

REPORT OF THE SUPERVISORY BOARD

ON THE APPRAISAL OF THE STANDALONE FINANCIAL STATEMENTS OF BNP PARIBAS BANK POLSKA S.A. FOR THE YEAR ENDED 31 DECEMBER 2019, THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP FOR THE YEAR ENDED 31 DECEMBER 2019 AND MANAGEMENT BOARD REPORT ON ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN 2019 (INCLUDING MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. IN 2019, CSR AND SUSTAINABILITY REPORT PRESENTING NON-FINANCIAL INFORMATION OF THE BNP PARIBAS BANK POLSKA S.A. AND BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN 2019 AND ON THE MOTION OF THE MANAGEMENT BOARD ON THE DISTRIBUTION OF PROFIT FOR THE FISCAL YEAR 2019 TOGETHER WITH THE ASSESSMENT OF ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM IN THE BNP PARIBAS BANK POLSKA S.A.



BNP PARIBAS

1. ASSESSMENT OF THE STANDALONE FINANCIAL STATEMENTS OF THE BNP PARIBAS BANK POLSKA S.A. FOR 2019.....	3
2. ASSESSMENT OF THE MANAGEMENT BOARD'S MOTION ON THE PROFIT DISTRIBUTION FOR THE YEAR 2019	4
3. ASSESSMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK'S CAPITAL GROUP IN 2019	4
4. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN 2019 (INCLUDING MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. IN 2019)	5
5. ASSESSMENT OF CSR AND SUSTAINABILITY REPORT PRESENTING NON-FINANCIAL INFORMATION OF BNP PARIBAS BANK POLSKA S.A. AND THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN 2019.....	5
6. ASSESSMENT OF ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM AT THE BANK IN 2019.....	6
7. ASSESSMENT OF ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT SYSTEM WITH REGARD TO RISKS ESSENTIAL FOR THE BANK	7

1. ASSESSMENT OF THE STANDALONE FINANCIAL STATEMENTS OF THE BNP PARIBAS BANK POLSKA S.A. FOR 2019

Pursuant to Article 382 § 3 of the Code of Commercial Companies and § 20 paragraph 1 item 2) letter a), of the Articles of Association of the Bank, the Supervisory Board of BNP Paribas Bank Polska S.A. conducted an assessment of the financial statements of the Bank for the year ended 31 December 2019, the Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Capital Group in 2019 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. in 2019), and the recommendation of the Management Board on the allocation of the profit for the fiscal year 2019.

The aforementioned assessment has been made based on:

1. The standalone financial statements of the Bank for the year ended 31 December 2019 covering:
 - a. standalone statement of financial position prepared as at December 31, 2019 showing total assets **PLN 106 592 130 thou.**,
 - b. standalone Profit and Loss account statement for the period from January 1, 2019 to December 31, 2019 showing net profit of **PLN 628 696 thou.**,
 - c. standalone statement of total income for the period from January 1, 2019 to December 31, 2019, showing a total income of **PLN 612 797 thou.**,
 - d. standalone statement of changes in total equity for the period from January 1, 2019 to December 31, 2019 disclosing an increase in equity by **PLN 612 740 thou.**,
 - e. standalone cash-flow statement for the period from January 1, 2019 to December 31, 2019 disclosing an increase of net cash in the amount of **PLN 1 425 733 thou.**,and
2. notes to financial statements.
3. Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Capital Group in 2019 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. in 2019).
4. Motion of the Management Board on the profit distribution for the year ended 31 December 2019.
5. Report of independent statutory auditor from audit of the standalone financial statements of BNP Paribas Bank Polska S.A.

The Supervisory Board states as follows:

Based on the assessment of the financial statements of BNP Paribas Bank Polska S.A. for the year ended 31 December 2019, the Supervisory Board has concluded that these financial statements, in all material aspects, have been prepared:

- a) in accordance with the International Financial Reporting Standards approved by the European Union;
- b) based on properly maintained accounting records;
- c) in accordance with the provisions of the law governing preparation of the financial statements and provisions of the Bank's Articles of Association influencing the form and content of the financial statements;
- d) within the set deadline;

and give a fair and clear view of all information material for the evaluation of the financial result of business activities for the period from 1 January 2019 to 31 December 2019, as well as the economic and financial position of BNP Paribas Bank Polska S.A. as at 31 December 2019.

SUPERVISORY BOARD ASSESSMENT

After becoming acquainted with the Financial statements of BNP Paribas Bank Polska S.A. for the year ended on 31 December 2019 prepared by the Management Board, and the Report of the independent statutory auditor for audit of the financial statement of BNP Paribas Bank Polska S.A. for the year ended on 31 December 2019, the Supervisory Board decides to give a positive opinion to the Financial statements of the Bank for the year ended on 31 December 2019, and recommend the approval of the financial statements to the Ordinary General Meeting.

