



Independent Statutory Auditor's Report on the Audit  
of Consolidated Annual Financial Statements of the  
**BNP Paribas Bank Polska S.A. Group**  
for the financial year ended  
31 December 2021

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# INDEPENDENT STATUTORY AUDITOR'S REPORT ON THE AUDIT OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

*Translation of the document originally issued in Polish*

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

## Report on the Audit of Consolidated Annual Financial Statements

### Opinion

We have audited the consolidated annual financial statements of the group, the parent undertaking of which is BNP Paribas Bank Polska S.A. ("the Parent Undertaking") ("Group"), which comprise the consolidated statement of financial position as at 31 December 2021, consolidated statement of comprehensive income, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021 and notes, comprising a summary of significant accounting policies and other explanatory notes ("the consolidated financial statements").

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the Group's consolidated property and financial position as at 31 December 2021, and of its consolidated financial result and its consolidated cash flow for the financial year then ended in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting principles (policy);
- comply with the legislation applicable to the Group and with the provisions of the Parent Undertaking's Articles of Association as to the form and content.

The present opinion is consistent with the additional report to the Audit Committee that we issued on 2 March 2022.

## Basis for Opinion

We conducted our audit in accordance with National Standards on Auditing as per International Standards on Auditing adopted by resolution no. 3430/52a/2019 of the National Council of Statutory Auditors of 21 March 2019 regarding national standards on auditing and other documents, as amended (National Standards on Auditing "NSA"), as well as according to the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 ("the Act on Statutory Auditors" - Journal of Laws of 2020, item 1415 as amended) and Regulation (EU) No 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation" - Official Journal of the European Union L 158/77 of 27 May 2014, as amended). Our responsibility under those standards has been further described in "Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

We are independent of the Group Companies in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code"), adopted by resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of 25 March 2019 on the principles of professional ethics for statutory auditors, as amended and other ethical requirements which are applicable to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit the key statutory auditor and the audit firm remained independent of the Group Companies in accordance with the Act on Statutory Auditors and with the EU Regulation.

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current reporting period. These include the most significant assessed risks of material misstatement, including the 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, and we summarized our responses to these risks, and, where deemed appropriate, presented the most important observations related to these risks. We do not provide a separate opinion on these matters.

Key audit matter	How our audit responded to this matter
Allowance for expected credit losses on loans and advances to customers	We have conducted a critical analysis of design and implementation of the process of credit risk assessment and estimation of expected credit losses and we evaluated the control mechanisms in these processes.
In accordance with International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"), the Parent Company's management should determine the amount of expected credit losses that may occur during a 12-	We reconciled the loan database and loans impairment (i.e. expected credit losses) with the general ledger in order to confirm the completeness of the recognition of

month period or the remaining life of a financial asset, depending on the classification of individual assets into risk categories ("stages", "phases") taking into account the impact of future macroeconomic conditions on the level of expected credit losses.

The determination of the amount and the moment of recognition of expected credit losses requires the application of significant judgment and significant and complex estimates, including primarily credit risk parameters in the models of calculation of expected credit losses.

The estimate of the allowance for expected credit losses takes into account the issue of the impact of the global COVID-19 pandemic. This estimate required the Parent Company's management to apply additional assumptions and expert adjustments to account for the uncertainty associated with the current and future macroeconomic environment and to reflect risk factors not included in the Group's models.

Note 3.a *Estimates - Impairment of financial assets*, Note 21 *Loans and advances to customers measured at amortised cost* and Note 56.2 *Credit risk* provide details of the methods and models used and the level of allowance for expected credit losses in the portfolio of loans and advances to customers.

loan receivables that are the basis for impairment losses calculation.

As part of our procedures, we analyzed the Group's procedures and regulations with respect to the classification and valuation of financial assets, including the estimation of expected credit losses in terms of compliance with the requirements of IFRS 9 and market practice.

