

**BANK BGŻ BNP PARIBAS S.A.
WARSAW, KASPRZAKA 10/16**

**FINANCIAL STATEMENTS
FOR THE 2015 FINANCIAL YEAR**

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

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REPORT ON THE ACTIVITIES FOR THE 2015 FINANCIAL YEAR

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Bank BGŻ BNP Paribas S.A.

We have audited the attached financial statements of Bank BGŻ BNP Paribas S.A. ("Bank") with its registered office in Warsaw at Kasprzaka 10/16, including income statement and statement of comprehensive income for the financial year from 1 January 2015 to 31 December 2015, statement of financial position prepared as of 31 December 2015, statement of changes in equity, cash flow statement for the financial year from 1 January 2015 to 31 December 2015 and explanatory 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. In addition, we have audited the information required under Article 111a paragraph 1 point 1 and 2 of the Banking Law Act of 29 August 1997 (Journal of Laws of 2015 item 128 as amended), hereinafter referred to as the "Banking Law", disclosed in the Report on the activities of the Bank.

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" and of Banking Law.

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 and whether disclosures in the Report on the activities of the Bank resulting from Article 111a paragraph 1 point 1 and 2 of the Banking Law have been presented correctly and in accordance with the requirements of these regulations.

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 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.

In addition, in our opinion, the disclosed information in the Report on the activities of the Bank resulting from the Article 111a paragraph 1 point 1 and 2 of the Banking Law has been presented correctly and in accordance with the requirements of these regulations.

The Report on the activities of the Bank for the 2015 financial year is complete within the meaning of the 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 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 – Deputy Chairman 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, 15 March 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 BGŻ BNP PARIBAS S.A.
FOR THE 2015 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Bank

The Bank operates under the business name Bank BGŻ BNP Paribas S.A. ("Bank"). The Bank's registered office is located in Warsaw, at Kasprzaka 10/16.

The Bank operates as a joint stock company. The Bank is recorded in the Commercial Register kept by the District Court in Capital City Warsaw, XII Business-Registry Division of the National Court Register, under KRS number 0000011571.

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 84,238 thousand and was divided into 84,238,318 ordinary shares with a face value of PLN 1 each.

In the audited period, the Bank conducted activities mainly in the area of accepting cash as demand deposits or term deposits and keeping deposit accounts as well as granting credits and loans.

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

- | | |
|-----------------------|---|
| – Tomasz Bogus | – President of the Management Board, |
| – Daniel Astraud | – Vice-President of the Management Board, |
| – François Benaroya | – Vice-President of the Management Board, |
| – Blagoy Bochev | – Vice-President of the Management Board, |
| – Jan Bujak | – Vice-President of the Management Board, |
| – Wojciech Kembłowski | – Vice-President of the Management Board, |
| – Magdalena Legęć | – Vice-President of the Management Board, |
| – Jaromir Pelczarski | – Vice-President of the Management Board, |
| – Stephane Rodes | – Vice-President of the Management Board, |
| – Michel Thebault | – Vice-President of the Management Board, |
| – Bartosz Urbaniak | – Member of the Management Board. |

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

- on 29 January 2015 Wojciech Kembłowski was appointed by the Supervisory Board to hold the position of the Vice-President of the Management Board,
- on 20 March 2015 Monika Nachyla resigned from the position of Vice-President of the Management Board effective from 30 April 2015,
- on 20 March 2015 Gerardus Embrechts resigned from the position of Vice-President of the Management Board effective from 31 March 2015,
- on 20 March 2015 Dariusz Odzioba resigned from the position of Vice-President of the Management Board effective from 30 April 2015,
- on 20 March 2015 Witold Okarma resigned from the position of Vice-President of the Management Board effective from the date of a merger of Bank BGŻ S.A. with BNP Paribas Polska S.A.,
- on 20 March 2015 Andrzej Sieradz resigned from the position of Vice-President of the Management Board effective from 31 March 2015,