2. ASSESSMENT OF THE MANAGEMENT BOARD'S MOTION ON THE PROFIT DISTRIBUTION FOR THE YEAR 2019

Supervisory Board hereby positively assesses the Management Board's motion on the net profit distribution for year 2019 and recommends to the Ordinary Shareholders Meeting of the Bank that the whole profit after taxation (net profit) for the fiscal year 2019 in the amount of PLN **628 696 429,18** PLN (six hundred twenty eight million six hundred ninety six thousand four hundred twenty nine zlotys, and eighteen grosz) shall be transferred to the reserve capital.

The Supervisory Board of the Bank resolved to recommend that the General Meeting pass a resolution on the net profit distribution in BNP Paribas Bank Polska S.A. for the year 2019 in the amount of 628 696 429,18 PLN as per the motion of the Management Board of the Bank.

3. ASSESSMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK'S CAPITAL GROUP IN 2019

Pursuant to § 20 paragraph 1 item 2) letter b) of the Articles of Association, the Supervisory Board of BNP Paribas Bank Polska S.A. conducted an assessment of the consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended 31 December 2019 and the Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Capital Group in 2019 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. in 2019).

The aforementioned assessment was conducted on the basis of:

1. BNP Paribas Bank Polska S.A. Capital Group consolidated financial statements for the year ended on 31 December 2019 covering:
 - a. consolidated statement of financial situation drawn up as at December 31, 2019 with balance sheet total of PLN 109 954 142 thou.,
 - b. consolidated profit and loss account for the period from January 1, 2019 to December 31, 2019 showing net profit of PLN 614 694 thou.,
 - c. consolidated statement of total income for the period from January 1, 2019 to December 31, 2019 showing a total income of PLN 598 766 thou.,
 - d. consolidated statement of changes in equity for the period from January 1, 2019 to December 31, 2019 showing an increase in equity of PLN 599 570 thou.,
 - e. consolidated cash-flow statement for the period from January 1, 2019 to December 31, 2019 disclosing an increase of net cash in the amount of PLN 1 407 756 thou.,and
2. notes to the consolidated financial statements
3. Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Capital Group in 2019 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. 2019).
4. Report of independent statutory auditor on audit of the consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2019.

The Supervisory Board states as follows:

As a result of the assessment of consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2019, the Supervisory Board states that the statements in all relevant aspects:

- a) have been drawn up in accordance with the International Financial Reporting Standards approved by the European Union,
- b) are compliant with legal provisions regulating the preparation of financial statements, which affect the form and contents of the financial statements,
- c) have been drawn within the deadline set by law,

and reliably and clearly present all information relevant for the assessment of the financial result on the business activity for the period from 1 January 2019 to 31 December 2019, as well as the economic and financial position of BNP Paribas Bank Polska S.A. Capital Group as at 31 December 2019.

SUPERVISORY BOARD ASSESSMENT

After becoming acquainted with the Consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2019 prepared by the Management Board, and the Report of the independent statutory auditor on the audit of consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group, the Supervisory Board decides to give a positive opinion to the financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2019, and recommend the approval of the financial statements to the Ordinary General Meeting.

4. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN 2019 (INCLUDING MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. IN 2019)

The BNP Paribas Bank Polska S.A. Supervisory Board acting on the basis of Article 382 § 3 of the Commercial Companies Code, fulfilling its statutory responsibilities, following the thorough review of Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Capital Group in 2019 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. in 2019) declares that this Report is factually correct, consistent with the books and documents, including information contained in the Standalone and Consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2019.

Furthermore, the Supervisory Board assesses, that the above mentioned Report, includes information on the financial and economic situation of the Bank and the Capital Group, presents correct view of the development and achievements, as well as the evaluation of the results, indication of risk factors and description of threats.

At the same time, the Supervisory Board confirms that the above mentioned Report, in all significant aspects, fulfills the requirements described in Articles 49 and 55 para. 2a of the Accounting Act and in the Ordinance of the Minister of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state.

The Supervisory Board recommends the approval of the Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Capital Group in 2019 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A.) to the Ordinary General Meeting of BNP Paribas Bank Polska S.A.

5. ASSESSMENT OF CSR AND SUSTAINABILITY REPORT PRESENTING NON-FINANCIAL INFORMATION OF BNP PARIBAS BANK POLSKA S.A. AND THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN 2019

As a result of the assessment of CSR and Sustainability Report presenting non-financial information of the BNP Paribas Bank Polska S.A. and BNP Paribas Bank Polska S.A. Capital Group in 2019 the Supervisory Board states that the report was prepared in compliance with Art. 49b of the Accounting Act dated 29 September 1994 and presents in a reliable and clear manner the non-financial effectiveness indicators connected to the Bank and Bank's Capital Group activities, as well as information on employment and natural environment matters that are relevant to the assessment of economic activity for the period from 1 January 2019 to 31 December 2019. The Supervisory Board recommends the approval of the CSR and Sustainability Report presenting non-financial information of the BNP Paribas Bank Polska

S.A. and BNP Paribas Bank Polska S.A. Capital Group in 2019 to the Ordinary General Meeting of BNP Paribas Bank Polska S.A.

