



Independent Statutory Auditor's Report on the Audit  
of Separate Annual Financial Statements of  
**BNP Paribas Bank Polska S.A.**  
for the financial year ended  
31 December 2022

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# INDEPENDENT STATUTORY AUDITOR'S REPORT ON THE AUDIT OF SEPARATE 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 Separate Annual Financial Statements

### Opinion

We have audited the separate annual financial statements of BNP Paribas Bank Polska S.A. ("the Bank"), which comprise the separate income statement and the separate statement of comprehensive income for the financial year from January 1 to December 31, 2022, the separate statement of financial position as of December 31, 2022, the separate statement of changes in equity and the separate statement of cash flows for the financial year from January 1 to December 31, 2022, and notes comprising a summary of significant accounting policies and other explanatory notes ("separate financial statements").

In our opinion, the accompanying separate financial statements:

- give a true and fair view of the property and financial position of the Bank as at 31 December 2022, and of its financial result and its cash flow for the financial year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting principles (policy);
- comply with the applicable legislation and with the provisions of the Bank's Articles of Association as to the form and content;
- have been prepared based on the accounting books kept properly, in accordance with Chapter 2 of the Accounting Act of 29 September 1994 (the Accounting Act" - Journal of Laws of 2023, item 120).

The present opinion is consistent with the additional report to the Audit Committee that we issued on 28 February 2023.

## 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 2022, item 1302) 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 Responsibility for the Audit of the Financial Statements” section of our report.

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of 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 Bank in accordance with the independence requirements specified in the Act on Statutory Auditors and 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 the auditor’s professional judgment, were of most significance in the audit of the separate financial statements for 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 separate 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. Except for the matter described in “Material Uncertainty Related to the Going Concern” section, we have determined the matters presented below to be key audit matters and we communicate them in our report. 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  In accordance with International Financial Reporting Standard 9 <i>Financial Instruments</i> (“IFRS 9”), the Parent Company’s management should determine the amount of expected credit	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 mechanism implemented by the Bank in identifying and estimating expected credit losses.

losses that may occur during a 12- 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 changing macroeconomic conditions in the economy. 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 Bank's models.

Note 3.a *Estimates - Impairment of financial assets*, Note 21 *Loans and advances to customers measured at amortised cost* and Note 55.2 *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.

We reconciled the loan database and loans impairment (i.e. expected credit losses) with the Bank's general ledger in order to confirm the completeness of the recognition of loan receivables that are the basis for impairment losses calculation as well as the value of those provisions.

We performed analytical procedures regarding the coverage of the loan portfolio by expected credit losses and their changes, as well as the transfer of exposures between Stages.

We assessed the Bank's impairment methodology for compliance with the requirements of IFRS 9, in particular with regard to the application of the criteria for identifying a significant increase in credit risk, the definition of default, the credit risk parameters adopted and the consideration of the impact of future macroeconomic conditions on the level of expected credit losses.

For the homogeneous loan portfolio assessed collectively:

- We performed analysis of the methodology applied to calculate impairment losses for exposures assessed collectively, including the adequacy of risk parameters applied by the Bank;
- We verified the calculation of expected credit losses for the whole portfolio;
- We assessed of the verification of the models based on historical data (so called back-tests);
- We reviewed the approach and assumptions used to Post Model Adjustments created to reflect the impact of uncertain economic conditions on the valuation of the allowance for expected credit losses.

For the non-homogeneous loan portfolio assessed individually:

- We carried out an analysis of the correctness of the impairment identification process and classification into stages;
- On a selected sample of credit exposures, we analyzed the documents concerning the

	<p>borrower's financial standing and verified the assignment of the loan to the respective Stage;</p> <ul style="list-style-type: none"> <li>• For selected impaired loans and advances (Stage 3), we tested the assumptions used in the calculation of expected credit losses, in particular the expected scenarios and the probabilities assigned to them, and the timing and amounts of expected cash flows, including cash flows from repayments and sale of collateral.</li> </ul> <p>We assessed the quality and verify correctness of the disclosures concerning loans impairment (expected credit losses) in the Bank's financial statements.</p>
<p>Provisions for risk related to the portfolio of mortgage loans in foreign currencies</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 Bank loses a lawsuit or in the event of individual negotiations.</p> <p>The Bank'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>Note 54 <i>Litigation</i> details 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>Our audit procedures were mainly directed at evaluating the model and the various assumptions made by the Management Board that have a significant impact on the level of estimated legal risk costs.</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 Bank's lawyers, the assumptions made taking into account historical observations, including information and events occurring after the balance sheet date and existing and possible legal rulings, in particular those of the EUCJ,</li> <li>• We analysed the Bank's documentation to estimate the statistical probability of the various scenarios of possible outcomes,</li> <li>• Based on historical data, we have reviewed the assumptions used by the Bank to estimate the likelihood of future settlements, both those reached at the litigation stage and those offered to customers as part of individual negotiations and the level of losses realised because of them,</li> <li>• On the basis of historical data, we analysed the approach for the calculation of the value of</li> </ul>

potential losses under the various scenarios adopted by the Bank,

- We verified the model used by the Bank to estimate the cost of legal risk, checked the correctness and completeness of the data underlying the calculations and confirmed the mathematical correctness of the calculations,
- We analysed events after the balance sheet date and their impact on the estimate of provisions,
- We analysed the customer complaints register, with a particular focus on issues relating to foreign currency mortgages.

