

**BANK BGŻ BNP PARIBAS CAPITAL GROUP
WARSAW, KASPRZAKA 10/16**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 2016 FINANCIAL YEAR**

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

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REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP FOR THE 2016 FINANCIAL YEAR

AUDITOR'S OPINION

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

Auditor's report

We have audited the attached financial statements of the Bank BGŻ BNP Paribas S.A. Capital Group (hereinafter: the "Capital Group"), for which Bank BGŻ BNP Paribas (hereinafter: the "Bank") with its registered office in Warsaw at Kasprzaka 10/16 is the Parent Company. These consolidated financial statements include: consolidated income statement and consolidated statement of comprehensive income from 1 January 2016 to 31 December 2016, consolidated statement of financial position prepared as at 31 December 2016, statement of consolidated changes in equity, statement of cash flows for the financial year from 1 January 2016 to 31 December 2016 and notes.

Responsibility of the Bank's manager and persons supervising the preparation of the financial statements

The Management Board of the Parent is responsible for the preparation of the consolidated financial statements, based on properly kept accounting records, and their fair presentation in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and applicable laws. It is also obliged to ensure internal control as it determines necessary for the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act of 29 September 1994 (Journal of Laws of 2016 item 1047 as amended), hereinafter referred to as the "Accounting Act" the Management Board of the Bank and members of its Supervisory Board are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit works.

We conducted our audit in accordance with Section 7 of the Accounting Act and the National Auditing Standards in line with the wording of the International Standards on Auditing adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 as amended. Those standards require that we comply with ethical requirements and plan

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and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management Board of Bank, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the attached consolidated financial statements:

- give a true and fair view of the economic and financial position of the Capital Group as at 31 December 2016 and its financial performance for the financial year from 1 January 2016 to 31 December 2016 in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and the adopted accounting principles (policies) of the Bank,
- comply, with respect to their form and content, with the applicable provisions of law and the articles of association of the Capital Group.

Report on other legal and regulatory requirements

Opinion on the report on the activities

We do not express an opinion on the report on the activities of the Capital Group.

It is the responsibility of the Management Board of the Bank BGŽ BNP Paribas S.A. to prepare the report on the activities of the Capital Group in accordance with the Accounting Act and other applicable laws. Moreover, the Management Board of the Bank and members of the Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act.

When auditing the consolidated financial statements we were obliged to examine the report on the activities of the Capital Group and indicate whether the information contained therein complies with Article 49 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 as amended) and is consistent with underlying information disclosed in the attached consolidated financial statements. Additionally, according to the Article 111a paragraph 3 of the Banking Law (Journal of Laws of 2016 item 1988 as amended, "Banking Law") our responsibility was to audit financial information presented in paragraph 8 of the Report on the activities of the Capital Group. The audit was performed in accordance with the scope presented in the paragraph Auditor's responsibility. Additionally, it was our responsibility to indicate whether we have detected any material misstatement in the report on the activities of the Capital Group

based on our knowledge of the Capital Group and its business environment obtained in the course of the audit.

In our opinion, the information contained in the report on the activities of the Capital Group complies with Article 49 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 as amended) and is consistent with underlying information disclosed in the attached consolidated financial statements. Moreover, based on our knowledge of the Capital Group and its business environment obtained in the course of the audit, we have not detected any material misstatements in the report on the activities. Additionally, information presented in the specific paragraphs of the Report on the activities of the Capital Group are compliant with the requirements of the Article 111a, paragraph 1 and 2 of the Banking Law.

Statement of compliance with corporate governance principles

In relation to our audit of the consolidated financial statements of the Bank BGŻ BNP Paribas S.A., it was our responsibility to examine the Bank's statement of compliance with corporate governance principles, which constitutes a separate part of the report on the activities of the Capital Group. In our opinion, the Bank's statement provides all information required by the secondary legislation issued under Article 60.2 of the Act on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies of 29 July 2005 (Journal of Laws of 2016 item 1639 as amended) and regulations issued under Article 61 thereof. The information is compliant with the applicable laws and information presented in the consolidated 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, 14 March 2017

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 BGŻ BNP PARIBAS S.A. CAPITAL GROUP
FOR THE 2016 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Bank

The Parent of the Capital Group operates under the business name Bank BGŻ BNP Paribas S.A. (hereinafter: the "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 Register of Entrepreneurs kept by the District Court in XII, Commercial Division of National Court Register under KRS number KRS 0000011571.

