

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the group (the "Group") with Bank BGŻ BNP Paribas S.A. as the parent (the "Parent"), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the economic and financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, and the adopted accounting policies;
- comply, as regards their form and content, with the applicable laws and the articles of association of the Parent.

Our opinion is consistent with the Additional Report to the Audit Committee, which we issued as of the date of this report.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") in a version adopted by the National Council of Statutory Auditors as the Polish Standards on Auditing ("PSAs") and in compliance with the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors", Journal of Laws of 2017, item 1089, as amended) as well as Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation", Official Journal of the European Union L158).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the International Federation of Accountants'



Code of Ethics for Professional Accountants (“IFAC Code”), adopted by resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to the audit of the financial statements in Poland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They encompass the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We summarized our response to those risks and, where appropriate, we presented the key findings related to those risks. We do not provide a separate opinion on these matters.

| Key audit matter | How we addressed the matter |
|---|--|
| <p>Loan loss provisions and off-balance sheet liabilities provisions</p> <p>The value of impairment allowances on financial assets and provisions for off-balance sheet liabilities, as well as the change in the balance of these items is presented in details in Note 10 to the consolidated financial statements.</p> <p>Starting form 1 January 2018, for the purpose of impairment allowances calculation the International Financial Reporting Standard 9 <i>Financial Instruments</i> was applied, which replaced IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Impairment losses on financial assets and provisions for off-balance sheet commitments contain a significant element of judgment and significant estimates.</p> <p>The abovementioned issue was assessed as a key audit risk due to significant impact of impairment allowances on valuation of loans and receivables as well as the requirement of making the estimates based on recovery scenarios, estimating the future cash flows from</p> | <p>We have critically analyzed the design and implementation of the process and policy of calculation of the impairment allowances on financial assets and off-balance sheet commitments and we have assessed the control system in this process, including automated controls in the Group's IT systems, considering also possible omission of controls.</p> <p>Our audit procedures included reconciliation of the credit risk database with the general ledger to confirm the completeness of the recognition of loan receivables that are the basis for impairment losses calculation, as well as the value of these impairment allowances and provisions for off-balance sheet liabilities.</p> <p>In respect of the first-time adoption of IFRS 9, our procedures for assessing the correctness of the implementation of the new standard included, among other things, the following:</p> <ul style="list-style-type: none"> - evaluation of the methodology applied with respect to classification and valuation of financial instruments in terms of compliance with the requirements of IFRS 9, as well as market practice, and the correctness of assigning financial assets to the business models, - assessment of the correctness of measurement of financial instruments at |

the repayments and recoveries from collaterals.

This issue was assessed as key audit matter due to the significant impact of impairment allowances on valuation of loans and receivables as well as due to the fact that they require a significant judgment of the Parent's Management Board and the adoption of significant assumptions in the process of their estimation, including, in particular, the estimation of risk parameters.

fair value;

- assessment of completeness and correctness of disclosures, including those related to the first-time adoption of IFRS 9, as well as quantitative and qualitative requirements, in particular with respect to credit risk of financial assets;
- assessment of the correctness of the adjustments made to the opening balance sheet for 2018.

For the collectively assessed loans, we have performed, among the others, the following procedures:

- analysis of the applied methodology for estimating allowances for expected credit losses, including the adequacy of risk parameters applied and compliance with the requirements of IFRS 9,
- independent recalculation of the value of allowances for expected credit losses for selected portfolios in the collective assessment method,
- assessment of changes in the adopted assumptions for the construction of models used in the measurement of credit risk and the applied approach to verification of models on the basis of historical data (so-called "back-tests").

For the individually assessed loans we have performed, among the others, the following procedures:

- we have analyzed the correctness of the process of identifying indicators of impairment;
- we assessed the correctness of estimation of allowances for a selected sample of exposures with identified evidence of impairment with respect to the correctness of the assumed collateral values and assumptions concerning other cash flows.

Revenue recognition of interest and commission income

The value of interest and commission income is presented in detail in Notes 5 and 6 to the consolidated financial statements.

We assess this as key audit matter due to the share of interest and commission income in the Group's total income and

Our procedures included, among the others:

- analysis of the internal control environment with respect to the recognition and presentation of interest and commission income,
 - assessment of the basis for the effective interest rate determination, including automatic controls in the Group's IT systems,
 - review of the accounting rules applied for the revenue recognition of bundled
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the fact that they are the key elements of the Group's profitability assessment.

- products' distribution, including insurance products,
 - analysis of trends in interest and commission income recognition, including explanation of unusual events and one-off transactions,
 - evaluation of the existence and valuation of revenues based on selected transactions.
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Recognition of the acquisition of the core business of Raiffeisen Bank Polska S.A.

On 10th of April 2018, the Parent signed with Raiffeisen Bank International AG and BNP Paribas S.A. the Transaction Agreement regarding purchase of the core business of Raiffeisen Bank Polska S.A. Note 4.2 to the consolidated financial statements contains a description of the transaction and initial allocation of the purchase price made by the Parent.

In order to settle the acquisition, the Group made a preliminary purchase price allocation and determined the fair value of the acquired assets and assumed liabilities. The profit from acquisition of the core business of Raiffeisen Bank Polska S.A. amounted to PLN 291,706 thousand.

We assess this as key audit matter due to the complexity and significant degree of judgment with respect to estimates of the acquired assets and assumed liabilities, as well as the assessment of the completeness of the recognition of acquired assets and assumed liabilities.

