Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Bank Zachodni WBK S.A.

Report on the audit of financial statements

Our opinion

In our opinion, the attached annual financial statements of Bank Zachodni WBK S.A. ("the Company", "the Bank"):

- give a true and fair view of the financial position of the Bank as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Bank and the Bank's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2017, item 2342, as amended).

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report on 12 February 2018.

What we have audited

We have audited the annual financial statements of Bank Zachodni WBK S.A. which comprise:

- the statement of financial position as at 31 December 2017;

and following prepared for the financial year from 1 January to 31 December 2017:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows, and
- the notes comprising a description of the adopted accounting policies and other explanations.

TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the independent registered auditor's report to the General Shareholders' Meeting and the Supervisory Board of the above-mentioned Polish Company. In Poland statutory accounts as well as auditor's report must be prepared and presented in Polish and in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish language version is binding.

Basis for opinion

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by Resolution no. 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015; International Standards on Auditing issued by IAASB (together "Auditing Standards") and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight ("the Act on Registered Auditors" – Journal of Laws of 2017, item 1089) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities ("the EU Regulation" – Journal of Laws EU L158). Our responsibilities under those Auditing Standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

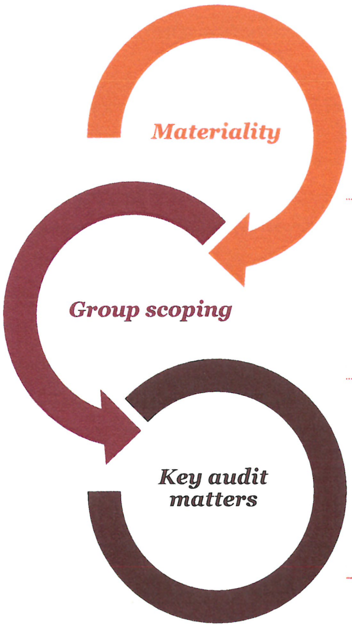
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and ethics

We are independent of the Company in accordance with the International Federation of Accountants' *Code of Ethics for Professional Accountants* ("the IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC's Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



- The overall materiality level adopted for the purposes of our audit was set at PLN 140,000 thousand which represents 5% of the profit before tax adjusted by the tax on financial institutions.

- We have audited the annual financial statements of the Bank for the period ended 31 December 2017.

- Impairment of loans and advances.
- IFRS 9 *Financial Instruments* related disclosure.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole, as presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the auditing standards and the registered auditor's professional judgement.

Overall materiality	PLN 140,000 thousand (in prior year standalone PLN 130,000 thousand)
Basis for determination	5% of profit before tax adjusted by the tax on financial institutions
Rationale for the materiality benchmark applied	We have adopted profit before tax as the primary base for determining materiality because, in our opinion, it is an indicator commonly used by the users of financial statements to evaluate the Company's operations and is a generally adopted benchmark. We have adjusted profit before tax by tax on financial institutions because it is treated by the Bank and users of financial statements as a specific tax burden. We adopted the materiality threshold at 5% because it is within the quantitative materiality thresholds acceptable by the auditing standards.

We agreed with the Company's Audit and Compliance Committee that we would report to them misstatements identified during our audit of the financial statements above PLN 7,000 thousand, as well as any misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of loans and advances to customers We focused on completeness and valuation of impairment allowances as required by *International Accounting Standards 39 — Financial Instruments: Recognition and Measurement (IAS 39)* because the Management's judgements in this respect have significant impact on the financial statements and are complex (as described in the financial statements note 2.6 *Main estimates and judgments made by Bank Zachodni WBK*). Impairment allowances represent Management's best estimate of the credit losses incurred that relates to the loan portfolios at the balance sheet date. They are calculated either on a collective basis for portfolios of loans with similar characteristics or on an individual basis for individually significant exposures. The balance of collective allowances amounted to PLN 1,887,622 thousand and allowances for individually significant loans amounted to PLN 1,144,503 thousand as at 31 December 2017. The estimate of allowances for portfolios and for individual loans requires a significant degree of judgement to determine the timing and amount of the impairment to be recognised.	We started our audit of this area by obtaining understanding of the Bank's policies and procedures related to impairment. These include, among others, assessment of key elements of impairment identification and measurement (timing, completeness, consistency, accuracy, collateral assessment, early warning monitoring, backtesting). We then assessed the design and tested operating effectiveness of key controls to identify loss events and determine the extent to which impairments should be recognised considering the potential for management override of controls. These internal controls include among others: • Monitoring of loans, • Regular credit portfolio reviews, • Completeness and accuracy of data used in rating/scoring process and impairment calculation, • Assessment and approval of material impairment provisions including valuation of collaterals, • Governance over the impairment process, including assessment of suitability of models and assumptions, and • Model verification and challenge of assumptions and calculation accuracy. For individually significant exposures, we tested a sample of performing loans to establish our own view as to whether any IAS 39 loss indicators were present.

