.	audit in progress	31 December 2015
Handlowy Investments S.A.	Subsidiary (100.00%)	Full	Grant Thornton Lux Audit S.A.	audit in progress	29 February 2016*
PPH Spomasz Sp. z o.o. in liquidation	Subsidiary (100.00%)	Full	Not audited	-	31 December 2015
Handlowy-Inwestycje Sp. z o.o.	Subsidiary (100.00%)	Equity	PricewaterhouseCoopers Sp. z o.o.	audit in progress	31 December 2015

\* In case of Handlowy Investments S.A., which is an entity that prepares its financial statements as at balance sheet date other than the balance sheet date of consolidated financial statements of the Group, relevant requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union were applied.

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

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**I. General information about the Group (cont.)**

h. During the audited year, the Management Board of the Parent Company 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.

i. The Parent Company 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 Company has decided to prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union.

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

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**II. Information about the audit**

- a. The audit of the consolidated financial statements as at and 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, the Group's registered auditor Anna Bączyk (no. 11810).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 7/V/2015 of the Supervisory Board of Bank Handlowy w Warszawie S.A. dated 20 March 2015 in accordance with paragraph 18 of the Parent Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group 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.

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

**III. The Group's results, financial position and significant items of the consolidated financial statements**

**CONSOLIDATED 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 (%)
<b>ASSETS</b>						
Cash and balances with Central Bank	2,170,237	1,522,949	647,288	42.5	4.4	3.1
Amounts due from banks	757,103	2,065,685	(1,308,582)	(63.3)	1.5	4.1
Financial assets held-for-trading	6,987,284	12,721,573	(5,734,289)	(45.1)	14.1	25.5
Hedging derivatives	1,795	-	1,795	-	-	-
Debt securities available-for-sale	18,351,259	14,435,099	3,916,160	27.1	37.1	29.0
Equity investments valued at equity method	7,768	7,765	3	-	-	-
Other equity investments available-for-sale	67,744	8,211	59,533	725.0	0.1	-
Amounts due from customers	18,975,471	16,770,482	2,204,989	13.1	38.4	33.7
Tangible fixed assets	354,080	366,857	(12,777)	(3.5)	0.7	0.7
Intangible assets	1,371,879	1,387,745	(15,866)	(1.1)	2.8	2.8
Receivables due to current income tax	20,673	13,255	7,418	56.0	-	-
Asset due to deferred income tax	161,586	157,319	4,267	2.7	0.3	0.3
Other assets	277,985	384,612	(106,627)	(27.7)	0.6	0.8
Non-current assets held-for-sale	1,928	2,113	(185)	(8.8)	-	-
<b>TOTAL ASSETS</b>	<b>49,506,792</b>	<b>49,843,665</b>	<b>(336,873)</b>	<b>(0.7)</b>	<b>100.0</b>	<b>100.0</b>

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

**III. The Group's results, financial position and significant items of the consolidated financial statement (cont.)**

**CONSOLIDATED 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 (%)
<b>LIABILITIES</b>						
Amounts due to banks	6,963,561	5,122,576	1,840,985	35.9	14.1	10.3
Financial liabilities held-for-trading	3,247,523	6,770,922	(3,523,399)	(52.0)	6.6	13.5
Hedging derivatives	112,383	-	112,383	-	0.2	-
Amounts due to customers	31,586,303	29,632,598	1,953,705	6.6	63.8	59.4
Provisions	23,494	26,409	(2,915)	(11.0)	-	0.1
Liabilities due to current income tax	-	186	(186)	(100.0)	-	-
Other liabilities	722,872	880,214	(157,342)	(17.9)	1.5	1.8
<b>TOTAL LIABILITIES</b>	<b>42,656,136</b>	<b>42,432,905</b>	<b>223,231</b>	<b>0.5</b>	<b>86.2</b>	<b>85.1</b>
<b>EQUITY</b>	<b>6,850,656</b>	<b>7,410,760</b>	<b>(560,104)</b>	<b>(7.6)</b>	<b>13.8</b>	<b>14.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>49,506,792</b>	<b>49,843,665</b>	<b>(336,873)</b>	<b>(0.7)</b>	<b>100.0</b>	<b>100.0</b>

