

Bank Handlowy w Warszawie S.A.

Independent Registered Auditor's Opinion

Financial Statements

Director's Report

Registered Auditor's Report on the audit of the financial statements

For the year from 1 January to 31 December 2013

Content:

Independent Registered Auditor's Opinion

prepared by PricewaterhouseCoopers Sp. z o.o.

Financial Statements

prepared by Bank Handlowy w Warszawie S.A.

Directors' Report

prepared by Management Board of Bank Handlowy w Warszawie S.A.

Registered Auditor's Report on the audit of the financial statements

prepared by PricewaterhouseCoopers Sp. z o.o.

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.

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 2013, showing total assets and total equity and liabilities of PLN 44,961,757 thousand, the income statement for the financial year from 1 January to 31 December 2013, showing a net profit of PLN 934,782 thousand, the statement of comprehensive income for the financial year from 1 January to 31 December 2013, showing a total comprehensive income of PLN 634,013 thousand, the statement of changes in equity, the statement of cash flows for the financial year from 1 January to 31 December 2013 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 2013 and of the financial results for the year from 1 January to 31 December 2013, 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 financial year from 1 January to 31 December 2013 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 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.

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 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.

**Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013**

**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 statements.....	15
V. Final information and comments.....	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 2013

I. General information about the Bank

- a. Bank Handlowy w Warszawie Spółka Akcyjna ("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 2013 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 7,221,222 thousand.
- e. As at 31 December 2013, 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 2013

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 |
| • Misbah Ur-Rahman-Shah | Vice President of the Management Board |
| • Witold Zieliński | Vice President of the Management Board |
| • Barbara Sobala | Vice President of the Management Board
from 15 October 2013 |
| • Robert Massey JR | Vice President of the Management Board
to 20 June 2013 |
| • Iwona Dudzińska | Member of the Management Board |

h. The Bank has the following related entities:

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

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

i. The Bank is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, 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 2014. 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 2013

II. Information about the audit

- a. The audit of the financial statements for the financial year from 1 January to 31 December 2013 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. 6/V/2013 of the the Supervisory Board dated 19 March 2013 in accordance with paragraph 18, clause 1, point 7 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 17 May 2013, in the following periods:
 - interim audit from 1 November to 31 December 2013;
 - final audit from 2 January to 13 March 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.

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 2013

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

STATEMENT OF FINANCIAL POSITION as at 31 December 2013 (selected lines)

			Change		Structure	
	31.12.2013 PLN '000	31.12.2012 PLN '000	PLN '000	(%)	31.12.2013 (%)	31.12.2012 (%)
ASSETS						
Cash and balances with Central Bank	778,464	1,357,308	(578,844)	(42.6)	1.7	3.2
Amounts due from banks	3,539,922	1,451,370	2,088,552	143.9	7.9	3.4
Financial assets held-for-trading	5,746,799	6,838,483	(1,091,684)	(16.0)	12.8	16.0
Debt securities available-for-sale	17,616,041	15,003,003	2,613,038	17.4	39.1	35.0
Equity investments	247,483	258,441	(10,958)	(4.2)	0.6	0.6
Amounts due from customers	14,811,383	15,768,922	(957,539)	(6.1)	32.9	36.7
Tangible fixed assets	355,655	370,483	(14,828)	(4.0)	0.8	0.9
Intangible assets	1,415,204	1,377,632	37,572	2.7	3.1	3.2
Receivables due to current income tax	72,837	-	72,837	-	0.2	-
Asset due to deferred income tax	204,035	220,804	(16,769)	(7.6)	0.5	0.5
Other assets	161,196	214,788	(53,592)	(25.0)	0.4	0.5
Non-current assets held-for-sale	12,738	12,554	184	1.5	-	-
TOTAL ASSETS	44,961,757	42,873,788	2,087,969	4.9	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 2013

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

STATEMENT OF FINANCIAL POSITION as at 31 December 2013 (selected lines) (cont.)