We have also assessed the adequacy and completeness of the disclosures regarding the risk provisions for the foreign currency mortgage portfolio.

## **Responsibilities of the Management Board and Supervisory Board for the Separate Financial Statements**

The Bank's Management Board is responsible for preparing, based on the accounting books properly kept, the separate financial statements that give a true and fair view of the Bank'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 Bank's Articles of Association. The Bank's Management Board is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of separate financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Bank's Management Board is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

The Bank's Management Board and members of the Supervisory Board are obliged to ensure that the separate financial statements meet the requirements set out in the Accounting Act. Members of the Supervisory Board are responsible for supervising the financial reporting process of the Bank.

## **Statutory Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

The scope of audit does not include assurance as to the future profitability of the Bank and effectiveness or efficiency of running the Bank's affairs by the Management Board at present or in the future.

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

- we identify and assess risks of material misstatement of separate financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks 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 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 internal control in the Bank;
- we evaluate the appropriateness of the accounting principles (policy) used and the reasonableness of the accounting estimates and related disclosures made by the Management Board of the Bank;
- we conclude on the appropriateness of the Bank's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, as to whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 separate 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 Bank to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 that we identify during our audit.

We also provide the 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 Audit Committee, we determine those matters that were of most significance in the audit of the separate 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 Management report of BNP Paribas Bank Polska S.A. Group in 2022, including the Management report of BNP Paribas Bank Polska S.A. in 2022 ("the Management report") with the corporate governance statement which is a separate part of this Management report,
  - Report on non-financial information of the BNP Paribas Bank Polska Group in 2022 (covering non-financial information of BNP Paribas Bank Polska S.A. in 2022), specified in Article 49b (9) of the Accounting Act,
  - Statements of the Supervisory Board of BNP Paribas Bank Polska S.A. to the Annual Report of BNP Paribas Bank Polska S.A. for the year ended December 31, 2022.
- (together "Other Information").

Under Article 55 (2a) of the Accounting Act the Management report of the BNP Paribas Bank Polska S.A. Group and of the Bank for 2022 were prepared jointly.

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

The responsibility for the preparation of the Other Information in accordance with the applicable regulations lies with the Bank's Management Board.

The Bank's Management Board and members of the 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 49b (9) of the Accounting Act, meet the requirements set out in the Accounting Act.

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

Our opinion on the audit of the separate financial statements does not cover the Other Information. In connection with our audit of the separate financial statements, our responsibility is to read the Other information and, in doing so, consider whether the Other Information is materially inconsistent with the separate 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 separate financial statements. In addition, in accordance with requirements of Article 111a (3) of the Act of 29 August 1997 Banking Law (Journal of Laws of 2022, item 2324 as amended) ("Banking Law"), 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 Bank prepared a non-financial statement and issue an opinion whether the Bank 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 Bank's Management Report:

- has been prepared according to Article 49 of the Accounting Act and paragraph 70 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 separate financial statements.

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

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

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

In accordance with the Act on Statutory Auditors we would like to confirm that the Bank included information on preparing a separate non-financial report specified in Article 49b (9) of the Accounting Act in its Management report and that the Bank prepared such a 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 Bank and its environment obtained during the audit, we declare that we have not identified any material misstatement in the Bank's Management Report and the Other Information.

## Report on Other Legal and Regulatory Requirements

### Information on Observing Applicable Prudential Regulations

The Bank's Management Board is responsible for ensuring the compliance of the Bank'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 Bank complies with applicable prudential regulations, defined in separate provisions, and in particular whether the Bank correctly determined the capital ratios presented in note 56.

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

Based on our audit of the separate financial statements we would like to inform you that we have not identified any breaches of applicable prudential regulations by the Bank in the period from 1 January 2022 to 31 December 2022, defined by separate provisions, in particular with respect to the correctness of the determination of capital ratios as at 31 December 2022, which could have a significant impact on the separate financial statements, with the exception of exceeding the limits set forth in Article 395 of EU Regulation No. 575/2013, as discussed in Note 55.2 Credit risk.

### Declaration on Non-audit Services

According to our best knowledge and belief we declare that non-audit services that we have provided to the Bank and its subsidiaries 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 have provided to the Bank and its subsidiaries in the audited period were mentioned in Paragraph *Information about the certified auditor* in the Bank's Management Report.

### Appointment of an Audit Firm

We were appointed to conduct the audit of the Bank's separate financial statements based on the resolution of the Supervisory Board of 12 December 2019 and again based on the resolution of 9 December 2021. We have been auditing the separate financial statements of the Bank continuously, starting from the financial year ended 31 December 2020, i.e. for 3 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 no. 186, on behalf of which the key statutory auditor audited the separate financial statements.

**Małgorzata Pek-Kocik**

Key Statutory Auditor

No 13070

**mazars**

Warsaw, 28 February 2023