

## **INDEPENDENT AUDITOR'S REPORT**

### **To the General Shareholders Meeting and Supervisory Board of Raiffeisen Bank Polska Spółka Akcyjna**

#### **Report on the Audit of the Standalone Financial Statements**

We have audited the accompanying standalone financial statements for the year ended 31 December 2016 of Raiffeisen Bank Polska Spółka Akcyjna ('the Bank') located in Warsaw, Grzybowska 78, which comprise the income statement and the statement of comprehensive income for the period from 1 January 2016 to 31 December 2016, the statement of financial position as at 31 December 2016, the statement of changes in equity and the statement of cash flows for the period from 1 January 2016 to 31 December 2016 and the additional information comprising a summary of significant accounting policies and other explanatory notes ('the accompanying standalone financial statements').

#### *Responsibilities of the Bank's Management Board and members of the Bank's Supervisory Board for the standalone financial statements*

The Bank's Management Board is responsible in accordance with the Accounting Act dated 29 September 1994 ('the Accounting Act'), regulations issued on the basis of the Accounting Act, for the preparation based on properly maintained accounting records of the standalone financial statements and fair presentation in accordance with International Accounting Standards, International Financial Reporting Standards and related Interpretations announced in the form of European Commission regulations ('International Financial Reporting Standards as adopted by the European Union') and other applicable laws. The Bank's Management Board is also responsible for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act the Bank's Management Board and members of the Bank's Supervisory Board are required to ensure that the standalone financial statements meet the requirements of the Accounting Act.

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

Our responsibility is to express an opinion on accompanying standalone financial statements based on our audit.

We conducted our audit in accordance with chapter 7 of the Accounting Act and National Auditing Standards in the version of International Standards on Auditing as adopted by Resolution no 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015 with subsequent amendments ('National Auditing Standards'). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the standalone financial statements 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the standalone financial statements.

In accordance with National Auditing Standard 320 point 5 the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the standalone financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

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

### *Opinion*

In our opinion, the accompanying standalone financial statements:

- give a true and fair view of the financial position of the Bank as at 31 December 2016 and its financial performance and its cash flows for the period from 1 January 2016 to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the European Union and accounting policies;
- have been prepared based on properly maintained accounting records;
- are in respect of the form and content, in accordance with legal regulations governing the preparation of standalone financial statements and the Bank's Articles of Association.

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

#### *Report on the Directors' Report*

Our opinion on the standalone financial statements does not include the Directors' Report of the Raiffeisen Bank Polska Spółka Akcyjna Capital Group in 2016 including Directors' Report of the Raiffeisen Bank Polska Spółka Akcyjna<sup>1</sup> ('Directors' Report').

The Bank's Management Board is responsible for preparation of the Directors' Report in accordance with the Accounting Act and other applicable laws. In addition the Bank's Management Board and members of the Bank's Supervisory Board are obliged to state that the Directors' Report meet the requirements of the Accounting Act.

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<sup>1</sup> Translated from Polish language: „Sprawozdanie z działalności Grupy Kapitałowej Raiffeisen Bank Polska S.A. w 2016 roku obejmujące sprawozdanie Zarządu z działalności Raiffeisen Bank Polska S.A.”

The Polish original should be referred to in matters of interpretation.  
Translation of auditor's report originally issued in Polish.

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In connection with the audit of the standalone financial statements, our responsibility was to read the content of the Directors' Report and consider whether the information contained in it take into account the provisions of art. 49 of the Accounting Act and art. 111a of Banking Law Act dated 29 August 1997 and whether they are consistent with the information contained in the accompanying standalone financial statements. Our responsibility was also to report, based on our knowledge of the Bank and its environment obtained during the audit of the standalone financial statements, whether the Directors' Report does not include material misstatements.

We have concluded that the information included in the Directors' Report corresponds with the relevant regulations of art. 49 of the Accounting Act and art. 111a of Banking Law Act dated 29 August 1997 and that the information derived from the accompanying standalone financial statements reconciles with the Directors' Report. Based on our knowledge of the Bank and its environment obtained during the audit of the consolidated financial statements, we have not identified material misstatements in the Directors' Report.

Warsaw, 6 march 2017

Key Certified Auditor

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Arkadiusz Krasowski  
Certified Auditor  
No. 10018

on behalf of  
Ernst & Young Audyt Polska spółka  
z ograniczoną odpowiedzialnością sp. k.  
Rondo ONZ 1, 00-124 Warsaw  
Reg. No 130

**Raiffeisen Bank Polska S.A.**

**LONG-FORM AUDITORS' REPORT  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

## I. GENERAL NOTES

### 1. Background

Raiffeisen Bank Polska S.A. (hereinafter 'the Bank') was incorporated on the basis of a Notarial Deed dated 31 January 1991. The Bank's registered office is located in Warsaw, Grzybowska 78.