- on 20 March 2015 Bartosz Urbaniak was appointed by the Supervisory Board to hold the position of the Member of the Management Board,
- on 30 April 2015 Józef Wancer resigned from the position of the President of the Management Board effective from 31 August 2015,
- on 30 April 2015 Tomasz Bogus was appointed by the Supervisory Board to hold the position of the President of the Management Board effective from 1 September 2015,
- on 30 April 2015 Daniel Astraud was appointed by the Supervisory Board to hold the position of the Vice-President of the Management Board,
- on 30 April 2015 François Benaroya was appointed by the Supervisory Board to hold the position of the Vice-President of the Management Board,
- on 30 April 2015 Blagoy Bochev was appointed by the Supervisory Board to hold the position of the Vice-President of the Management Board,
- on 30 April 2015 Jan Bujak was appointed by the Supervisory Board to hold the position of the Vice-President of the Management Board,
- on 30 April 2015 Jaromir Pelczarski was appointed by the Supervisory Board to hold the position of the Vice-President of the Management Board,
- on 30 April 2015 Stephane Rodes was appointed by the Supervisory Board to hold the position of the Vice-President of the Management Board,
- on 30 April 2015 Michel Thebault was appointed by the Supervisory Board to hold the position of the Vice-President of the Management Board,
- on 27 July 2015 Wojciech Sass resigned from the position of Vice-President of the Management Board effective from 31 August 2015.

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 137,730 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 KPMG Audyt 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 19 June 2015. The General Shareholders' Meeting decided to distribute the net profit for 2014 in the following manner:

- | | |
|---------------------------------|-----------------------|
| – fund for general banking risk | – PLN 130,000,000.00, |
| – reserve capital | – PLN 7,730,149.06. |

The financial statements for the 2014 financial year were submitted to the National Court Register (KRS) on 24 June 2015.

The consolidated financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 24 June 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 of the Bank. The audit of the financial statements was performed based on the agreement of 12 June 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, in its branches, as well as outside the Bank's from 19 October 2015 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 15 March 2016.

II. ECONOMIC AND FINANCIAL POSITION OF THE BANK

Presented below are the main items from the income statement, statement of comprehensive income, 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, calculated based on the financial data included in the financial statements for the 2015 financial year.

<u>Main items from statement of financial position (PLN '000)</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Total assets	63,009,129	40,484,204
Cash and balances with the Central Bank	2,826,407	1,790,160
Loans and advances from banks	544,012	404,724
Debt securities held for trading	-	199,404
Reverse repo transactions	-	100,668
Loans and advances to customers	49,831,458	29,657,523
Hedging instruments (assets)	2,711	-
Derivative financial instruments	368,138	420,152
Available for sale financial assets	7,762,677	7,084,017
Investments in subsidiaries	248,848	16,732
Intangible assets	250,691	165,307
Property, plant and equipment	528,230	411,063
Deferred tax assets	428,931	173,828
Other assets	217,026	60,626
Amounts due to banks	7,617,946	1,546,739
Derivative financial instruments	351,539	448,908
Amounts due to customers	46,620,848	32,804,752
Subordinated liabilities	847,568	320,951
Debt securities issued	468,933	762,142
Current tax liabilities	37,547	9,639
Provisions	143,804	68,112
Other liabilities	756,161	325,722
Total equity, including:	6,163,178	4,151,875
- Share capital	84,238	56,139
<u>Main items from the income statement and comprehensive income statement (PLN '000)</u>	<u>2015</u>	<u>2014</u>
Net interest income	1,405,762	1,120,337
Net fee and commission income	407,241	310,499
Dividend income	6,837	3,303
Net trading income	184,346	63,723
Result on investment activities	47,390	24,465
Net impairment losses on financial assets and contingent liabilities	(304,220)	(318,503)
Other operating income	56,862	36,402
Other operating expenses	(91,053)	(29,490)
Income tax expense	(17,013)	(41,646)
Net profit for the period	8,263	137,730
Total comprehensive income for the period	(50,615)	301,630

<u>Ratio analysis</u>	<u>2015</u>	<u>2014</u>
Return on equity ratio (ROE)	0.16%	3.60%
Return on assets ratio (ROA)	0.02%	0.36%
Cost to income ratio	84.37%	68.06%
Capital ratio	13.78%	13.78%
Equity ratio	9.78%	10.26%