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

**III. The Group's results, financial position and significant items of the consolidated financial statement (cont.)**

**CONSOLIDATED 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	1,232,413	1,489,071	(256,658)	(17.2)	51.0	51.8
Interest expense and similar charges	(255,813)	(325,128)	69,315	(21.3)	15.8	19.1
<b>Net interest income</b>	<b>976,600</b>	<b>1,163,943</b>	<b>(187,343)</b>	<b>(16.1)</b>		
Fee and commission income	709,435	726,196	(16,761)	(2.3)	29.4	25.3
Fee and commission expense	(78,085)	(107,265)	29,180	(27.2)	4.8	6.3
<b>Net fee and commission income</b>	<b>631,350</b>	<b>618,931</b>	<b>12,419</b>	<b>2.0</b>		
Dividend income	7,382	5,783	1,599	27.7	0.3	0.2
Net income on trading financial instruments and revaluation	293,118	382,160	(89,042)	(23.3)	12.2	13.3
Net gain on debt investment securities	145,246	229,922	(84,676)	(36.8)	6.0	8.0
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	(12,170)	10,585	(22,755)	(215.0)	0.7	0.4
General administrative expenses	(1,207,875)	(1,202,516)	(5,359)	0.4	74.4	70.4
Depreciation expense	(70,422)	(71,364)	942	(1.3)	4.3	4.2
Profit on sale of other assets	102	6,384	(6,282)	(98.4)	-	0.2
Net impairment due to financial assets and provisions value losses for granted financial liabilities and guarantees granted	17,202	17,804	(602)	(3.4)	0.7	0.6
<b>Operating profit</b>	<b>790,714</b>	<b>1,167,682</b>	<b>(376,968)</b>	<b>(32.3)</b>		
Share in net profits of entities valued with equity method	61	28	33	117.9	-	-
<b>Profit before tax</b>	<b>790,775</b>	<b>1,167,710</b>	<b>(376,935)</b>	<b>(32.3)</b>		
Income tax expense	(164,356)	(220,398)	56,042	(25.4)		
<b>Net profit</b>	<b>626,419</b>	<b>947,312</b>	<b>(320,893)</b>	<b>(33.9)</b>		
Total income	2,415,140	2,874,362	(459,222)	(16.0)	100.0	100.0
Total expense	(1,624,365)	(1,706,652)	82,287	(4.8)	100.0	100.0
<b>Profit before tax</b>	<b>790,775</b>	<b>1,167,710</b>	<b>(376,935)</b>	<b>(32.3)</b>		

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**III. The Group's results, financial position and significant items of the consolidated financial statement (cont.)**

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

			Change	
	2015	2014		
	PLN '000	PLN '000	PLN '000	(%)
<b>Net profit</b>	<b>626,419</b>	<b>947,312</b>	<b>(320,893)</b>	<b>(33.9)</b>
<b>Other comprehensive income that may be reclassified to income statement:</b>				
Net valuation of financial assets available-for-sale	(216,486)	95,836	(312,322)	(325.9)
Foreign exchange differences	(6)	844	(850)	(100.7)
<b>Other comprehensive income that may not be reclassified to income statement:</b>				
Net actuarial profits/(losses) on specific services program valuation	886	(5,898)	6,784	(115.0)
<b>Other comprehensive income after tax</b>	<b>(215,606)</b>	<b>90,782</b>	<b>(306,388)</b>	<b>(337.5)</b>
<b>Total comprehensive income for the period</b>	<b>410,813</b>	<b>1,038,094</b>	<b>(627,281)</b>	<b>(60.4)</b>

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

**III. The Group's results, financial position and significant items of the consolidated financial statement (cont.)**

**Selected ratios characterizing the Group's financial position and results**

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

	<b>2015</b>	<b>2014</b>
<b>Profitability ratios</b>		
Return on equity (net profit / average net assets) (1)	8.8%	12.9%
Return on assets (net profit / average assets) (1)	1.3%	2.0%
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)	62.3%	52.6%
Cost of borrowings (interest expense / average interest-bearing liabilities) (1)	0.6%	0.8%
	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>Asset quality ratios</b>		
Impaired amounts due from customers to gross amounts due from customers	3.6%	5.3%
Provision coverage of not impaired loans and advances	0.3%	0.4%
Provision coverage of impaired loans and advances	74.4%	77.5%
<b>Other ratios</b>		
Common Equity Tier I Capital ratio (4)	17.1%	17.5%
Common Equity Tier I (PLN'000)	4,781,008	4,944,496
Total regulatory capital requirement (PLN'000)	2,238,956	2,256,721

- 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, 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 rules 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 consolidated financial statements.