For the homogeneous loan portfolio assessed collectively we have:

- performed analysis of the methodology applied to calculate impairment losses for exposures assessed collectively, including the adequacy of risk parameters applied by the Group;
- verified the calculation of expected credit losses for selected portfolios;
- assessed of the verification of the models based on historical data (so called back-tests and validation reports);
- reviewed the approach and assumptions used to create adjustments not included in the models created to reflect the impact of the COVID-19 pandemic and uncertain economic conditions on the measurement of the allowance for expected credit losses.

For the non-homogeneous loan portfolio assessed individually:

- We analyzed the process and methodology of identifying impairment and classification into stages;
- On a selected sample of credit exposures, we analyzed the documents concerning the borrower's financial standing and the impairment calculation.

We focused on the impact of occurrence of COVID-19 pandemic, as well as the implementation of the EBA's guidelines on the application of the definition of non-performing obligation, the so-called default, set out in Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

	<p>We assessed the quality and verified correctness of the disclosures concerning loans impairment (expected credit losses) in the financial statements.</p>
<p><b>Provisions for risk related to the portfolio of mortgage loans in foreign currencies</b></p> <p>Estimates of provisions for litigation and legal related to FX mortgage loans are complex and require a significant level of judgment in determining possible scenarios, as well as with respect to the assumptions made regarding the number of expected lawsuits, the likelihood of their resolution, the likelihood of individual negotiations with the customer, and the amount of loss in the event the Group loses a lawsuit or in the event of individual negotiations.</p> <p>The Group is performing a scenario analysis, taking into account both litigation and potential settlements with customers, in which it has made significant assumptions regarding the number of expected lawsuits, the likelihood of losing the court case, the likelihood of possible settlements by the courts, as well as estimating the magnitude of the loss incurred from potential settlements with customers.</p> <p>The Parent Undertaking 's estimates in this regard are based on historical observations indicating significant uncertainty about the number of lawsuits that will be filed in court in the future, as well as the lack of a consistent line of decisions in existing court rulings.</p> <p><i>Note 55 Litigation details</i> the assumptions used to calculate the provisions for the foreign currency mortgage portfolio and the possible alternative results presented in the sensitivity analysis of the estimate.</p>	<p>During the audit we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We performed a critical review of the model for estimating the cost of legal risk of CHF loans and assumptions taken,</li> <li>• We discussed with the Management Board and specialists, including the Parent Undertaking 's lawyers and external experts, the assumptions made taking into account historical observations, including information and events occurring after the balance sheet date,</li> <li>• We analyzed documentation and opinions of external law firms obtained by the Parent Undertaking for the purpose of estimating probability of realization of particular scenarios of possible outcomes,</li> <li>• We analyzed model documentation,</li> <li>• We have analyzed the results of surveys performed by the Parent Undertaking regarding customers' willingness to engage in individual negotiations,</li> <li>• We have verified the method of calculation of potential losses under particular scenarios assumed by the Parent Undertaking,</li> <li>• We have verified the reserve estimation model and check the correctness and completeness of data underlying the estimation,</li> <li>• We have confirmed the mathematical correctness of the provision calculation,</li> <li>• We have analyzed events after the balance sheet date and their impact on the reserve estimate,</li> <li>• We have reviewed correspondence, reports and analyses addressed to the Parent Undertaking by regulatory authorities,</li> <li>• We have assessed the quality and verify the correctness of the information disclosed regarding provisions for disputes related to CHF loans,</li> <li>• We have analyzed the settlements of actual settlements with customers.</li> </ul>

## **Responsibilities of the Parent Undertaking's Management Board and Supervisory Board for the Consolidated Financial Statements**

The Parent Undertaking's Management Board is responsible for preparing the consolidated financial statements that give a true and fair view of the Group's property and financial position and its financial performance in accordance with International Financial Reporting Standards as adopted by the European Union and adopted accounting principles (policy), as well as with the relevant legislation and with the provisions of the Parent Undertaking's Articles of Association. The Parent Undertaking's Management Board is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

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

The Parent Company's Management Board and members of its Supervisory Board are obliged to ensure that the consolidated financial statements meet the requirements set out in the Accounting Act of 29 September 1994 ("Accounting Act" - Journal of Laws of 2021, item 217 as amended). Members of the Parent Undertaking's Supervisory Board are responsible for supervising the financial reporting process.