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

- return on equity ratio (ROE) calculated as a relation of net profit for the period to equity estimated as an average of the balances as at 31.12.2014 and 31.12.2015 decreased as at the end of 2015 and amounted to 0.16% in comparison to 3.60% as at the end of 2014;
- return on assets ratio (ROA) calculated as a relation of net profit for the period to total assets estimated as an average of the balances as at 31.12.2014 and 31.12.2015 decreased as at the end of 2015 and amounted to 0.02% in comparison to 0.36% as at the end of 2014;
- cost to income ratio calculated as a relation of total costs estimated as a sum of administrative expenses, depreciation and amortization and other operating expenses to total income estimated as sum of net interest income, net fee and commission income, dividend income, net trading income, result on hedge accounting, result on investment activities and other operating income increased from 68.06% for 2014 to 84.37% for 2015;
- capital ratio calculated 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 as at the end of 2015 amounted to 13.78% and remained unchanged in comparison to the end of 2014;
- equity ratio calculated as a relation of total equity to the sum of total equity and total liabilities decreased as at the end of 2015 and amounted to 9.78% in comparison to 10.26% at the end of 2014.

Application of prudence principles

During our audit we have not identified significant discrepancies indicating lack of application in 2015 of prudence principles determined by Polish Law, resolutions of Management of National Bank of Poland and resolutions of Polish Financial Supervision Authority.

Capital 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 and equity within the scope necessary to confirm the existence of the presented assets and liabilities and equity.

2. Information identifying the audited financial statements

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

- income statement for the period from 1 January 2015 to 31 December 2015, with a net profit of PLN 8,263 thousand,
- statement of comprehensive income for the period from 1 January 2015 to 31 December 2015 with a total comprehensive income of PLN (50,615) thousand,
- statement of financial position prepared as of 31 December 2015, with total assets and liabilities plus equity of PLN 63,009,129 thousand,
- statement of changes in equity for the period from 1 January 2015 to 31 December 2015, disclosing an increase in equity of PLN 2,011,303 thousand,
- cash flow statement for the period from 1 January 2015 to 31 December 2015, showing a cash inflow of PLN 1,071,892 thousand,
- explanatory notes, comprising a summary of significant accounting policies and other explanatory information.

The structure of assets and liabilities plus equity as well as items affecting the profit or loss has been presented in the financial statements.

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,
- loans and receivables,
- financial assets held to maturity,
- available-for-sale financial assets,
- other financial liabilities.

The structure by terms and types of financial assets and liabilities has been presented in details in the respective explanatory notes to the statement of financial position.

Structure of loans and advances from banks and customers

The structure by terms and types of loans and advances from banks and customers has been presented details in the respective explanatory notes to the statement of financial position.

In Bank BGŻ BNP Paribas S.A. impairment allowances are recognised in accordance with the IAS/IFRS. The allowances reflect impairment, which is recognised if the Bank has objective evidence that the receivables 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). The impairment allowance is calculated based on the estimated recoverable amount. Impairment is analysed using both the individual (for individually significant impaired exposures) and collective approach (individually insignificant exposures with impairment, and exposures with incurred but not reported losses).

The Bank systematically on an annual basis compares the assumptions and parameters used for loss calculations with the actual situation, including loss identification period. The comparison takes into account changes of economic conditions, amendments to Bank's credit policies and loans collection process. The process provides assurance that the level of impairment allowances is adequate. Credit Committee of the Bank is responsible for adequate level of impairment allowance.

The disclosures regarding management of credit risk and exposure to credit risk were presented in explanatory notes to the financial statements.

Structure of deposits from banks and customers

The structure by terms and types of deposits from banks and customers has been presented details in the respective explanatory notes to the financial statements.

Accrued income and expense

The explanatory notes describe the structure of accrued income and expense.

Significant accrued income and expense were properly included in the financial year. The items have been recognized correctly in all material respects in relation to the financial statements as a whole.

4. Completeness and correctness of drawing up 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 and equity, profit or loss and principles of preparation of the financial statements.

The explanatory 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 prepared and supplemented the financial statements with a report on the activities of the Bank in the 2015 financial year. The report contains information required under the Article 111a, paragraph 1 points 1 and 2 of Banking Law, 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). We have audited the report with respect to the disclosed information derived directly from the audited financial statements and the disclosed information required by Article 111a paragraph 1 point 1 and 2 of the Banking Law has been audited in terms of its correctness and compliance with these regulations.

IV. CLOSING COMMENTS

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 – Deputy Chairman 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, 15 March 2016