			Change		Structure	
	31.12.2013 PLN '000	31.12.2012 PLN '000	PLN '000	(%)	31.12.2013 (%)	31.12.2012 (%)
LIABILITIES						
Amounts due to banks	6,172,957	2,097,033	4,075,924	194.4	13.7	4.9
Financial liabilities held-for-trading	4,196,896	5,846,404	(1,649,508)	(28.2)	9.3	13.6
Hedging derivatives	24,710	-	24,710	-	0.1	-
Amounts due to customers	26,634,357	26,882,179	(247,822)	(0.9)	59.2	62.7
Provisions	88,701	28,596	60,105	210.2	0.2	0.1
Liabilities due to current income tax	-	54,774	(54,774)	(100.0)	-	0.1
Other liabilities	622,914	621,074	1,840	0.3	1.4	1.5
TOTAL LIABILITIES	37,740,535	35,530,060	2,210,475	6.2	83.9	82.9
EQUITY	7,221,222	7,343,728	(122,506)	(1.7)	16.1	17.1
TOTAL LIABILITIES AND EQUITY	44,961,757	42,873,788	2,087,969	4.9	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 2013

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 2013 (selected lines)

	Change				Structure	
	2013 PLN '000	2012 PLN '000	PLN '000	(%)	2013 (%)	2012 (%)
Interest and similar income	1,627,970	2,047,013	(419,043)	(20.5)	54.2	60.2
Interest expense and similar charges	(405,845)	(590,669)	184,824	(31.3)	22.2	27.5
Net interest income	1,222,125	1,456,344	(234,219)	(16.1)		
Fee and commission income	676,415	660,110	16,305	2.5	22.5	19.4
Fee and commission expense	(95,669)	(88,461)	(7,208)	8.1	5.2	4.1
Net fee and commission income	580,746	571,649	9,097	1.6		
Dividend income	8,912	38,565	(29,653)	(76.9)	0.3	1.2
Net income on trading financial instruments and revaluation	346,999	373,188	(26,189)	(7.0)	11.6	11.0
Net gain on debt investment securities	305,339	279,451	25,888	9.3	10.2	8.2
Net gain on capital investment instruments	1,844	-	1,844	-	0.1	-
Net gain on hedge accounting	2,050	-	2,050	-	0.1	-
Net other operating income	(1,772)	(18,970)	17,198	(90.7)	0.1	0.9
General administrative expenses	(1,271,187)	(1,338,422)	67,235	(5.0)	69.5	62.4
Depreciation expense	(55,754)	(54,906)	(848)	1.5	3.0	2.6
Profit/loss on sale of other assets	(124)	78	(202)	(259.0)	-	-
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	34,138	(52,895)	87,033	(164.5)	1.1	2.5
Profit before tax	1,173,316	1,254,082	(80,766)	(6.4)		
Income tax expense	(238,534)	(245,384)	6,850	(2.8)		
Net profit	934,782	1,008,698	(73,916)	(7.3)		
Total income	3,003,667	3,398,405	(394,738)	(11.6)	100.00	100.00
Total expense	(1,830,351)	(2,144,323)	313,972	(14.6)	100.00	100.00
Profit before tax	1,173,316	1,254,082	(80,766)	(6.4)		

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 2013

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

STATEMENT OF COMPREHENSIVE INCOME
for the financial year from 1 January to 31 December 2013

	2013	2012	Change	
	PLN '000	PLN '000	PLN '000	(%)
Net profit	934,782	1,008,698	(73,916)	(7.3)
Other comprehensive income that may be reclassified to income statement:				
Net valuation of financial assets available-for-sale	(300,769)	340,064	(640,833)	(188.4)
Total comprehensive income for the period	634,013	1,348,762	(714,749)	(53.0)

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 2013

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:

	2013	2012
Profitability ratios		
Return on equity (net profit / average net assets) (1)	12.8%	14.7%
Return on equity (net profit / average net assets excluding the net profit for the period) (1)	14.8%	16.9%
Return on assets (net profit / average assets) (1)	2.1%	2.4%
Interest margin (interest income / average working assets) – (interest expense / average interest-bearing liabilities) (1) (3)	2.8%	3.5%
Profitability ratio on interest-bearing assets (interest income / average interest-bearing assets) (1) (3)	4.0%	5.2%
C/I ratio (general administrative expenses and depreciation expense / profit/loss on banking activities) (2)	53.8%	51.6%
Cost of borrowings (interest expense / average interest-bearing liabilities) (1)	1.1%	1.7%
Earnings per share	7.2	7.7
	31.12.2013	31.12.2012
Asset quality ratios		
Interest-bearing assets to total assets (3)	93.3%	93.2%
Impaired loans and advances to customers to gross loans and advances to customers	7.4%	7.8%
Provision coverage of not impaired loans and advances	0.6%	0.7%
Provision coverage of impaired loans and advances	72.4%	72.3%
Other ratios		
Capital adequacy ratio	17.0%	17.7%
Bank's own funds (PLN'000)	4,647,514	4,724,757
Total regulatory capital requirement (PLN'000)	2,185,198	2,131,753
Effective tax rate	20.33%	19.57%

- 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.