The Bank was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000014540 on 30 May 2011.

The Bank was issued with tax identification number (NIP) 5260205871 on 5 January 2009 and statistical number (REGON) 010000854 on 5 August 2003.

The Bank is part of the Raiffeisen Bank International AG capital group. Additionally, the Bank is the holding company of Raiffeisen Bank Polska S.A. Capital Group. Details of transactions with affiliated entities and the list of companies in which the Bank holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in Note 39 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2016.

The principal activities of the Bank are as follows:

- other monetary intermediation;
- other financial service activities, except insurance and pension funds, not elsewhere classified;
- other activities auxiliary to financial services, except insurance and pension funds;
- security and commodity contracts brokerage;
- buying and selling of own real estate;
- financial leasing;
- activities of insurance agents and brokers.

As at 31 December 2016, the Bank's issued share capital amounted to 2,256,683 thousand zlotys. Equity as at that date amounted to 6,369,188 thousand zlotys.

In accordance with National Court Register as at 6 March 2017, the ownership structure of the Bank's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares (in zloty)	% of issued share capital
Raiffeisen Bank International AG	225,668,340	100%	10.00	100%
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Total	225,668,340	100%	10.00	100%
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There were no changes in the ownership structure of the Bank during the reporting period as well as during the period from the balance sheet date to the date of the opinion. There were no movements in the share capital in the reporting period.

As at 6 March 2017, the Bank's Management Board was composed of:

Czarnecki Piotr	- President
Bardan Maciej Stanisław	- First Vice President
Czeremcha Jan	- Vice President
Januszewski Łukasz Janusz	- Member
Konieczny Piotr Paweł	- Member
Broniszewski Witold	- Member

During the reporting period as well as during the period from balance sheet date to the date of the report the following changes in the Bank's Management Board took place:

- on 7 November 2016, the Bank's Supervisory Board accepted the resignation of Mr. Marek Patuła from the position of Member of the Bank's Management Board responsible for risk management.
- on 7 November 2016, the Bank's Supervisory Board conditionally appointed Mr. Witold Broniszewski for the position of Member of the Management Board responsible for risk management. On 14 February 2017 the Polish Financial Supervision Authority approved the appointment of Mr. Witold Broniszewski for the position of Member of the Management Board responsible for management of risk significant for Bank's operations.
- on 22 December 2016 Mr. Ryszard Ferdynand Drużyński resigned from the position of Vice President of the Management Board, effective 31 January 2017.

## **2. Financial Statements**

On 28 December 2004 the General Shareholders' Meeting decided on preparation of the Bank's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

### **2.1 Auditors' opinion and audit of financial statements**

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. was appointed by the Bank's Supervisory Board on 11 October 2016 to audit the Bank's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. and the key certified auditor meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009.

Under the contract executed on 31 January 2017 with the Bank's Management Board, we have audited the financial statements for the year ended 31 December 2016.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an auditors' opinion dated 6 March 2017, stating the following:

**'To the General Shareholders Meeting and Supervisory Board of Raiffeisen Bank Polska Spółka Akcyjna**

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the standalone financial statements 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 Bank's internal control. An audit also includes evaluating

the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the standalone financial statements.

In accordance with National Auditing Standard 320 point 5 the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the standalone financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

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

### *Opinion*

In our opinion, the accompanying standalone financial statements:

- give a true and fair view of the financial position of the Bank as at 31 December 2016 and its financial performance and its cash flows for the period from 1 January 2016 to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by European Union and accounting policies;
- have been prepared based on properly maintained accounting records;
- are in respect of the form and content, in accordance with legal regulations governing the preparation of standalone financial statements and the Bank's Articles of Association.

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

### *Report on the Directors' Report*

Our opinion on the standalone financial statements does not include the Directors' Report of the Capital Group Raiffeisen Bank Polska Spółka Akcyjna in 2016 including Directors' Report of the Raiffeisen Bank Polska Spółka Akcyjna<sup>1</sup> ('Directors' Report').

The Bank's Management Board is responsible for preparation of the Directors' Report in accordance with the Accounting Act and other applicable laws. In addition the Bank's Management Board and members of the Bank's Supervisory Board are obliged to state that the Directors' Report meet the requirements of the Accounting Act.

In connection with the audit of the standalone financial statements, our responsibility was to read the content of the Directors' Report and consider whether the information contained in it take into account the provisions of art. 49 of the Accounting Act and art. 111a of Banking Law Act dated 29 August 1997 and whether they are consistent with the information contained in the accompanying standalone financial statements. Our responsibility was also to report, based on our knowledge of the Bank and its environment obtained during the audit of the standalone financial statements, whether the Directors' Report does not include material misstatements.

