

**BANK POCZTOWY S.A. CAPITAL GROUP
BYDGOSZCZ, JAGIELLOŃSKA 17**

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE 2014 FINANCIAL YEAR**

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

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REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP FOR THE 2014 FINANCIAL YEAR

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Bank Pocztowy S.A.

We have audited the attached financial statements of the Bank Pocztowy S.A. Capital Group (hereinafter: the "Capital Group"), for which Bank Pocztowy S.A. (hereinafter: the "Parent Company") with its registered office in Bydgoszcz, at Jagiellońska 17 is the Parent Company, Those consolidated financial statements include: consolidated statement of financial position prepared as of 31 December 2014, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year from 1 January 2014 to 31 December 2014 and notes comprising a summary of significant accounting policies and other explanatory information.

Preparation of consolidated financial statements and a report on the activities of the capital group in line with the law is the responsibility of the Management Board of the Parent Company.

The Management Board of the Parent Company and members of its Supervisory Board obliged to ensure that the consolidated financial statements and the report on the activities of the Capital Group 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 consolidated financial statements with the accounting principles (policy) adopted by the Capital Group 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 Capital Group.

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 consolidated 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) applied by the Parent Company and the subsidiaries, verification - largely on a test basis - of the basis for the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the audited consolidated financial statements of the Bank Pocztowy S.A. Capital Group in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Capital Group as of 31 December 2014 as well as its financial performance in the financial year from 1 January 2014 to 31 December 2014,
- 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,
- comply with the provisions of law applicable to the Parent Company and Capital Group entities which affect the contents of the consolidated financial statements.

The Report on the activities of the Capital Group for the 2014 financial year is complete within the meaning of Article 49.2 of the Accounting Act and consistent with underlying information disclosed in the audited consolidated financial statements.

Paweł Nowosadko
Key certified auditor
conducting the audit
No. 90119

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

Dorota Snarska-Kuman – 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, 19 March 2015

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 CONSOLIDATED FINANCIAL
STATEMENTS OF THE BANK POCZTOWY S.A. CAPITAL GROUP
FOR THE 2014 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Parent Company

The Parent Company of the Capital Group operates under the business name Bank Pocztowy S.A. (hereinafter: the "Parent Company"). The Company's registered office is located in Bydgoszcz, at Jagiellońska 17.

The Parent Company operates as a joint stock company. The Parent Company is recorded in the Register of Entrepreneurs kept by the District Court, XIII Business-Registry Division in Bydgoszcz, under KRS number 0000010821.

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

As of 31 December 2014, the Parent Company's share capital equaled PLN 97,290,400 and was divided into 9,729,040 ordinary shares with a face value of PLN 10 each.

In the audited period the Parent Company conducted activities mainly in the area of granting loans and accepting deposits as well as maintaining bank accounts and other financial settlements.

Composition of the Management Board of the Parent Company as at the date of the opinion:

- | | |
|-------------------|---|
| – Szymon Midera | – Vice-Chairman of the Management Board, Acting Chairman of the Management Board, |
| – Hubert Meronk | – Member of the Management Board, |
| – Michał Sobiech | – Member of the Management Board, |
| – Paweł Szałowski | – Member of the Management Board. |

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

- On 12 May 2014 the Supervisory Board adopted a resolution on dismissal of Radosław Sałata from the position of Member of the Management Board on 12 May 2014. Moreover, the Supervisory Board adopted a resolution on appointment of Paweł Szałowski to the Management Board as the Member of the Management Board on 19 May 2014,
- On 16 January 2015 Tomasz Bogus resigned the office of Chairman of the Management Board effective from 19 January 2015,
- On 16 January 2015 the Supervisory Board appointed Szymon Midera to act as the Chairman of the Management Board effective from 20 January 2015. Moreover, the Supervisory Board of the Bank adopted a resolution on appointment of Szymon Midera to the position of Chairman of the Management Board. The resolution will enter into force from the day following the date of the approval by the Polish Financial Supervision Authority of the appointment of Szymon Midera to the position.
- On 12 February 2015 the Supervisory Board of the Bank adopted a resolution on appointment on 12 February 2015 of Hubert Meronk to the Management Board as the Member of the Management Board.

2. Structure of the Capital Group

The consolidated financial statements as of 31 December 2014 included the following entities:

- a) Parent Company – Bank Pocztowy S.A.

We have audited the financial statements of the Parent Company for the period from 1 January to 31 December 2014. As a result of our audit, on 19 March 2015 we issued an unqualified.

- b) Companies subject to full consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
Centrum Operacyjne Sp. z o.o.	100%	Not audited	31 December 2014
Spółka Dystrybucyjna Banku Poczтового Sp. z o.o.	100%	Not audited	31 December 2014

During the financial year the composition of the audited Capital Group and the consolidated entities, for which the Parent Company prepared the audited consolidated financial statements, did not change.

3. Information about the consolidated financial statements for the prior financial year

The activities of the Capital Group in 2013 resulted in a net profit of PLN 36,027. The consolidated financial statements of the Capital Group for 2013 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 consolidated financial statements for the 2013 financial year was held on 14 April 2014.

In accordance with applicable laws, the consolidated financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 28 April 2014.