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

As of 31 December 2016, the Bank's share capital equaled PLN 84,238 thousand and was divided into 84,238,318 shares with a face value of PLN 1 each.

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

- | | |
|-------------------------|---|
| - Tomasz Bogus | - Chairman of the Management Board; |
| - Daniel Astraud | - Vice President of the Management Board; |
| - François Benaroya | - Vice President of the Management Board; |
| - Philippe Paul Bézieau | - 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; |
| - Jerzy Śledziewski | - Vice President of the Management Board; |
| - Bartosz Urbaniak | - Member of the Management Board. |

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

- on 21 April 2016, Mr. Jean-Philippe Stephane Rodes submitted his resignation from the position of Vice-President and Member of the Management Board of the Bank with effect from 31 July 2016;
- on 16 June 2016 Mr. Jean-Philippe Stephane Rodes submitted a representation, changing the effective date of his resignation from the position of President of the Management Board of the Bank to 18 July 2016;
- during a meeting on 21 April 2016, the Supervisory Board of the Bank appointed Mr. Jerzy Śledziewski Vice-President of the Management Board effective from 1 August 2016, until the end of the existing three-year joint office of the members of the Management Board;
- on 16 June 2016 Mr. Michel Thebault submitted a statement of resignation from the position of Vice-President of the Management Board of the Bank effective from 30 June 2016;
- during a meeting on 16 June 2016, the Supervisory Board of the Bank appointed Mr. Philippe Paul Bézieau Vice-President of the Management Board effective from 1 July 2016, until the end of the existing three-year joint office of the members of the Management Board.

As of 30 June 2016 (the date of the last Shareholders' Meeting) the Bank's shareholders included:

- BNP Paribas – 88.33% shares;
- Rabobank International Holding B.V. – 6.66% shares;
- others – 5.01% shares.

During the financial year there were no changes in the share capital of the Bank.

After the balance-sheet date there were no changes in the Bank's share capital.

As of 31 December 2016, the Bank's equity amounted to PLN 6,121,214 thousand.

2. Structure of the Capital Group

Information about subsidiaries included in the Bank BGŻ BNP Paribas S.A. Capital Group as at 31 December 2016:

Name and legal form 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
Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.	100,00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., in progress	31 December 2016
Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A.	100,00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., in progress	31 December 2016
BNP Paribas Leasing Services Sp. z o.o.	100,00	unaudited	31 December 2016
BGŻ BNP Paribas Faktoring Sp. z o.o.	100,00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., in progress	31 December 2016
BNP Paribas Group Service Center S.A.	100,00	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified	31 December 2016

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

The activities of the Capital Group in 2015 resulted in a net profit of PLN 13,293 thousand. The consolidated financial statements of the Capital Group for 2015 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 2015 financial year was held on 30 June 2016.

In accordance with applicable laws, the consolidated financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 18 July 2016.

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 12 June 2015 concluded between the Parent and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, al. Jana Pawła II 22, 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 Dariusz Szkaradek, key certified auditor (No. 9935) in the registered office of the Bank, in its branches, as well as outside the Bank from 2 November 2016 until the opinion date.

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 certified auditors and their self-government, entities authorized to audit financial statements and public supervision (Journal of Laws of 2016 item 1000 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 Bank of 14 March 2017.

II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

Presented below are the main items from the consolidated income statement, consolidated statement of comprehensive income and 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 items from the income statement and comprehensive income statement (PLN `000)</u>	<u>2016</u>	<u>2015</u>
Net interest income	1,826,152	1,422,647
Net fee and commission income	493,220	422,702
Dividend income	5,801	4,394
Net trading income	255,191	183,461
Result on investment activities	46,199	47,752
Net impairment losses on financial assets and contingent liabilities	(398,883)	(301,876)
Other operating income	130,324	60,811
Other operating expenses	(116,591)	(92,459)
Income tax expense	(97,647)	(16,399)
Net profit for the period	76,860	13,293
Total comprehensive income for the period	(121,727)	(45,588)
<u>Main items from the statement of financial position (PLN `000)</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
Total assets	72,304,999	65,372,338
Cash and balances with the Central Bank	1,302,847	2,826,416
Loans and advances to banks	1,233,592	495,431
Loans and advances to customers	55,075,871	52,269,544
Hedging instruments (assets)	18,671	2,711
Derivative financial instruments	324,005	368,147
Available for sale financial assets	12,497,855	7,845,074
Investments in subsidiaries	54,466	54,627
Intangible assets	246,552	256,455
Property, plant and equipment	546,002	537,201
Deferred tax assets	529,824	465,211
Other assets	475,314	251,521
Amounts due to banks	7,308,814	9,876,892
Derivative financial instruments	271,757	351,539
Amounts due to customers	55,155,014	46,527,391
Subordinated liabilities	1,768,458	847,568
Debt securities issued	398,059	469,083
Current tax liabilities	8,313	40,716
Provisions	8,022	8,052
Other liabilities	121,041	164,154
Total equity, including:	1,122,780	816,984
– share capital	6,146,821	6,268,354