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

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

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**III. The Group's results, financial position and significant items of the consolidated financial statement (cont.)**

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

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

- At the end of the financial year, the Group's total assets amounted to PLN 49,506,792 thousand. During the year total assets decreased by PLN 336,873 thousand, i.e. by 0.7%.
- In 2015 assets were primarily financed by amounts due to customers. As at 31 December 2015 the amounts due to customers amounted to PLN 31,586,303 thousand and represented 63.8% of total liabilities and equity – share of amount due to customers in total equity and liabilities increase by 4,4 p.p. as compared to the balance as of the end of 2014. An increase of amounts due to customers by PLN 1,953,705 thousand (by 6,6%) was mainly driven by increase of deposits from non-financial sector entities by PLN 1,509,896 thousand.
- As at the balance sheet date, amounts due to banks amounted to PLN 6,963,561 thousand, which represented an increase by PLN 1,840,985 thousand, i.e. by 35.9% compared to the previous year. This change was mainly due to an increase of term deposits (by PLN 2,090,481 thousand, i.e. by 88.2%), with a simultaneous decrease in the balance of loans and advances received and liabilities due to sold securities under repurchase agreements (by PLN 255,923 thousand in total, i.e. by 12,3%).
- As at 31 December 2015 total equity amounted to PLN 6,850,656 thousand. A decrease of total equity by PLN 560,104 thousand, i.e. by 7.6% compared to the previous year was mainly due to:
  - payment of dividend by a Parent Company from the profit in the amount of PLN 970,917 thousand;
  - net profit generated by the Group in the amount of PLN 626,419 thousand in the audited financial year;
  - a decrease of revaluation reserve due to valuation of financial assets available-for-sale (net) by PLN 216,486 thousand.
- As at 31 December 2015, financial assets held-for-trading amounted to PLN 6,987,284 thousand and comprised mainly Treasury 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 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%.

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**III. The Group's results, financial position and significant items of the consolidated financial statement (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 decrease 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 portfolio compression performed 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 757,103 thousand and decreased by PLN 1,308,582 thousand, i.e. by 63.3% mainly due to a decrease of amounts payable as a result of purchasing securities with repurchase agreement (a decrease by PLN 466,528 thousand) and a decrease in the balance of deposits (a decrease by PLN 378,837 thousand).
- As at 31 December 2015, the net balance of amounts due from customers amounted to PLN 18,975,471 thousand, which was an increase by PLN 2,204,989 thousand, i.e. by 13.1% compared to the previous year. In the amounts due from customers, 99.3% of the balance was the amounts due from customers of the Bank. As at the end of 2015, the gross loan portfolio amounted to PLN 19,560,877 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 related to securities bought 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. An increase 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 of receivables related to securities bought 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 213,490 thousand, i.e. by 26.7% and as at 31 December 2015 amounted to PLN 585,406 thousand (the Bank's balance of impairment allowances for amounts due from customers amounted to PLN 577,396 thousand and represented 98.6% of total Group allowance balance). This drop resulted mainly from a decrease in the impairment allowances of amounts due from portfolio (a decrease of PLN 163,582 thousand, i.e. by 42.2%), mainly as a result of partial sale of NPL retail exposure 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 1.7 pp. and amounted to 3.6%. The coverage ratio of impairment allowances for impaired loans and advances amounted to 74.4% and decreased by 3.1 pp. compared to the end of 2014.



