

**BANK ZACHODNI WBK S.A.
WROCLAW, RYNEK 9/11**

**FINANCIAL STATEMENTS
FOR THE 2015 FINANCIAL YEAR**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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FINANCIAL STATEMENTS OF THE BANK FOR THE 2015 FINANCIAL YEAR

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AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Bank Zachodni WBK S.A.

We have audited the attached financial statements of Bank Zachodni WBK S.A. with its registered office in Wrocław at Rynek 9/11, (hereinafter: the "Bank"), including statement of financial position prepared as of 31 December 2015, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year from 1 January 2015 to 31 December 2015 and notes comprising a summary of significant accounting policies and other explanatory information as required by the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations.

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

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

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

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

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

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

In our opinion, the audited financial statements of Bank Zachodni WBK S.A. in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Bank as of 31 December 2015 as well as its financial performance in the financial year from 1 January 2015 to 31 December 2015,
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and in all matters not regulated in the standards - in accordance with the provisions of the Accounting Act and its executory provisions and based on properly kept accounting records,
- comply with the provisions of law and the articles of association of the Bank, which affect the contents of the financial statements.

The Report on the activities of the Bank for the 2015 financial year is complete within the meaning of Article 49, paragraph 2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133), and disclosed information derived from the audited financial statements was verified in accordance with Article 111a, paragraph 1 of Banking Law (Journal of Laws of 2015 item 128 as amended) and is consistent with the attached financial statements.

Dariusz Szkaradek
Key certified auditor
conducting the audit
No. 9935

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

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

Warsaw, February 9, 2016

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF BANK ZACHODNI WBK S.A.
FOR THE 2015 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Bank

The Bank operates under the business name Bank Zachodni WBK S.A. (hereinafter: the "Bank"). The Bank's registered office is located in Wrocław, Rynek 9/11.

The Bank operates as a joint stock company. The Bank was recorded in the District Court in Wrocław, VI Business Division of the National Court Register, based on the decision of 27 April 2001, under KRS number 0000008723.

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

As of 31 December 2015, the Bank's share capital equaled PLN 992,345 thousand and was divided into 99,234,534 ordinary shares with a face value of PLN 10.00 each.

In the audited period, the Bank conducted activities mainly in the area of:

- accepting term and on demand deposits and keeping their records of transactions; accepting money transfers from domestic and foreign banks;
- operating other bank accounts;
- granting loans;
- granting and confirming bank guarantees as well as opening and confirming letters of credit;
- issuing banking securities;
- financial settlements operations;
- issue of electronic money instrument;
- granting cash advances;
- concluding check and B/E transactions;
- issuing payment cards and processing card operations;
- performing term financial transactions;
- trading in receivables;
- safekeeping of objects and securities as well as providing access to safe deposit boxes;
- providing agency services in international funds transfers and settlements in international trade;
- purchasing, selling and intermediating in trade of receivables and liabilities;
- performing operations related to the issue of securities;
- acting as the representative of bond holders;
- purchase and sale of FX values;
- brokerage activities.

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

- | | |
|----------------------------|---------------------------------------------|
| – Gerry Byrne | – Acting President of the Management Board; |
| – Andrzej Burliga | – Member of the Board; |
| – Eamonn Crowley | – Member of the Board; |
| – Michael McCarthy | – Member of the Board; |
| – Beata Daszyńska-Muzyczka | – Member of the Board; |
| – Juan de Porras Aguirre | – Member of the Board; |
| – Marcin Prell | – Member of the Board; |

- Mirosław Skiba – Member of the Board;
- Feliks Szyszkowiak – Member of the Board;
- Paweł Wieczorek – Member of the Board;
- Carlos Polaino Izquierdo – Member of the Board.

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

- on 9th November 2015 Mr. Mateusz Morawiecki resigned from the position of President of the Management Board – his mandate was revoked the very same day;
- on 9th November 2015 the Supervisory Board appointed Mr. Gerry Byrne to hold the position of the Acting President of the Management Board;
- on 23rd April 2015 the Supervisory Board appointed Mrs. Beata Daszyńska-Muzyczka to hold the position of the Member of the Management Board effective from 23rd April 2015;
- on 23rd April 2015 the Supervisory Board appointed Mr. Carlos Polaino Izquierdo to hold the position of the Member of the Management Board effective from 23rd April 2015;
- on 23rd April 2015 the Supervisory Board appointed Mr. Paweł Wieczorek to hold the position of the Member of the Management Board effective from 23rd April 2015;
- on 23rd April 2015 as a result of the end of term of the Management Board, the mandate of Mr. Piotr Partyga as Member of the management Board was revoked. Mr. Piotr Partyga was not appointed for the next term of the Management Board;
- on 23rd April 2015 as a result of the end of term of the Management Board, the mandate of Mr. Marco Antonio Silva Rojas as Member of the Management Board was revoked. Mr. Marco Antonio Silva Rojas was not appointed for the next term of the Management Board.