4. 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 consolidated financial statements was performed based on the agreement of 28 May 2012 concluded between the Parent Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its 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 consolidated financial statements was conducted under the supervision of Paweł Nowosadko, key certified auditor (No. 90119) in the registered office of the Parent Company from 20 October to 7 November 2014, from 2 to 20 February 2015 as well as outside the Company's premises until the date of this opinion.

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

5. 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 the Parent Company of 19 March 2015.

II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

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

<u>Main financial data from consolidated income statement</u> <u>(PLN '000)</u>	<u>2014</u>	<u>2013</u>
Interest income	416,278	423,400
Interest expense	(148,128)	(179,593)
Net commission and fee income	59,657	41,628
Bank's operating expenses	(218,622)	(212,738)
Impairment losses on financial assets	(61,013)	(42,398)
Net profit	43,639	36,027
Total comprehensive income	47,867	30,295

<u>Main financial data from consolidated statement of financial position</u> <u>(PLN '000)</u>	<u>2014</u>	<u>2013</u>
Total assets	7,719,027	7,382,745
Cash and balances with central banks	757,643	327,242
Receivables from other banks	158,269	36,329
Loans and advances to customers	5,151,777	5,055,712
Investment securities	1,519,266	1,842,036
Deposits from customers	6,492,023	6,230,578
Liabilities under issue of debt securities	358,256	431,597
Subordinated liabilities	142,090	142,027
Equity, including:	439,632	391,765
Share capital	97,290	97,290

<u>Financial ratios analysis</u>	<u>2014</u>	<u>2013</u>
- Total profitability ratio	8.3%	7.1%
- Capital adequacy ratio	13.4%	12.9%
- Lending ratio	66.7%	68.5%
- Non-performing loans ratio	6.1%	5.4%
- Deposit ratio	84.1%	84.4%

An analysis of the above figures and ratios indicated the following trends in 2014:

- total profitability ratio, calculated as the ratio of net income to interest income, fee and commission income, result on financial instruments measured at fair value through profit or loss and net foreign exchange gains as well as result on other financial instruments, rose at the end of 2014, reaching a value 8.3% compared to 7.1% at the end of 2013;
- lending ratio, calculated as the ratio of loans and advances to customers to total assets fell at the end of 2014, reaching a value of 66.7% compared to 68.5% at the end of 2013;
- non-performing loans ratio, calculated as the ratio of gross loans and advances classified as impaired to sum of gross loans and advances to customers increased from 5.4% at the end of 2013 to 6.1% at the end of 2014;
- deposit ratio, calculated as the ratio of liabilities to customers to total liabilities decreased from 84.4% at the end of 2013 to 84.1% at the end of 2014.

Application of prudence principles

During our audit we have not identified significant discrepancies indicating lack of application of prudence principles determined by Polish Law, resolutions of Management of National Bank of Poland and resolutions of Polish Financial Supervision Authority by the Bank in 2014 financial year.

Capital adequacy ratio

During our audit we have not identified significant discrepancies in the area of calculation of capital adequacy ratio as at 31 December 2014 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 investment firms.

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as at 31 December 2014 and include:

- consolidated statement of financial position prepared as of 31 December 2014, with total assets and liabilities plus equity of PLN 7,719,027 thousand,
- consolidated income statement for the period from 1 January 2014 to 31 December 2014, with a net profit of PLN 43,639 thousand,
- consolidated statement of comprehensive income for the period from 1 January 2014 to 31 December 2014, with a total comprehensive income of PLN 47,867 thousand,
- consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014, disclosing an increase in equity of PLN 47,867 thousand,
- consolidated statement of cash flows for the period from 1 January 2014 to 31 December 2014, showing a cash inflow of PLN 430,784 thousand,
- notes, comprising a summary of significant accounting policies and other explanatory information.

The audit covered the period from 1 January 2014 to 31 December 2014 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent Company;
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation.

2. Consolidation documentation

The Parent Company presented the consolidation documentation including:

- financial statements of entities included in the consolidated financial statements;
- financial statements of controlled entities, adjusted to the accounting principles (policy) applied during consolidation;
- consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements.

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Parent Company and the subsidiaries included in consolidation were summed up.

The Parent Company preparing the consolidated financial statements has not applied any material simplifications and exceptions to the consolidation principles with respect to the controlled entities.

3. Completeness and correctness of drawing up notes and explanations and the report on the activities of the Capital Group

The Parent Company confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes and explanations to the consolidated financial statements gives a description of measurement principles regarding assets, liabilities, financial performance and principles of preparation of the consolidated financial statements.

The Parent Company prepared notes in the form of tables to individual items of the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income as well as narrative descriptions in line with the requirement of IFRS.

The Management Board of Parent Company prepared and supplemented the consolidated financial statements with a report on the activities of the Capital Group in the 2014 financial year. The report contains information determined by Article 49.2 of the Accounting Act. We have audited the report with respect to the disclosed information derived directly from the audited consolidated 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 Parent Company's Management Board, in which the Board stated that the Capital Group complied with the laws in force.

Paweł Nowosadko
Key certified auditor
conducting the audit
No. 90119

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

Dorota Snarska-Kuman – 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, 19 March 2015