## **Statutory 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 the National Standards on Auditing 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 audit does not include assurance as to the future profitability of the Group and effectiveness or efficiency of running the Group's affairs by the Parent Undertaking's Management Board at present or in the future.

According to National Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit, as well as:

- we identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures in response to this risk and we obtain audit evidence which is sufficient and appropriate to provide a basis for our audit 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;

- we obtain understanding of internal control applied for the purposes of 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 internal control in the Group;
- we evaluate the appropriateness of the accounting principles (policy) used, the reasonableness of the accounting estimates and related disclosures, provided by the Management Board of the Parent Undertaking;
- we conclude on the appropriateness of the Parent Undertaking's management's use of the going concern principle as a basis of accounting and, based on the audit evidence obtained, whether a significant uncertainty related to events or conditions exists and if that may cast significant doubt on the Group's ability to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we are required to pay attention in our auditor's report on 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 the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we 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.
- we obtain sufficient and appropriate audit evidence related to the financial information of entities and to the economic activities within the Group, in order to express the opinion on the consolidated financial statements. We are responsible for directing, supervising, and conducting the Group's audit and we remain exclusively responsible for our audit opinion.

We communicate with the Parent Undertaking's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified by the auditor during the audit.

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

From the matters communicated to the Parent Undertaking's Audit Committee, we determine 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 or when, in exceptional 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 Management Report**

Other information includes:

- the Group Management report for the financial year ended 31 December 2021 (“the Management Report”) with the corporate governance statement, which is separate parts of this Management Report,
- “ESG Report presenting non-financial information of BNP Paribas Bank Polska S.A. and BNP Paribas Bank Polska S.A. Group for 2021” containing a report on non-financial information, specified in Article 55 (2c) of the Accounting Act,
- Statements of the Supervisory Board of BNP Paribas Bank Polska S.A. (together “Other Information”).

Under Article 55 (2a) of the Accounting Act the Management report of the Group and of the Parent Undertaking for 2021 were prepared jointly.

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

The Parent Undertaking’s Management Board is responsible for preparing the Other Information in accordance with the applicable regulations.

The Parent Undertaking’s Management Board and members of the Parent Undertaking’s Supervisory Board are obliged to ensure that the Management report along with the corporate governance statement, which is a separate part of this Management report, and a separate non-financial report specified in Article 55 (2c) of the Accounting Act, meet the requirements set out in the Accounting Act.

### **Statutory Auditor’s Responsibility**

Our opinion on the audit of 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 accordance with the Act on Statutory Auditors, our responsibility is also to give an opinion whether the Management Report has been prepared in accordance with applicable regulations and whether it complies with information contained in the consolidated financial statements. In addition, in accordance with requirements of Article 111a (3) of the Act of 29 August 1997 Banking Law (“Banking Law” - Journal of Laws of 2021, item 2439 as amended), our responsibility is to audit information specified in Article 111a (2) of the Banking Law contained in the Management Report. Moreover, we are obliged to communicate whether the Group prepared a non-financial statement and issue an opinion whether the Group included the required information in the corporate governance statement.

### **Opinion on the Management Report**

Based on the work performed during the audit, in our opinion, the Management Report:

- has been prepared according to Article 49 of the Accounting Act and paragraph 71 of the Regulation of the Minister of Finance of 29 March 2018 on Current and Periodic Information Provided by Issuers of Securities and Conditions of Recognition of



Information Required under the Regulations of the non-EU Member State as Equivalent (“Regulation on Current Information” - Journal of Laws of 2018, item 757 as amended) and Article 111a (2) of the Banking Law,

- is in line with information contained in the consolidated financial statements.