Collective impairment allowances are calculated using statistical models, based on historical data, which approximate possible recoveries for each of the homogeneous (from the risk perspective) portfolios identified by the Bank. Assumptions used in the models (such us the emergence period, the probability of default and the loss given default) are subject to management judgement, and may be affected by specific events, like portfolio sales that would not be captured by past performance.

For impairment allowances analysed using an individual method, judgement is required to determine when an impairment event has occurred and then to estimate the expected future cash flows related to that loan. The cash flows are estimated based on financial performance and probability of continuing operational activity, collaterals valuation and other factors which are estimated by management.

For non-performing loans, we tested a sample of loans, focusing on high risk sectors such as coal and cement industry, health care and commercial real estate. We analysed valuation of collaterals and examined other cash flow assumptions developed by management. We also assessed the reasonableness of the estimated timing of the expected cash flows.

We also performed a set of procedures on the collectively calculated impairment. We verified the correctness of calculations of model parameters to selected portfolios. We analysed the results of the Bank's backtesting procedures, including impact of expert adjustments, if any. We also verified cured exposures, whether they were reclassified to performing portfolio according to the Bank's policies. Finally, we recalculated the impairment allowances on the whole loan portfolio.

We have not identified material misstatements as a result of our work. We have found management estimates reasonable in the areas where application of judgment is required.

IFRS 9 *Financial Instruments* related disclosure

International Financial Reporting Standard 9, Financial Instruments (IFRS 9) becomes effective for annual reporting periods beginning on or after 1 January 2018. Given the significance of the impact of the new standard, the Bank has already put relevant systems, processes and controls in place.

International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), requires disclosure of the *'known or reasonably estimable information relevant to assessing the possible impact'* of new standards issued but not yet effective. The Polish Financial Supervision Authority (KNF) following the European Securities and Markets Authority (ESMA) indicated that they expect these disclosures to include both qualitative and detailed quantitative information explaining the impact of the adoption in order to enable users of the financial statements to understand the impact that the future application of the new standard will have on the financial position and performance of the Bank.

Refer to the chapter *IFRS9 Financial Instruments* of the accompanying financial

In auditing the disclosure of the impact of the new standard on the Bank, we were focussing our work on:

- appropriate classification and measurement of the financial instruments; and
- calculation of the loan loss impairment allowances using the new expected credit loss methodology.

We have obtained an understanding of Bank's implementation process for determining the impact of adoption of the new standard, including understanding of the changes to the Bank's systems, processes and controls. Additionally, we obtained an understanding of the credit risk modelling methodologies.

We have performed, among others, the following substantive audit procedures:

- We analysed the accounting policies and framework methodology developed by the Bank in order to evaluate its compliance with the new standard;
- We verified the analyses of contracts prepared by the Bank for the purpose of financial instruments classification and tested such analyses to the underlying contracts on a sample basis. We assessed and recalculated, on a sample basis, the

statements, which provides quantitative and qualitative information enabling to the users to understand the expected impact of the new standard and the areas in which management has made significant assumptions and judgements in applying the new standard.

Given the complexity of the requirements of IFRS 9 and significance of the disclosure of the impact of the new standard on the Bank's financial position as at 1 January 2018 we paid a particular attention to the related disclosures.

measurement of financial instruments.

- We assessed the methodology developed to calculate loan loss provision under IFRS 9, concentrating on such aspects as: factors for determining a 'significant increase in credit risk' and allocating the loans to stages, estimation of key provisioning parameters and forward-looking information.
- We recalculated impairment provisions on a sample basis.

We have also performed procedures that involved assessment and validation of the Bank's controls and substantive testing to verify accuracy and completeness of the data flow in and out of the credit models, to test the integrity of the data used during the process and consistency between the sources/systems.

