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Independent Auditor's Report to the Supervisory Board of ING Bank Hipoteczny S.A.

Report on the Audit of the Year-end Financial Statements

Opinion

We have audited the year-end financial statements of ING Bank Hipoteczny S.A. ("the Bank"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as notes to the financial statements including a description of significant accounting methods and other explanations ("the financial statements").

In our opinion, the accompanying financial statements:

- give a true and fair view of the Bank's financial position as at 31 December 2019, as well as of its financial result and cash flows for the financial year then ended, in accordance with the applicable International Financial Reporting Standards endorsed by the European Union, as well as the adopted accounting methods (policies);
- are consistent, in content and in form, with the applicable laws and regulations and with the Bank's Statute;
- have been prepared on the basis of properly kept books of account in accordance with Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" - 2019 Journal of Laws, item 351 with subsequent amendments).

The present opinion is consistent with the additional report to the Audit Committee, which we issued on 23 March 2020.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing adopted by the National Council of Certified Auditors as National Standards on Auditing ("NSA") and in compliance with the Act on Certified Auditors, Audit Firms and on Public Supervision ("the Certified Auditors Act" - 2019 Journal of Laws, item 1421 with subsequent amendments) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public interest entities ("Regulation EU" - OJ L 158). Our responsibilities under those standards are further described in *the Responsibilities of the Auditor for the Audit of the Financial Statements* section of this report.

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("the IFAC Code") and adopted by resolutions of the National Council of Certified Auditors, and with other ethical requirements relevant to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. During the audit, the engagement partner and the audit firm remained independent of the Bank in accordance with the independence requirements laid down in the Certified Auditors Act and Regulation EU.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in the audit of the financial statements for the current reporting period. They include the most significant assessed types of risks of material misstatements, including assessed types of risks of material misstatements resulting from fraud. We addressed these matters in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and have summarized our response to these types of risks, and where relevant, presented our key observations relating to those risks. We do not express a separate opinion on these matters.

Completeness, Existence and Valuation of Credits and Loans Granted to Clients

Key Audit Matter

On 2 January 2019 the Bank received a decision from the Polish Financial Supervision Authority permitting it to commence activities. In 2019 the Bank also began the process of transferring mortgage loans from ING Bank Śląski S.A. The balance of credits and loans granted to clients and disclosed in the statement of financial position as at 31 December 2019 amounted to PLN 3,060,898.9 thousand.

In accordance with the requirements of International Financial Reporting Standard 9 “Financial Instruments” (‘IFRS 9’), entities are required to recognize and measure impairment based on the Expected Credit Loss (ECL) model. This approach involves significant estimates and the need to make significant assumptions for the purpose of measuring impairment, in particular with regard to identifying significant deterioration of credit exposure quality and the related calculation of long-term losses anticipated over the lifetime of the exposure. In applying IFRS 9 the Bank allocates credits and loans granted to clients to three stages, i.e. exposures with no recognized significant increase in credit risk (Stage 1), exposures with recognized significant increase in credit risk (Stage 2) and exposures with recognized impairment (Stage 3). As at 31 December 2019 the Bank’s total allowance for expected credit losses amounted to PLN 917.0 thousand, and Stage 1 credits accounted for 99.4% of the value of all credits.

We classified the completeness, existence and valuation of credits and loans granted to clients as a key audit matter because the balance of this statement of financial position item accounts for 91.7% of the Bank’s assets. We found the credit transfer process as key at the Bank, which commenced business activities in the audited period. In addition, the measurement of credits and loans granted to clients involves significant estimates and professional judgment on the part of the Bank’s Management during the application of the expected credit loss model.

Disclosures in the Financial Statements

The Bank’s accounting policies on credits and loans granted to clients and on the expected credit loss calculation model is described in point 5.5 “Financial assets and liabilities” of “Significant accounting principles”.

A note containing the required disclosures relating to credits and loans granted to clients is included in point 7.10 of the financial statements and in note 7.32 on the Bank’s credit risk management.

Audit Procedures Performed in Response to the Risk

As part of our procedures we obtained an understanding of the Bank’s accounting methods (policies) relating to the classification and recognition of financial assets, as well as their measurement and impairment. We also familiarized ourselves with the internal control environment with regard to the transfer, monitoring and measurement of the portfolio of credits and loans granted to clients. We assessed its design and tested the effectiveness of identified key controls, relating in particular to:

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- selection of credits to be transferred,
- completeness of credit documentation,
- preparation and acceptance of property mortgage lending values,
- valuation of credit portfolio by an independent entity,
- verification of completeness of the data recognized in the IT system after the transfer,
- functional control with regard to credit portfolio monitoring.