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 2013

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.

Our audit did not cover detailed comparative data constituting the basis for calculating the ratios for the previous years.



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 2013

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 inflation. The consumer price index (on a December to December basis) amounted to 0.7% in the audited year (2.4% in 2012).

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 44,961,757 thousand. During the year total assets increased by PLN 2,087,969 thousand, i.e. by 4.9%.
- The assets were primarily financed by customer deposits. As at 31 December 2013 the amounts due to customers amounted to PLN 26,634,357 thousand and represented 59.2% of total equity and liabilities (a slight decrease in comparison to the previous year by PLN 247,822 thousand, i.e. by 0.9%). A decrease of amounts due to customers was mainly driven by decrease of other liabilities related to securities sold under repurchase agreements by PLN 2,709,803 thousand. At the same time, deposits from non-financial sector entities increased by PLN 1,990,544 thousand.
- As at the balance sheet date, amounts due to banks amounted to PLN 6,172,957 thousand, which represented an increase by PLN 4,075,924 thousand, i.e. by 194.4% compared to the previous year. This increase was mainly due to an increase of term deposits (by PLN 2,817,779 thousand, i.e. by 523.1%) and amounts receivable as a result of selling securities under repurchase agreements (by PLN 1,230,139 thousand, i.e. by 222.3%).
- Total equity as at 31 December 2013 amounted to PLN 7,221,222 thousand. A decrease of total equity by PLN 122,506 thousand, i.e. by 1.7% compared to the previous year was due to:
 - payment of dividend from the profit for 2012 in the amount of PLN 756,519 thousand;
 - decrease of revaluation reserve related to a difference from valuation of financial assets available-for-sale (net) by PLN 300,769 thousand;
 - net profit generated by the Bank in the amount of PLN 934,782 thousand in the audited financial year.
- The higher level of financing influenced mainly an increase of debt securities available-for-sale and amounts due from banks (an increase by PLN 2,613,038 thousand, i.e. by 17.4% and by PLN 2,088,552 thousand, i.e. by 143.9% respectively compared to the balance as at the end of 2012).

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 2013

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

- As at 31 December 2013, debt securities available-for-sale amounted to PLN 17,616,041 thousand and represented 39.1% of total assets. An increase of this balance was due to an increase of the Treasury bonds portfolio, as well as of portfolio of bills issued by National Bank of Poland, which as at the end of the audited year increased by PLN 2,031,847 thousand and PLN 1,751,468 thousand respectively. At the same time, the portfolio of bonds issued by other banks decreased by PLN 1,170,277 thousand.
- As at 31 December 2013, financial assets held-for-trading amounted to PLN 5,746,799 thousand and comprised mainly derivative instruments in the amount of PLN 3,531,126 thousand and Treasury bonds in the amount of PLN 2,101,536 thousand. A decrease in financial assets held-for-trading by PLN 1,091,684 thousand, i.e. by 16.0% compared to the previous year was mainly due to a decrease of the derivative instruments valuation (a decrease by PLN 775,302 thousand, i.e. by 18.0%), mainly Interest Rate Swaps valuation (a decrease by PLN 591,965 thousand, i.e. 16.9%).
- As at the end of the audited year, amounts due from banks amounted to PLN 3,539,922 thousand and increased mainly due to an increase of amounts payable as a result of purchasing securities with repurchase agreement (an increase by PLN 1,076,594 thousand) and an increase in the balance of deposits (an increase by PLN 529,021 thousand).
- As at 31 December 2013, the net balance of amounts due from customers amounted to PLN 14,811,383 thousand which was a decrease by PLN 957,539 thousand, i.e. by 6.1% compared to the previous year. At the end of 2013, the gross loan portfolio amounted to PLN 15,733,354 thousand and comprised mainly of loans and advances due from the non-financial sector entities in the gross amount of PLN 12,921,969 thousand, purchased receivables in the amount of PLN 1,416,242 thousand, unlisted debt securities in the amount of PLN 718,003 thousand and loans and advances due from the financial sector entities in the gross amount of PLN 514,560 thousand. A decrease of amounts due from customers was mainly due to a decrease of the balance of loans and advances due from the non-financial sector entities by the gross amount of PLN 640,280 thousand, as well as a decrease in the balance of amounts due from the financial sector in the amount of PLN 371,699 thousand.
- The balance of impairment allowances decreased by PLN 145,156 thousand, i.e. by 13.6% and as at 31 December 2013 amounted to PLN 921,971 thousand. This decrease resulted largely from a decrease in the impairment allowances of amounts due from individual customers (a decrease of PLN 124,968 thousand, i.e. by 18.9%), mainly as a result of an improvement of the quality of a loan portfolio. As at 31 December 2013, the share of impaired loans and advances in the total balance of loans and advances decreased by 0.4 pp. and amounted to 7.4%. The coverage ratio of impairment allowances for impaired loans and advances amounted to 72.4% and increased by 0.1 pp. compared to the end of 2012.