We have concluded that the information included in the Directors' Report corresponds with the relevant regulations of art. 49 of the Accounting Act and art. 111a of Banking Law Act dated 29 August 1997

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<sup>1</sup> Translated from Polish language: „Sprawozdanie z działalności Grupy Kapitałowej Raiffeisen Bank Polska S.A. w 2016 roku obejmującego sprawozdanie Zarządu z działalności Raiffeisen Bank Polska S.A.”



and that the information derived from the accompanying standalone financial statements reconciles with the Directors' Report. Based on our knowledge of the Bank and its environment obtained during the audit of the consolidated financial statements, we have not identified material misstatements in the Directors' Report.'

We conducted the audit of the Bank's financial statements during the period from 7 November 2016 to 23 December 2016 and from 3 January 2017 to 6 March 2017. We were present at the Bank's head office from 7 November 2016 to 23 December 2016 and from 3 January 2017 to 6 March 2017.

## 2.2 Representations provided and data availability

The Bank's Management Board confirmed its responsibility for the truth and fairness<sup>2</sup> of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Bank's Management Board also provided a letter of representations dated 6 March 2017, confirming that:

- the information included in the books of account was complete;
- all contingent liabilities had been disclosed in the financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the financial statements;

and confirmed that the information provided to us was true and fair to the best of the Bank's Management Board's knowledge and belief, and included all events that could have had an effect on the financial statements.

At the same time declare that during the audit of the financial statements, there were no limitations of scope.

## 2.3 Financial statements for prior financial year

The Bank's financial statements for the year ended 31 December 2015 were audited by Justyna Zań, key certified auditor no. 12750, acting on behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa, located in Warsaw, Inflancka 4A, the company entered on the list of entities authorized to audit financial statements conducted by the National Council of Statutory Auditors with the number 3546. Acting on behalf the authorized entity, the key certified auditor issued an unqualified opinion on the financial statements for the year ended 31 December 2015. The Bank's financial statements for the year ended 31 December 2015 were approved by the General Shareholders' Meeting on 11 March 2016, and the shareholders resolved to appropriate the 2015 net profit as follows:

General banking risks fund	25,000
Retained earnings	135,075
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	160,075
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The standalone financial statements for the financial year ended 31 December 2015, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 25 March 2016 with the National Court Register.

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<sup>2</sup> Translation of the following expression in Polish: "rzetelność i jasność"

The closing balances as at 31 December 2015 were correctly brought forward in the accounts as the opening balances at 1 January 2016.

### 3. Analytical Review

#### 3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Bank for the years 2014 - 2016. The ratios were calculated on the basis of financial information included in the financial statements for years ended 31 December 2015 and 31 December 2016.

The ratios for the year ended 31 December 2014 and for the year ended 31 December 2015 were calculated on the basis of financial information included in the approved financial statements audited by another auditor.

	2016	2015	2014
<b>Total assets</b>	<b>53,226,718</b>	<b>56,168,703</b>	<b>53,521,003</b>
<b>Shareholders' equity</b>	<b>6,369,188</b>	<b>6,247,761</b>	<b>6,036,096</b>
<b>Net profit/ loss</b>	<b>162,815</b>	<b>160,075</b>	<b>314,138</b>
<b>The total capital ratio</b>	<b>16.70</b>	<b>14.95</b>	<b>13.93</b>
<b>Profitability ratio (%)</b>	25.7%	16.7%	32.8%
<hr/> Gross profit <hr/> General administrative expenses			
<b>Cost to income ratio (%)</b>	64.6%	77.2%	71.7%
<hr/> General administrative expenses <hr/> Operating income <sup>3</sup>			
<b>Return on equity (%)</b>	2.6%	2.6%	5.2%
<hr/> Net profit <hr/> Average equity			
<b>Return on assets (%)</b>	0.3%	0.3%	0.6%
<hr/> Net profit <hr/> Average assets			

<sup>3</sup> By operating income we understand total of net interest income, net fee and commission income, dividend income, result on sale of shares in subsidiary, net income from financial instruments measured at fair value and net foreign exchange result, other operating income less other operating expenses

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	2016	2015	2014
<b>Rate of inflation:</b>			
Yearly average	-0.6%	-0.9%	0.0%
December to December	0.8%	-0.5%	-1.0%

### 3.2 Comments

The following trends may be observed based on the above financial ratios:

- the profitability ratio decreased from 32.8% in 2014 to a level of 16.7% in 2015 and then increased to 25.7% in 2016;
- the cost to income ratio increased from 71.7% in 2014 to a level of 77.2% in 2015 and then decreased to 64.6% in 2016;
- the return on equity decreased from 5.2% in 2014 to 2.6% in 2015 and 2016;
- return on assets decreased from 0.6% in 2014 to a level of 0.3% in 2015 and 2016.