While testing how management made the accounting estimate and the data, on which it is based, we have verified the appropriateness of the estimation method and completeness and accuracy of the data used, mathematical accuracy of management's model, and the reasonableness of the management assumptions.

In some areas we developed an independent estimate or a range to evaluate management's point estimate and analysed the way the management considered assumptions or outcomes or how management otherwise addressed estimation uncertainty in making the accounting estimate.

Our work did not lead to a material adjustment of the audited financial statements disclosure.

Responsibility of the Management and Supervisory Board for the financial statements

The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account, of annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management Board and members of its Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.
- Conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Compliance 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 and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them 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 and Compliance Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the report on the operations

Other information

Other information comprises a Management Board Report on Bank Zachodni WBK Group Performance in 2017 ("the Report on the operations") and the corporate governance statement and the statement on non-financial information referred to in Article 49.(1) of the Accounting Act which are separate parts of the Report on the operations.

Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for preparing Other Information in accordance with the law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Company's operations including its separate parts complies with the requirements of the Accounting Act.

Registered auditor's responsibility

Our opinion on the audit of the financial statements does not cover Other Information.

In connection with our audit of the financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially consistent with the information in the financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual financial statements.

Moreover, we are obliged to issue an opinion on whether the Company provided the required information in its corporate governance statement and to inform whether the Company prepared a statement on non-financial information.

The financial information included in chapter VIII of the Report on the Bank's operations have been audited in accordance with the scope described in this audit report and the requirements of the Banking Law.

Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the Company's operations:

- has been prepared in accordance with Article 49 of the Accounting Act and para. 91 of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" – Journal of Laws 2014, item 133, as amended) and Article 111(1–2) of the Banking Law of 29 August 1997 ("the Banking Law" – Journal of Laws of 2015, item 128, as amended);
- is consistent with the information in the financial statements.

Moreover, based on the knowledge of the Company and its environment obtained during our audit, we have not identified any material misstatements in the Report on the Company's operations.

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Company included information set out in paragraph 91(5)(4) (a), (b), (g), (j), (k) and (l) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 91(5)(4)(c)–(f) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the financial statements.

Information on non-financial information

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Company has prepared a statement on non-financial information referred to in Article 49b(1) of the Accounting Act as a separate section of the Report on the operations.

We have not performed any assurance work relating to the statement on non-financial information and we do not provide any assurance with regard to it.

Report on other legal and regulatory requirements

Information on compliance with prudential regulations

The Management Board of the Bank is responsible for complying with the applicable prudential regulations set out in separate legislation, and in particular, for correct determination of the capital ratios.

The capital ratios as at 31 December 2017 have been presented in Note 4 of the financial statements and include core Tier 1 capital ratio, Tier 1 capital ratio and the total capital requirement.

We are obliged to inform in our report on the audit of the financial statements whether the Bank has complied with the applicable prudential regulations set out in separate legislation, and in particular, whether the Bank has correctly determined its capital ratios. For the purposes of the said information, the following legal acts are understood as separate legislation: 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 and amending Regulation (EU) No 648/2012, as amended ("CRR"), the Banking Law and the Act of 5 August 2015 on macro-prudential supervision over the financial system and on crisis management in the financial system ("the Act on macro-prudential supervision" – Journal of Laws of 2015, item 1513).

It is not the purpose of an audit of the financial statements to present an opinion on compliance with the applicable prudential regulations specified in the separate legislation specified above, and in particular, on the correct determination of the capital ratios, and therefore, we do not express such an opinion.

Based on the work performed by us, we inform you that we have not identified:

- any cases of non-compliance by the Bank with the applicable prudential regulations set out in separate legislation referred to above, in the period from 1 January to 31 December 2017;
- any irregularities in the determination by the Bank of the capital ratios as at 31 December 2017 in accordance with the separate legislation referred to above;

which would have a material impact on the financial statements.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

The non-audit services which we have provided to the Company and its subsidiaries in the audited period are disclosed in the Report on the Company's operations.

Appointment

We have been appointed for the first time to audit the annual financial statements of the Company by resolution of the Supervisory Board dated 22 March 2016 and re-appointed by resolution dated 19 April 2017. We have been auditing the Company's financial statements without interruption since the financial year ended 31 December 2016, i.e. for 2 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered on the list of Registered Audit Companies with the number 144., is Anna Bączyk.

Anna Bączyk

Key Registered Auditor

No. 11810

Warsaw, 12 February 2018