Our procedures included, among the others:

- understanding and analysis of the transaction recognition in respect of compliance with IFRS 3 *Business Combinations*,
- analysis of the documentation related to the acquisition transaction,
- understanding and evaluation of the identification process of acquired assets and assumed liabilities,
- assessment of the analysis procedures, verification and recognition of estimates in respect of the fair value measurement of assets acquired and liabilities assumed,
- evaluation of adopted methods and assumptions of fair value measurement of the acquired assets and liabilities assumed (in particular with respect to fair value measurement of the acquired credit portfolio).

Responsibilities of the Management Board and the Supervisory Board of the Parent for the Consolidated Financial Statements

The Parent's Management Board is responsible for the preparation of consolidated financial statements which give a true and fair view of the economic and financial position of the Group and of its financial performance in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, the adopted accounting policies as well as the applicable laws and articles of association of the Parent, and for such internal control as the Parent's Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Parent's Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Management Board and members of the Supervisory Board of the Parent is/are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (the "Accounting Act", Journal of Laws of 2019, item 351). Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of an audit does not include an assurance about the future profitability of the Group or the effectiveness or efficiency of the Parent's Management Board in managing the Group's affairs at present or in the future.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Management Board;
- conclude on the appropriateness of the Parent's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent's Supervisory Board, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information, Including the Report on the Activities

Other information includes a report on the Group's activities in the financial year ended December 31, 2018 (the "Report on the Activities"), together with a statement of compliance with corporate governance principles which constitute separate parts of the Report and a non-financial information statement, as referred to in Article 55.2c of the Accounting Act, which is included in the CSR Report of the Parent for year 2018 (together: the "Other Information").

Responsibilities of the Management Board and the Supervisory Board

The Parent's Management Board is responsible for the preparation of the Other Information /the Report on the Activities in accordance with the applicable laws.

The Management Board and members of the Supervisory Board of the Parent is/are obliged to ensure that Other Information meet the requirements of the Accounting Act.

Auditor's Responsibilities

Our opinion on the consolidated financial statements does not cover the Other Information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the Report on the Activities has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the consolidated financial statements.

Furthermore, we are obliged to state whether a non-financial information statement has been prepared by the Group and to express an opinion on whether the Group has included the necessary information in the statement of compliance with corporate governance principles.

Additionally, according to the Article 111a paragraph 3 of the Banking Law (Journal of Laws of 2017 item 1876 as amended, "Banking Law") our responsibility was to audit financial information presented in paragraph 9 of the Report on the activities of the Group.

Opinion on the Report on the Activities

Based on our work performed during the audit, we are of the opinion that the Report on the Activities:

- has been prepared in accordance with Article 49 of the Accounting Act and par. 71 of the Regulation of the Minister of Finance of 29 March 2018 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 (the "Current Information Regulation", Journal of Laws of 2018, item 757);
- is consistent with the information contained in the consolidated financial statements.

Furthermore, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements of the Report on the Activities.

Opinion on the Statement of Compliance with Corporate Governance Principles

In our opinion, the statement of compliance with corporate governance principles contains the information referred to in par. 70.6.5 of the Current Information Regulation. We are also of the opinion that the information referred to in par. 70.6.5(c)-(f), (h) and (i) of the Regulation, as contained in the statement of compliance with corporate governance principles, is in accordance with the applicable laws and consistent with the information included in the consolidated financial statements.

Information on Non-Financial Information

In accordance with the requirements of the Act on Statutory Auditors, we would like to inform you that the Group does not prepare a non-financial information statement, relying on the exemption under Article 55.2c of the Accounting Act. In the Report on the Activities, the Parent included information concerning the preparation of a separate non-financial report and published it on its website.

We have not performed any assurance services relating to the non-financial information statement and we do not express any form of assurance conclusion thereon.

Report on Other Legal and Regulatory Requirements

Information on the compliance with prudential requirements

The Management Board of the Parent is responsible for compliance with prudence principles determined by the Banking Law, resolutions of Management of National Bank of Poland and resolutions of Polish Financial Supervisory Authorities. Based on the performed audit our responsibility was to present information whether the Group complied with the binding prudence principles. Our objective was not to express an opinion on adherence to those principles.

Based on the work conducted during the audit we would like to inform you that we did not identify any breach of the prudence principles and we did not identify discrepancies that might have



significant influence on the financial statement of the Capital Group, especially in the area of correctness of calculation of capital ratio.

Statement Concerning Provision of Non-Audit Services

To the best of our knowledge and belief, we represent that non-audit services which we have provided to the Parent and to its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services which are prohibited under Article 5.1 of the EU Regulation and Article 136 of the Act on Statutory Auditors.

The non-audit services that we provided to the Parent Entity and its subsidiaries during the audited period are listed in the Report on the Activities.

Appointment of the Auditor

We were appointed as the auditor of the Group's financial statements by resolution no. 70/2017 of the Supervisory Board of 21 September 2017. Our total uninterrupted period of engagement to audit the Group's financial statements is four consecutive financial years, i.e. starting from the financial year ended 31 December 2015.

The key statutory auditor on the audit resulting in this independent auditor's report is Dorota Snarska-Kuman.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered seat in Warsaw, entered under number 73 on the list of audit firms, in the name of which the consolidated financial statements have been audited by the key statutory auditor:

Dorota Snarska-Kuman
Registered under number 9667

Warsaw, 13 March 2019