### 3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Bank is unable to continue as a going concern for at least twelve months subsequent to 31 December 2016 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 2.1 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2016, the Bank's Management Board has stated that the financial statements were prepared on the assumption that the Bank will continue as a going concern for a period of at least twelve months subsequent to 31 December 2016 and that there are no circumstances that would indicate a threat to its continued activity.

### 3.4 Applying the principles of prudence

As at 31 December 2016, the prudential rules were prescribed by the Banking Law, the resolutions of the Board of the National Bank of Poland as well as the resolutions of the Polish Financial Supervision Authority, Regulation of the European Parliament and of the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms which amended Regulation (EU) No. 648/2012 (CRR) and regulations of the Commission Regulation (EU) issued based on this Regulation and concerned the following:

- credit risk concentration,
- capital share concentration,
- classification of the loans, granted guarantees and warranties to the risk classes and creating provisions for risk related to banking activity,
- liquidity,
- the amount of obligatory reserve,
- capital adequacy.

During our audit, no material misstatements concerning these principles were noted with respect to the period from 1 January 2016 to the date of this report, apart from the issue described below:

As described in Note 41 of the audited financial statements, in the period from 1 January 2016 to 30 March 2016 the Bank did not comply with the requirement of the minimal total capital ratio resulting from supervisory recommendation (taking into account additional capital requirement to cover risk resulting from foreign-currency denominated mortgage loans and new regulatory requirements on security capital buffer).

We have obtained a letter of representation from the Management Board confirming that except for the issue described above no other principles of prudence were breached in the period from 1 January 2016 to 6 March 2017.

### **3.5 Correctness of calculation of the total capital ratio**

During our audit no material misstatements were noted in determining capital adequacy ratio as at 31 December 2016 in accordance with the applicable Regulation of the European Parliament and of the Council (EU) No. 575/2013 dated 26 June 2013 (CRR).

Information related to determination of capital adequacy ratio of the Bank as of 31 December 2016 have been presented in Notes 41 and 40 of the audited financial statements.

## **II. DETAILED REPORT**

### **1. Accounting System**

The Bank's accounts are kept using the T24 computer system at the Bank's head office. The Bank has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 ('the Accounting Act'), including a chart of accounts approved by the Bank's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

### **2. Assets, Liabilities and Equity, Profit and Loss Account**

Details of the Bank's assets and liabilities, equity as well as profit and loss account are presented in the audited financial statements for the year ended 31 December 2016.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2016.

### **3. Additional Notes and Explanations**

The additional notes and explanations to the financial statements for the year ended 31 December 2016 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

### **4. Directors' Report**

We have read the Directors' Report of the Capital Group Raiffeisen Bank Polska Spółka Akcyjna in 2016 including Directors' Report of the Raiffeisen Bank Polska Spółka Akcyjna ('Directors' Report') and concluded that the information contained in it take into account the provisions of Art. 49 para 2 of the Accounting Act and Art. 111a of the Banking Act dated 29 August 1997 and are consistent with the information contained in the audited financial statements. We have also concluded, based on our knowledge of the Bank and its environment obtained during the audit of the financial statements, that the Directors' Report does not include material misstatements.

## 5. Conformity with Law and Regulations

We have obtained a letter of representations from the Bank's Management Board confirming that apart from the issue described below no laws or provisions of the Bank's Articles of Association having a significant impact on the financial statements were breached during the financial year.

As described in Note 41 of the audited financial statements, in the period from 1 January 2016 to 30 March 2016 the Bank did not comply with the requirement of the minimal total capital ratio resulting from supervisory recommendation (taking into account additional capital requirement to cover risk resulting from foreign-currency denominated mortgage loans and new regulatory requirements on security capital buffer).

## 6. Materiality

In determining the amount (level) of materiality, professional judgment was applied taking into account the specific characteristics relating to the Bank. This consideration included both quantitative and qualitative aspects.

## 7. Work of Experts

In calculations regarding the level of impairment allowances for loan receivables the Bank took into account the value of collaterals according to valuations performed by property appraisers ordered by the Bank.

Warsaw, 6 March 2017

Key Certified Auditor

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Arkadiusz Krasowski  
Certified Auditor  
No. 10018

on behalf of  
Ernst & Young Audyt Polska spółka  
z ograniczoną odpowiedzialnością sp. k.  
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