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**III. The Group's results, financial position and significant items of the consolidated financial statement (cont.)**

- As at 31 December 2015, debt securities available for sale amounted to PLN 18,351,259 thousand and represented 37.1% of total assets. A growth of this balance by PLN 3,916,160 thousand, i.e. 27.1% was due to an increase in the portfolio of Treasury bonds and bonds portfolio issued by other banks which increased as at the end of the audited year by PLN 8,088,942 thousand and PLN 326,968 thousand respectively. At the same time, bills portfolio issued by central bank decreased by PLN 4,499,750 thousand.
- 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 was booked in Other comprehensive income.
- Revaluation reserve as at 31 December 2015 was negative – PLN (163,613) thousand (at the end of 2014, revaluation reserve was positive and amounted PLN 52,873 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 790,775 thousand and was lower than the profit before tax for 2014 by PLN 376,935 thousand, i.e. by 32.3%. In the profit before tax, 98,6% of Group's profit before tax in the amount of PLN 780,041 thousand, was related to the Bank. The profit before tax comprised mainly of: net interest income of PLN 976,600 thousand, net fee and commission income of PLN 631,350 thousand, net income on trading financial instruments and revaluation of PLN 293,118 thousand and net gain on debt investment securities of PLN 145,246 thousand, reduced mainly by general administrative expenses of PLN 1,207,875 thousand.
- Net interest income amounted to PLN 976,600 thousand and decreased by PLN 187,343 thousand, i.e. by 16.1% compared to the previous year. A drop of the net interest income was due to a decrease of interest income by PLN 256,658 thousand. At the same time interest expense decreased by PLN 69,315 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 168,612 thousand and PLN 65,758 thousand respectively. A decrease of interest income and expense was mainly due to decrease of market interest rates.

**III. The Group's results, financial position and significant items of the consolidated financial statement (cont.)**

- Net fee and commission income amounted to PLN 631,350 thousand in the audited year and was PLN 12,419 thousand (i.e. 2.0%) higher, compared to the previous year. This increase was mainly due to a decrease of fee and commission expense by PLN 29,180 thousand, which was mainly a result of a decrease of expense from payment and credit cards amounted to PLN 25,271 thousand. At the same time, fee and commission income decreased by PLN 16,761 thousand. Net fee and commission income of Dom Maklerski Banku Handlowego represented 5,9% of total net fee and commission income.
- General administrative expenses amounted to PLN 1,207,875 thousand in the audited year (including administrative expenses which amounted to PLN 642,112 thousand and staff expenses which amounted to PLN 565,763 thousand) and increased by PLN 5,359 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 93,452 thousand. Other costs show decreasing trend. Staff expenses decrease by PLN 14,231 thousand (i.e. by 2,5%). Costs of external services related to the distribution of banking products, building maintenance and rent costs and Advertising and marketing costs decrease by PLN 80,593 thousand in total (i.e. by 42,6%).
- Net impairment allowances for financial assets and net provisions for financial liabilities and guarantees granted were positive and amounted to PLN 17,202 thousand (in 2014 it was positive and amounted to PLN 17,804 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 Group generated a net profit of PLN 626,419 thousand, which was lower by PLN 320,893 thousand, i.e. by 33.9% compared to the previous year.

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

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**IV. The independent registered auditor's statements**

- a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information 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 consolidation of equity items were carried out properly in all material respects.
- d. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- e. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- f. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- g. The consolidated financial statements of the Group for the period from 1 January to 31 December 2014 were approved by Resolution No. 5 passed by the General Shareholders' Meeting of the Parent Company on 22 June 2015 and filed with the National Court Register in Warsaw on 26 June 2015.
- h. 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.

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

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

- i. As at 31 December 2015 the capital adequacy ratio of the Bank amounted to 17.08% and was correctly determined in accordance with CRR. This statement is based on recalculation of the quotient of own funds amounting to PLN 4,781.0 mln divided by risk weighted assets amounting to PLN 27,987.0 mln as per COREP reporting prepared by the Bank as at the balance sheet date.
- j. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- k. The information in the Directors' Report for the year from 1 January to 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.



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**Bank Handlowy w Warszawie S.A. Group**  
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**V. Final information**

This report has been prepared in connection with our audit of the consolidated financial statements of Bank Handlowy w Warszawie S.A. Group having Bank Handlowy w Warszawie S.A., Senatorska 16 Street, Warsaw, as its Parent Company. The consolidated financial statements were signed by the Parent Company'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 consolidated financial statements. The opinion on the consolidated 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 consolidated financial statements.

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

Anna Bączyk

Group Registered Auditor, Key Registered Auditor  
No. 11810

Warsaw, 7 March 2016



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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.