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

The activities of the Bank in 2014 resulted in a net profit of PLN 1,994,632 thousand. The financial statements of the Bank for the 2014 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. The certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2014 financial year was held on 23 April 2015. The General Shareholders' Meeting decided to distribute the net profit for 2014 in the following manner:

- on other reserve funds – PLN 1,041,980 thousand;
- remain undistributed – PLN 952,652 thousand.

The financial statements for the 2014 financial year were submitted to the National Court Register (KRS) on 28 April 2015.

The consolidated financial statements for the 2014 financial year were submitted to the National Court Register (KRS) on 28 April 2015

3. Details of the authorized entity and the key certified auditor acting on its behalf

The entity authorized to audit the financial statements was appointed by the Supervisory Board. The audit of the financial statements was performed based on the agreement of 29 May 2015 concluded between the Bank and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of

Dariusz Szkaradek, key certified auditor, (No. 9935), in the registered office of the Bank from 19 October to 11 December 2015, from 8 January to 5 February 2016 and outside the Bank's premises until the opinion date.

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

4. Availability of data and management's representations

The scope of our audit was not limited. During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 9 February 2016.

II. ECONOMIC AND FINANCIAL POSITION OF THE BANK

Presented below are the main items from the income statement and statement of financial position as well as financial ratios describing the financial performance of the Bank and its economic and financial position compared to the prior year.

Main items from the statement of financial position (PLN '000)	2015	2014
Total assets	125,477,589	121,607,365
Cash and balances with central banks	6,129,543	6,567,108
Loans and advances to banks	4,756,502	3,673,519
Financial assets held for trading	4,174,634	5,221,034
Loans and advances to customers	81,142,310	74,645,880
Investments securities	22,576,246	24,465,448
Investment in subsidiaries and associates	2,377,325	2,387,250
Goodwill	1,688,516	1,688,516
Intangible assets	443,603	393,265
Property, plant and equipment	742,245	676,212
Net deferred tax assets	842,763	794,008
Deposits from banks	3,935,893	6,171,077
Financial liabilities held for trading	2,535,708	2,781,686
Deposits from customers	94,641,472	90,149,236
Debt securities in issue	1,698,619	983,646
Other liabilities	1,340,712	1,260,584
Subordinated liabilities	426,507	1,439,835
Equity	18,709,129	17,112,012
– Share capital	992,345	992,345
Main items from the income statement and statement of comprehensive income (PLN '000)	2015	2014
Interest income	4,243,768	4,856,042
Interest expense	(1,108,916)	(1,541,395)
Net fee and commission income	1,613,244	1,622,314
Dividend income	156,365	417,914
	234,391	0
Net trading income and revaluation	193,495	93,599
Operating expenses	(2,881,265)	(2,578,497)
Impairment losses on loans and advances	(667,895)	(731,194)
Profit for the period	1,756,210	1,994,632
Total comprehensive income for the period	1,578,362	2,228,791
Effectiveness ratios	2015	2014
Return on equity ratio (ROE)	11.3%	14.7%
Return on assets ratio (ROA)	1.4%	1.8%
Cost to income ratio	49.4%	44.5%
Capital adequacy ratio	15.8%	13.5%
Non-performing loans ratio	6.7%	7.7%
Equity ratio	14.9%	14.1%

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

- return on equity ratio (ROE) as a relation of profit for the period to equity (adjusted by retained earnings and current year profit) calculated as an average of balances as of the end of two last annual periods decreased at the end of 2015 reaching 11.3% in comparison to 14.7% at the end of 2014;
- return on asset ratio (ROA) as a relation of profit for the period to total assets calculated as an average of balances as of the end of two last annual periods decreased at the end of 2015, reaching 1.4% in comparison to 1.8% at the end of 2014;
- cost to income ratio as a relation of operating expenses to income calculated as sum of net interest income, net fee and commission income, dividend income, net trading income and revaluation, gains (losses) from other financial securities and other operating income (excluded one-off events – gain on sale of shares in AVIVA entities and costs related to outflow of guarantee funds regarding bankruptcy of another bank) increased in 2015, reaching 49.4% in comparison to 44.5% in 2014;
- capital adequacy ratio as a relation of own funds to total capital requirement multiplied by 12.5 at the end of 2015 was 15.8%; at the end of 2014 capital adequacy ratio was 13.5%;
- non-performing loans ratio as a relation of gross loans and advances to customers (individually and collectively impaired) to total gross loans and advances to customers decreased at the end of 2015, reaching 6.7% in comparison to 7.7% at the end of 2014;
- equity ratio as a relation of equity to total equity and liabilities increased at the end of 2015, reaching 14.9% in comparison to 14.1% at the end of 2014.