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 2013

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

- The profit before tax for the audited year amounted to PLN 1,173,316 thousand and was lower than the profit before tax for 2012 by PLN 80,766 thousand, i.e. by 6.4%. The profit before tax comprised mainly of: net interest income of PLN 1,222,125 thousand, net fee and commission income of PLN 580,746 thousand, net income on trading financial instruments and revaluation of PLN 346,999 thousand and net gain on debt investment securities of PLN 305,339 thousand, reduced by general administrative expenses of PLN 1,271,187 thousand.
- Net interest income amounted to PLN 1,222,125 thousand and decreased by PLN 234,219 thousand, i.e. by 16.1% compared to the previous year. A decrease of the net interest income was due to a decrease of interest income by PLN 419,043 thousand. At the same time, interest expense decreased by PLN 184,824 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 206,848 thousand and PLN 175,308 thousand respectively. A decrease of interest income and expense was mainly due to a significant decrease of the interest rate level in 2013.
- Net fee and commission income amounted to PLN 580,746 thousand in the audited year and was higher by PLN 9,097 thousand, i.e. by 1.6% compared to the previous year. This was due to an increase of fee and commission income by PLN 16,305 thousand. At the same time, fee and commission expense increased by PLN 7,208 thousand.
- Net gain on debt investment securities amounted to PLN 305,339 thousand in 2013, which means an increase by PLN 25,888 thousand, i.e. by 9.3% compared to 2012. An improvement of net gain on debt investment securities resulted mainly from advantageous conditions on domestic debt market.
- General administrative expenses amounted to PLN 1,271,187 thousand in the audited year (including administrative expenses which amounted to PLN 606,832 thousand) and decreased by PLN 67,235 thousand, i.e. by 5.0% 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 30,233 thousand, i.e. by 5.9%) and the advertising and marketing costs (a decrease by PLN 25,970 thousand, i.e. by 52.9%). General administrative expenses include the costs of restructuring of the retail branch network, which resulted in creating by the Bank a restructuring provisions of PLN 62,353 thousand in 2013.
- 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 34,138 thousand (in 2012 it was negative and amounted to PLN 52,895 thousand). This change comprised mainly of change in result from net impairment allowances of amounts due from customers in the amount of PLN 73,481 thousand and reversal of impairment write-offs related to recoveries on sale of debt from retail portfolio in the amount of PLN 33,994 thousand.

Translation note:

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

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the financial year from 1 January to 31 December 2013

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

- As a result, in the audited year the Bank generated a net profit of PLN 934,782 thousand, which was lower by PLN 73,916 thousand, i.e. by 7.3% compared to the previous year.
- At the end of the audited year, the capital adequacy ratio amounted to 17.0% (at the end of 2012: 17.7%).

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 2013

IV. The independent registered auditor's statements

- 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 financial year from 1 January to 31 December 2012 were approved by Resolution No. 6/2013 passed by the General Shareholders' Meeting on 20 June 2013 and filed with the National Court Register in Warsaw on 25 June 2013.
- g. In accordance with the Resolution No. 30/2013 of the General Shareholders' Meeting of 20 June 2013, the net profit for the prior year of PLN 1,008,698 thousand was appropriated for a dividend payment to the Bank's shareholders in the amount of PLN 756,519 thousand and for an increase of supplementary capital in the amount of PLN 252,179 thousand.
- h. The financial statements for the previous financial year were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. 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 2013

IV. The independent registered auditor's statement (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 2,185,198 thousand as at the balance sheet date. The capital adequacy ratio as at 31 December 2013 amounted to 17.0%. 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 2013 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the financial statements.

Translation note:

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

Bank Handlowy w Warszawie S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013

V. Final information and comments

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 2014.

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 2014, 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 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

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.