### **Opinion on Corporate Governance Statement**

In our opinion, the Group included in the corporate governance statement information specified in paragraph 70 (6) item 5 of the Regulation on Current Information. Moreover, in our opinion, information specified in paragraph 70 (6) item 5 c-f, h and i of this Regulation comprised in the corporate governance statement is compliant with the applicable provisions and information contained in the consolidated financial statements.

### **Information on Non-financial Information**

In accordance with the requirements of the Act on Statutory Auditors we confirm that the Group included in its Management Report information on preparing a separate non-financial report referred to in Article 55 (2c) of the Accounting Act and that the Group prepared such separate report.

We have not performed any assurance work concerning the separate non-financial report and we do not express any assurance about it.

### **Other Information Statement**

Moreover, according to our knowledge of the Group and its environment obtained during the audit, we declare that we have not identified any material misstatement in the Group Management Report and the Other Information.

## **Report on Other Legal and Regulatory Requirements**

### **Opinion on the Compliance of the Marking up of the Consolidated Financial Statements Prepared in the Single Electronic Reporting Format with the Requirements of the Regulation on Technical Standards on the Specification of a Single Electronic Reporting Format**

In connection with the audit of the consolidated financial statements we have been engaged to perform an assurance engagement to obtain reasonable assurance in order to express an opinion on whether the consolidated financial statements of the Group as at 31 December 2021 prepared in the single electronic reporting format (“consolidated financial statements in ESEF format”) were marked up in accordance with the requirements specified in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic format (the “ESEF Regulation”).

### **Identification of Criteria and Description of the Subject of the Engagement**

The consolidated financial statements in ESEF format were prepared by the Parent Undertaking’s Management Board in order to fulfil the criteria regarding the marking up and technical requirements concerning the specification of single electronic reporting format which

are specified in the ESEF Regulation.

The subject matter of our assurance engagement is the compliance of marking up of the consolidated financial statements in ESEF format with the requirements of the ESEF Regulation, and the requirements specified in these regulations form, in our opinion, adequate criteria to express our opinion.

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

The Management Board is responsible for the preparation of the consolidated financial statements in ESEF format in accordance with the requirements regarding the marking up and technical requirements concerning the specification of single electronic reporting format which are specified in the ESEF Regulation. Such responsibility includes the selection and application of appropriate XBRL markups using the taxonomy specified in these regulations.

The responsibility of the Management Board also includes the design, implementation, and maintenance of such internal control as determined to be necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material incompliance with the ESEF Regulation.

Members of the Parent Undertaking's Supervisory Board are responsible for supervising the financial reporting process, also including the preparation of the financial statements according to the format prescribed by applicable laws.

### **Statutory Auditor's Responsibility**

Our objective was to express an opinion, based on the performed assurance engagement providing reasonable assurance that the consolidated financial statements in ESEF format were marked up in accordance with the requirements of the ESEF Regulation.

We have performed our engagement in accordance with the National Standard on Assurance Engagements for the audit of financial statements prepared in a single electronic format 3001PL ("NSAE 3001PL"), and where applicable, National Standard on Assurance Engagements Other than Audit and Review 3000 (Revised) in the form of the International Standard on Assurance Engagements 3000 (revised) – 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("NSAE 3000 (R)").

This standard imposes an obligation on the auditor to plan and execute procedures in order to obtain reasonable assurance that the consolidated financial statements in ESEF format were prepared in accordance with specified criteria.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with the NSAE 3001PL, and where applicable NSAE 3000(R), will always detect a material misstatement when it exists.

The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements due to fraud or error. When performing risk assessment and in order to design procedures to be performed the auditor takes into consideration the internal controls related to the preparation of the consolidated financial statements in ESEF format, which can provide the auditor with sufficient and appropriate evidence. The assessment of the internal controls was not performed for the purpose of expressing an opinion on the

effectiveness of the internal control.