Application of prudence principles

As of 31 December 2015 total exposure of the Bank due to credits, cash loans and off-balance sheet liabilities granted to one entity or entities having capital and organisational relationships did not exceed 25% of the Bank's equity or EUR 150 m. During the audit we did not detect facts indicating that as of 31 December 2015 the Bank did not comply with prudence principles defined by provisions of the Banking Law, resolutions of the Management Board of the National Bank of Poland and resolutions of the Polish Financial Supervision Commission.

Capital adequacy ratio

During our audit we have not identified significant discrepancies in the area of calculation of capital ratio as at 31 December 2015 in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms.

III. DETAILED INFORMATION

1. Evaluation of the accounting system

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

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

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

2. Information identifying the audited financial statements

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

- statement of financial position prepared as of 31 December 2015, with total assets and liabilities plus equity of PLN 125,477,589 thousand;
- income statement for the period from 1 January 2015 to 31 December 2015, with a net profit of PLN 1,756,210 thousand;
- statement of comprehensive income for the period from 1 January 2015 to 31 December 2015 with a total comprehensive income of PLN 1,578,362 thousand;
- statement of changes in equity for the period from 1 January 2015 to 31 December 2015, disclosing an increase in equity of PLN 1,597,117 thousand;
- statement of cash flows for the period from 1 January 2015 to 31 December 2015, showing a cash outflow of PLN 383,623 thousand;
- notes, comprising a summary of significant accounting policies and other explanatory information.

3. Information about selected material items of the financial statements

Financial assets and liabilities

The Bank classifies its financial instruments into the following categories:

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

Types of financial assets and liabilities have been correctly presented in the respective explanatory note to the statement of financial position.

Structure of loans and advances from banks and customers

Types of trade receivables have been correctly presented in the respective explanatory note to the statement of financial position.

In Bank Zachodni WBK S.A. charges updating impairment are recognised in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). The charges reflect credit impairment, which is recognised if the Bank presents objective evidence that such amounts cannot be recovered in line with the signed loan agreement. Objective evidences of impairment were defined in accordance with recommendation of Basel Committee and with the International Accounting Standards (IAS 39), which were described in the section on accounting policies concerning valuation of assets carried at amortised cost. The impairment is calculated on the basis of the estimated recoverable amount. Impairments are analysed using both the individual (for individually significant exposures with objectively evidenced impairment) and collective approach (individually insignificant exposures with objectively evidenced impairment, and exposures of incurred but not reported losses).

The Bank systematically compares the assumptions and parameters used for loss calculations with the actual situation. The comparison includes changes of economic conditions, amendments to Bank's credit policies and recovery process. The process provides assurance that impairments are recognized correctly. The responsibility for adequate level of charges rests with the Provisions Committee.

Credit risk management and credit risk exposure were presented in explanatory note to the statement of financial position.

Structure of deposits from banks and customers

Types of liabilities have been correctly presented in the respective explanatory note to the statement of financial position.

Repayments, accruals and provisions for liabilities

The explanatory notes to prepayments, accruals and provisions for liabilities correctly present the structure of the items. Deferred expenses and income have been correctly classified with respect to the audited financial year. Provisions for liabilities have been determined at reliably estimated amounts. The items have been recognized completely and correctly in all material respects in relation to the financial statements as a whole.

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

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

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

The Management Board of Bank prepared and supplemented the financial statements with the Management Board's report on the activities of the Bank in the 2015 financial year. The report contains information required under Article 49, paragraph 2 of the Accounting Act, the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member

states (Journal of Laws of 2014 item 133) and disclosed information derived from the audited financial statements was verified in accordance with Article 111a, paragraph 1 of Banking Law (Journal of Laws of 2015 item 128 as amended) and is consistent with the attached financial statements.

IV. FINAL NOTES

Management Board's Representations

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

Dariusz Szkaradek
Key certified auditor
conducting the audit
No. 9935

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

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

Warsaw, February 9, 2016