

## INDEPENDENT AUDITOR'S REPORT

**To the General Shareholders' Meeting and the Supervisory Board of BNP Paribas Bank Polska 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 BNP Paribas Bank Polska S.A. as the parent (the "Parent", "Bank"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of other 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, 2019, 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 on 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 2019, item 1421, 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 Bank 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 consolidated 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.

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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 data-bbox="193 719 451 752">Loan loss provisions</p> <p data-bbox="193 781 724 1077">Detailed information on the methods and models applied by the Bank and the level of impairment losses on loans and advances to customers is presented in Note 3.A <i>Impairment of financial assets</i>, Note 21 <i>Loans and advances to customers measured at amortised cost</i> and note 53.2 <i>Credit risk</i> in the consolidated financial statements.</p> <p data-bbox="193 1115 724 1615">This matter was considered by Deloitte to be the 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 judgement of the Management Board of the Parent and the adoption of significant assumptions in the process of their estimation, including, in particular, the estimation of risk parameters in the models of calculation of expected credit losses as required by International Financial Reporting Standard 9 "Financial Instruments" ("IFRS 9").</p>	<p data-bbox="735 781 1402 1010">We have critically analyzed the design and implementation of the process and policy of calculation of the impairment allowances on loans 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 data-bbox="735 1048 1402 1279">Our audit procedures included reconciliation of the loan database with the general ledger of the companies from the Group 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 on loans.</p> <p data-bbox="735 1317 1402 1413">As regards the verification of the correct application of the requirements of IFRS 9, our procedures included, among the others:</p> <ul data-bbox="735 1435 1402 2069" style="list-style-type: none"> <li data-bbox="735 1435 1402 1592">– evaluation of the methodology applied by the Group with respect to the classification and valuation of financial assets in terms of their compliance with the requirements of IFRS 9 and the market practice,</li> <li data-bbox="735 1615 1402 1951">– evaluation of the Group's impairment methodology from the perspective of compliance with the requirements of IFRS 9, in particular as regards the application of SICR criteria, i.e. a significant increase in credit risk from the moment of granting a loan, for a selected sample of loan exposures, definition of default, adopted PD and LGD parameters and taking into account prospective information in the calculation of expected credit losses,</li> <li data-bbox="735 1973 1402 2069">– assessing the completeness and correctness of the disclosures, especially as regards the credit risk of financial assets.</li> </ul>

Key audit matter	How we addressed the matter
	<p>For the collectively assessed loans, we have performed, among the others, the following procedures:</p> <ul style="list-style-type: none"> <li>- analysis of the applied methodology of estimating allowances for expected credit losses, including adequacy of risk parameters used by the Bank,</li> <li>- independent recalculation of the expected loss allowances for randomly selected exposures and portfolios in the portfolio approach,</li> <li>- evaluation of changes in the assumptions made for the construction of models used for the measurement of credit risk and the applied approach to the verification of models based on historical data (so-called "back-tests").</li> </ul> <p>For the individually assessed loans we have performed, among the others, the following procedures:</p> <ul style="list-style-type: none"> <li>- we have analyzed the correctness of the process of identifying indicators of impairment;</li> <li>- 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.</li> </ul>
<i>Revenue recognition of interest and commission income</i>	
<p>Interest income and fee and commission income are presented in detail in Note 4 <i>Net interest income</i> and Note 5 <i>Net Fee and commission income</i> in the consolidated financial statement.</p> <p>We assess this as key audit matter due to the share of interest and commission income in the Group's total income and the fact that they are the key elements of the Group's profitability assessment.</p>	<p>Our procedures included, among the others:</p> <ul style="list-style-type: none"> <li>- analysis of the internal control environment with respect to the recognition and presentation of interest and commission income,</li> <li>- assessment of the basis for the effective interest rate of interest income on loans determination, including automatic controls in the Group's IT systems,</li> <li>- analysis of trends in interest and commission income recognition, including explanation of unusual events and one-off transactions,</li> <li>- analysis of appropriateness of revenue recognition that were recognised as one-off in the consolidated financial statements,</li> <li>- evaluation of the existence and valuation of revenues based on selected transactions.</li> </ul>

Key audit matter	How we addressed the matter
<i>The risk of management override of controls</i>	
<p>The risks associated with the overriding of control by management are always considered as significant risks.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"><li>- understanding and evaluation of the internal control environment with respect to the operating and accounting processes that take place in the Group,</li><li>- a critical assessment of assumptions made by the Group in case of material accounting estimates and untypical transactions, in particular:<ul style="list-style-type: none"><li>- verification of the methodology of estimating the provision for court proceedings related to denominated and foreign currency loans in CHF after the CJEU judgment of 3 October 2019. (Case C-260/18) and an analysis of the rationality and reasonableness of the assumptions made and the correctness of the input data and calculations of the provision estimates,</li><li>- an analysis of the implementation of the process of the commission refund due to early repayment of consumer credit following the CJEU judgment of 11 September 2019 (Case C-383/18) and verification of the methodology for the estimation of provisions for the refunds due to historical early repayments of consumer loans, including in particular an analysis of the rationality and legitimacy of the assumptions and the correctness of the input data and calculations,</li><li>- an analysis of the correctness and completeness of disclosures in the financial statements within this scope,</li></ul></li><li>- analysis of minutes from internal and external audits, minutes from meetings of the Group's statutory bodies, correspondence with regulatory authorities, customer claim registers and registers of operational events,</li><li>- monitoring of external sources of information to identify potential violations of laws and regulations,</li><li>- review of financial data and for selected – on the basis of risk assessment of potential fraud - non-systemic accounting records, assessment of the economic content of economic events which form the basis of accounting entries.</li></ul>

## **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 – based on properly kept accounting records – 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, and for such internal control as the 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 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, as amended). 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, 2019 (the "Report on the Activities"), together with a statement of compliance with corporate governance principles which is a separate part of this report and a report on non-financial information referred to in Article 55.2c of the Accounting Act, included in "The CSR report of BNP Paribas Bank Polska S.A. for the year 2019" constituting a separate report (together: the "Other Information").

The Report on the Activities of the BNP Paribas Bank Polska S.A. Group and of the Bank for 2019, pursuant to Article 55.2a of the Accounting Act, have been prepared jointly.

### *Responsibilities of the Management Board and the Supervisory Board*

The Bank's Management Board is responsible for the preparation of the Other Information in accordance with the applicable laws.

The Management Board and members of the Supervisory Board of the Bank are obliged to ensure that the Report on the Activities, along with the separate parts, 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. Additionally, in accordance with the requirements of Article 111a par. 3 of the Banking Law Act of August 29, 1997 (Journal of Laws of 2019, item 2357, as amended), hereinafter referred to as the "Banking Law", we are required to audit the particular financial information contained in the Report on the Activities.

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.

### **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 all 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 Group included information concerning the preparation of a separate non-financial report and its publication on the Group's website within six months of the balance sheet date.



## Report on Other Legal and Regulatory Requirements

### Information on the compliance with the binding prudence principles

The Management Board of the Parent is responsible for compliance with prudent 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 Bank 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 prudent principles and we did not identify discrepancies that might have significant influence on the consolidated financial statement of the 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 Bank 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 which we provided to the Parent and to its subsidiaries in the audited period have been listed in in the Report on the Activities.

### Appointment of the Auditor

We were appointed as the auditor of the Group's consolidated financial statements by Resolution no 70/2017 of the Supervisory Board of the Parent of 21 September 2017. Our total uninterrupted period of engagement to audit the Group's financial statements is five 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, 2 March 2020

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