6. ASSESSMENT OF ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM AT THE BANK IN 2019

The organisation of the internal control system complies with the requirements set forth in the Banking Law Act of 29 August 1997, Ordinance of the Minister of Development and Finance of 6 March 2017 on risk management system and internal control system, remuneration policy, as well as detailed manner of internal capital assessment at banks, and Recommendation H. The internal control system is the component of the Bank's management system, made of three defence lines that comprises: control mechanisms, risk control mechanisms, verification of Bank's compliance with law and internal regulations (Compliance Line activities) and internal audit.. The internal control system matches the specific nature of the business pursued and factors in the resources of the Bank.

The Bank assesses annually the efficiency of the key control mechanisms, implementation testing as well as the adequacy and effectiveness of the internal control system.

The Management Board of the Bank is responsible for the effectiveness of the following: risk management system, internal control system, internal capital assessment process and performance of reviews, internal capital assessment and maintenance, likewise for supervision over the effectiveness of the respective processes, by making necessary adjustments and improvements in case of any change in the level of the risk involved in the Bank's operations, economic environment factors or any irregularities in functioning of systems or processes. Furthermore, the Management Board defines the principles governing operation of organisational units involved in the Bank's management and assumes responsibility for formulation, implementation and updating written policies, strategies and procedures in this respect.

The Supervisory Board oversees implementation and ensuring the operation of the adequate and effective internal control system at the Bank and assesses, on an annual basis, the adequacy and effectiveness of the internal control system, including the adequacy of the control function, compliance unit and internal audit unit, based on the formulated and approved assessment criteria, information received from the Management Board, as well as the opinions issued by the Audit Committee of the Bank. The assessment made by the Audit Committee is based, among others, on results of the audits carried out by the Internal Audit Line, of which the Committee is informed in periodic reports on the activity of the Internal Audit Line, and on the annual reports of the Internal Audit Line and Compliance Line. In addition, the Audit Committee familiarizes itself with the progress in implementation of the recommendations issued by the Internal Audit Line, external auditor and supervision authorities.

The Audit Committee and the Supervisory Board were informed on the progress of Audit Plan execution and on the changes introduced in the Audit Plan. The Internal Audit Line monitors on an ongoing basis the situation at the Bank and changes occurring in its environment, and if need arises, it makes necessary corrections in the Audit Plan, which is then approved by the Supervisory Board.

The Compliance Line provides support to the Management Board and Supervisory Board with respect to the management of the following types of risk:

- 1) non-compliance risk,
- 2) risks pertaining to counteracting money laundering and sanctions.

Among the Compliance Line tasks are: identification, assessment, control and monitoring of the risk of non-compliance of Bank's operations with the law, internal regulations and market standards adopted by the Bank, in particular in regard to activities described in article 70 para. 2 of the Act on trading in financial instruments. The Compliance Line exercises also the control function for some areas of Bank's operations (e.g. related to financial security, protection of interests of customers, professional ethics and financial market activities).

Identification and assessment of the compliance risk is performed based, among others, on an analysis of changes in the regulatory environment of the Bank, assessment of the compliance risk key factors, results of the compliance risk monitoring, including efficiency of the mechanisms ensuring the control over the risk, likewise opinions to internal regulations, issued by organisational units included in the Compliance Line, and risk assessment carried out as a part of the process of implementation of new banking products and services.

Results of the Compliance Line activities, including information on the compliance risk profile, are submitted to the Management Board of the Bank, and subsequently, to the Audit Committee and the Supervisory Board through presentation of reports on the Compliance Line activity.

The Operational Risk, Credit Control and Fraud Prevention Line, within which the Operational Risk Department operates, is also the component of the internal control system. The Operational Risk Department supervises and coordinates the horizontal testing process at the Bank, reports the results of the vertical testing of the key control mechanisms, as well as status of implementation of remedy and disciplinary measures, performed annually. Horizontal testing is performed on a permanent basis and reported every six months by managers of each unit of the Bank (network and Head Office units) or persons designated by them.

The Operational Risk Department prepares half-year summary reports on controls plans and results, and results of horizontal testing executed by Bank's organizational units (network and Head Office units). Reports are submitted to the Management Board.