## **Summary of the Work Performed**

Procedures planned and performed by us included:

- obtaining an understanding of the process of preparation of the consolidated financial statements in ESEF format, including the process of selection and application of XBRL markups by the Company and ensuring compliance with the ESEF Regulation, in which the understanding of internal controls related to this process;
- reconciling of the marked-up information included in the consolidated financial statements in ESEF format to the audited consolidated financial statements;
- evaluating the compliance with technical standards concerning the specification of single electronic format, evaluating the completeness of marking up information in the consolidated financial statements in ESEF format using XBRL markups;
- evaluating the appropriateness of the use of XBRL markups from the taxonomy specified in the ESEF Regulation and the creation of extension markups where no suitable element in the core taxonomy specified in the ESEF Regulation has been identified;
- evaluating the appropriateness of anchoring of the applied taxonomy extensions to the core taxonomy specified by the ESEF Regulation.
- testing the correctness of the mathematical calculations for particular items marked up using XBRL markups.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the compliance of the marking up with requirements of the ESEF Regulation.

## **Ethical Requirements, Including Independence**

While performing the engagement, the statutory auditor and the audit firm complied with the independence requirements and other ethical requirements as specified by the IESBA Code. The IESBA Code is based on the fundamental principles related to integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. We have also complied with other independence and ethical requirements which are applicable to such assurance engagement in Poland.

## **Quality Control Requirements**

The audit firm applies National Standards on Quality Control as per International Standard on Quality Control 1 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements as adopted by resolution of the National Council of Statutory Auditors' ("NSQC").

In accordance with NSQC the audit firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

## **Opinion on Compliance with ESEF Regulation Requirements**

The matters described above constitute the basis for the auditor's opinion which is why the opinion should be read in conjunction with these matters.

In our opinion, the consolidated financial statements in ESEF format were marked up in all material respects in accordance with the requirements of the ESEF Regulation.

## **Information on Observing Applicable Prudential Regulations**

The Parent Undertaking's Management Board is responsible for ensuring the compliance of the Group's operations with prudential regulations, in which for the correct determination of capital ratios.

Our responsibility is to communicate in the auditor's report whether the Group complies with applicable prudential regulations, defined in separate provisions, and in particular whether the Group correctly determined the capital ratios presented in note 57.

The purpose of the audit of the financial statements was not to express an opinion on the Group's compliance with applicable prudential regulations and therefore we do not express such an opinion.

Based on our audit of the financial statements we would like to inform you that we have not identified any breaches of applicable prudential regulations by the Group in the period from 1 January 2021 to 31 December 2021, defined by separate provisions, in particular with respect to the correctness of the determination of capital ratios by the Group as at 31 December 2021, which could have a significant impact on the consolidated financial statements.

## **Declaration on Non-audit Services**

According to our best knowledge and belief we declare that non-audit services that we have provided to the Group comply with laws and regulations applicable in Poland and that we have not provided any non-audit services that are prohibited pursuant to Article 5 (1) of the EU Regulation and Article 136 of the Act on Statutory Auditors. Non-audit services that we provided to the Group during the audited period were specified in note 10.7 of the Group Management Report.

## **Appointment of an Audit Firm**

We were appointed to conduct the audit of the Group's consolidated financial statements based on the resolution of the Parent Company's Supervisory Board of 12 December 2019. We have been auditing the consolidated financial statements of the Group continuously, starting from the financial year ended 31 December 2020, i.e. for 2 consecutive years.

The key statutory auditor responsible for the audit that was the base of the present independent statutory auditor's report is Małgorzata Pek-Kocik.

Acting on behalf of Mazars Audyt Sp. z o.o. with its registered office in Warsaw, ul. Piękna 18, entered on the list of audit firms under the no. 186, on behalf of which the key statutory auditor audited the consolidated financial statements.

**Małgorzata Pek-Kocik**

Key Statutory Auditor

No 13070

**mazars**

Warsaw, 2 March 2022