<u>Ratio analysis</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
- Return on equity ratio (ROE)	1.24%	0.26%
- Return on assets ratio (ROA)	0.11%	0.03%
- Cost to income ratio	72.46%	84.52%
- Capital ratio	14.40%	13.45%
- Equity ratio	8.50%	9.59%

An analysis of the above figures and ratios indicated the following trends in 2016:

- 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 31.12.2015 and at 31.12.2016, increased as at the end of 2016 and amounted to 1.24% in comparison to 0.26% as at the end of 2015;
- 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 31.12.2015 and 31.12.2016, increased as at the end of 2016 and amounted to 0.11% in comparison to 0.03% as at the end of 2015;
- cost to income ratio, calculated as a relation of total costs estimated as a sum of administrative expenses, depreciation and amortization, impairment allowances of property plant and equipment and intangible assets less refund of administrative expenses to total income estimated as sum of net interest in, net fee and commission income, dividend income, result on financial assets and liabilities held for trading, result on fair value hedge accounting, gains (losses) on disposal and other operating income (less refund of administrative expenses), decreased from 84.52% for 2015 to 72.47% for 2016;
- 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 2016, amounted to 14.40% in comparison to 13.45% as at the end of 2015;
- equity ratio, calculated as a relation of total equity to the sum of total equity and total liabilities, decreased as at the end of 2016 and amounted to 8.50% in comparison to 9.59% at the end of 2015.

Application of prudence principles

During our audit we have not identified significant discrepancies indicating lack of application in 2016 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 2016 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. Information about the audited consolidated financial statements**

The audited consolidated financial statements were prepared as at 31 December 2016 and include:

- consolidated statement of financial position prepared as of 31 December 2016, with total assets and liabilities plus equity of PLN 72,304,999 thousand;
- consolidated income statement for the period from 1 January 2016 to 31 December 2016, with a net profit of PLN 76,860 thousand;
- consolidated statement of comprehensive income for the period from 1 January 2016 to 31 December 2016, with a total negative comprehensive income of PLN 121,727 thousand;
- consolidated statement of changes in equity for the period from 1 January 2016 to 31 December 2016, disclosing a decrease in equity of PLN 121,533 thousand;
- consolidated statement of cash flows for the period from 1 January 2016 to 31 December 2016, showing a cash outflow of PLN 778,712 thousand;
- notes, comprising a summary of significant accounting policies and other explanatory information.

The audit covered the period from 1 January 2016 to 31 December 2016 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Bank;
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation;
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

2. Consolidation documentation

The Bank presented the consolidation documentation including:

- financial statements of entities included in the consolidated financial statements;
- 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 Bank and the subsidiaries included in consolidation were summed up.

The equity method was applied with respect to associated entities. The value of the Bank's interest in the associated company was adjusted by increases or decreases in the equity of the associated company attributable to the Parent, which occurred in the period covered by consolidation, and decreased by dividends due from such companies.

The Bank 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 consolidated cash flow statement, consolidated statement of changes in equity, notes and explanations and the report on the activities of the Capital Group

The Bank 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, equity, liabilities, financial performance and principles of preparation of the consolidated financial statements.

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

The Parent prepared the consolidated cash flow statement and consolidated statement of changes in equity in accordance with the requirements of IFRS.

The Management Board of the Bank prepared and supplemented the consolidated financial statements with a report on the activities of the Capital Group in the 2016 financial year. The report contains information determined by Article 49.2 of the Accounting Act, Article 111a paragraph 1 and 2 of the Banking Law (Journal of Laws of 2016 item 1988 as amended, "Banking Law") and the Ordinance of the Minister of Finance Ordinance 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 as amended). In accordance with the Article 111a, paragraph 3 of the Banking Law, we have audited the report with respect to the disclosed information derived directly from the audited financial statements, and with respect to the disclosures required by Article 111a, paragraph 2 of the Banking Law we have audited the correctness and compliance according to the mentioned above regulations.

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 Capital Group 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, 14 March 2017