The Operational Risk Department also oversees the process of vertical testing at the Bank, which constitutes the second level control, under which it coordinates and supports the implementation of the concept of Fundamental Monitoring Points (FMP) at the Bank, and cooperates with units responsible for operational controls performed at the Bank.

The Operational Risk, Credit Control and Fraud Prevention Line supports the Management Board and Supervisory Board in identification and assessment of the following types of risk:

- 1) operational risk,
- 2) fraud risk,
- 3) personal data risk.

SUPERVISORY BOARD ASSESSMENT

The Supervisory Board positively assessed the Bank's standing. At the same time, the Supervisory Board asserts that the system of internal control mechanisms is effective and efficient, except for irregularities detected in this regard during the control processes executed. With respect to material deficiencies of the internal control system, the Supervisory Board monitored implementation of actions plans addressing the identified irregularities. As for the control function, compliance function and internal audit function, including control mechanisms covering financial reporting and operational activity, it is the view of the Supervisory Board that these elements of the internal control system operate correctly and match the Bank's activity level and complexity, as well as they comply with the adopted principles. In the opinion of the Supervisory Board, the efficiency of the compliance risk management is satisfactory and the internal control system is consistent with the level and complexity of the Bank's operations.

7. ASSESSMENT OF ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT SYSTEM WITH REGARD TO RISKS ESSENTIAL FOR THE BANK

The system of risk management in the Bank is a formal system governed, i.e., by the principles of managing and reporting capital requirement, policy of managing and reporting capital adequacy of the Bank (ICAAP), credit policy, policy of FX and IR risk management, strategy of risk management, BNP Paribas Bank Polska S.A. risk appetite associated with the Bank's activity, approved by the Supervisory Board. The Bank has a list of essential risks, approved by the Management Board, and the system of their measuring, limiting and reporting. The limits and thresholds for the major risks are specified once a year and reflected in the risk appetite statement of BNP Paribas Bank Polska S.A. The Bank regularly monitors and reports compliance with the limits, and if a limit is exceeded, the Bank takes actions to restore the situation where the risks are held within the limits specified by the Management and Supervisory Boards of the Bank.

The Management Board of the Bank and the relevant Committees approve detailed policies and principles of risk management and perform daily supervision over the risk management system. The Bank operates the **Assets and Liabilities Committee (ALCO)** responsible for supervision and supporting the management of risks associated with financial liquidity risks and market risks within the Bank's portfolio. The **Risk Management Committee** is responsible for the management of all essential risks associated with Bank's activities excluding the risks falling under ALCO

controls. The Bank has the **Internal Control Coordination Committee**, which supports the Bank's Management Board in implementing the Bank's operational risk strategy and in particular, performs control of consistency, completeness and effectiveness of the internal control system, and the processes of operational risk management. The Committee also manages major risks connected to the system of internal control in the Bank and its subsidiary entities.

With the above in mind, as at 31 December 2019, committees operating in the Bank included:

- Risk Management Committee
- RB Risk Committee,
- PF Risk Committee,
- Credit Committee,
- Bad Loan Committee,
- Capital Investments Committee,
- Information Security and Business Continuity Committee,
- Internal Control Coordination Committee,
- Products, Services, Transactions and Activities Approval Committee (NPAO),
- Customer Approval Committee (CAC),
- Disciplinary Committee,
- Investment Project Committee,
- Assets and Liabilities Committee (ALCO),
- Reference Rate Quote Committee,
- Real Estate Committee,
- Brokerage House Investment Committee,
- Financial and Compliance Risk Committee,
- Procurement Committee,
- Bonds Committee,
- Compliance and Risk Evaluation Committee,
- Customer Excellence Board
- Data Governance Strategy Committee,
- Data Governance Board.

The Bank's Management Board through dedicated committees obtains regular and comprehensive information on the Bank's exposures to credit risks, operational risks, financial liquidity risks as well as market and interest rate risks. Appropriate committees within their competences define task which must be undertaken in case the Bank engages in excessive risks.

Supervisory Board regularly obtains reports prepared by organizational units of the Head Office covering significant risks in Bank's operations. The scope of reported information covers the Bank's exposures to various risks including credit, operational, interest rate and liquidity risks.

Additionally the Supervisory Board has established Audit Committee, Risk Committee, Human Resources and Remuneration Committee and Nomination Committee.

SUPERVISORY BOARD ASSESSMENT

The Supervisory Board assesses that the risk management system of the Bank fulfills the supervisory requirements, defined especially in the Ordinance of the Minister of Development and Finance dated 6 March 2017 on the risk management system, internal control system, remuneration policy and detailed method of internal capital assessment in banks. Moreover, the key risks management system is managed adequately and is carried out in accordance with policies adopted by the Bank.

Risk management at BNP Paribas Bank Polska S.A. has a comprehensive, consolidated character, suitably adapted to the scale of the Bank's operations.