With respect to the information system used to store information about the credit portfolio, we performed a verification of controls on the Bank side as part of IT General Controls (ITGC) procedures.

We supplemented the tests of controls with tests of details which included agreeing the analytical credit report with the values disclosed in the financial statements, verifying accounting policies on the recognition of the credit transfer transaction costs, as well as examining, based on a selected example, of the system valuation of credits using the effective interest rate.

With regard to the expected credit losses impairment model, we familiarized ourselves with the relevant accounting policies, model assumptions and allocation of credits to the different stages in accordance with IFRS 9 as at 31 December 2019. We obtained documentation of the validation of model parameters, performed an independent recalculation of the impairment allowance in the financial statements based on the obtained EaD, PD and LGD parameters, and evaluated indications of impairment relating to the credits allocated by the Bank to Stage 3.

We also performed an analysis of post-balance sheet events relating to credits and loans granted to clients, and of the accuracy and completeness of disclosures in the accompanying financial statements based on the requirements of IAS.

Responsibilities of the Bank's Management and Supervisory Board for the Financial Statements

The Bank's Management is responsible for the preparation, based on properly kept books of account, of the financial statements that give a true and fair view of the Bank's financial position and financial result in accordance with International Financial Reporting Standards endorsed by the European Union, the adopted accounting methods (policies), the applicable binding regulations and the Bank's Statute. The Bank's Management is also responsible for such internal controls as it considers necessary to ensure that the financial statements are free from material misstatements resulting from fraud or error.

In preparing the financial statements the Bank's Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, any matters related to going concern and using the going concern basis of accounting, except in situations where the Management intends to either liquidate the Bank or discontinue its operations, or has no realistic alternative but to do so.

The Bank's Management and members of its Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. Members of the Supervisory Board are responsible for overseeing the Bank's financial reporting process.

Responsibilities of the Auditor 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 misstatements due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with NSA will always detect an existing material misstatement. Misstatements can arise from fraud or error and are considered material if it could be reasonably expected that they, individually or in the aggregate, could influence the economic decisions of users made on the basis of these financial statements.

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The concept of materiality is applied by the auditor at the planning stage and when performing the audit and evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements, as well as when formulating the auditor's opinion. In view of the above, all of the opinions and statements contained in the auditor's report are expressed subject to the qualitative and quantitative level of materiality set in accordance with the applicable standards on auditing and the auditor's professional judgement.

The scope of the audit does not include an assurance regarding the Bank's future profitability, or regarding the Management's effectiveness in the handling of the Bank's affairs now or in the future.

Throughout an audit in accordance with NSA, we exercise professional judgement and maintain professional skepticism, as well as:

- identify and assess the risks of a material misstatement of the financial statements resulting from fraud or error, design and perform audit procedures in response to such 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 the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, forgery, deliberate omission, misrepresentation or override of internal controls;
- obtain an understanding of the internal controls relevant to the audit in order to plan our audit procedures, but not to express an opinion on the effectiveness of the Bank's internal controls;
- evaluate the appropriateness of the accounting policies used and the reasonableness of the estimates and related disclosures made by the Bank's Management;
- conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether 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 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;
- evaluate the overall presentation, structure and contents 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 provide the Supervisory Board with information about, among others, the planned scope and timing of the audit and significant audit findings, including any significant weaknesses of internal controls that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with the relevant ethical requirements relating to independence, and that we will communicate to them all relationships and other matters that may reasonably be considered to constitute a threat to our independence, and where applicable, inform them of the related safety measures.

From the matters communicated to the Supervisory Board we determined those matters that were of the most significance to the audit of the financial statements for the current reporting period and were therefore chosen as key audit matters. We describe these matters in our auditor's report, unless law or regulations prohibit their public disclosure or when, in exceptional cases, we find that a given matter should not be presented in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such information.

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Other Information, Including Report on Activities

Other information comprises the report on the Bank's activities for the financial year ended 31 December 2019 ("the Report on Activities") along with the Statement on the Application of Corporate Governance which constitutes a separate section of that Report, as well as the Annual Report for the financial year ended 31 December 2019 ("Annual Report") (together "Other Information").

Responsibilities of the Bank's Management and Supervisory Board

The Bank's Management is responsible for the preparation of Other Information in accordance with binding regulations.

The Bank's Management and members of its Supervisory Board are required to ensure that the Report on Activities along with its separate sections meets the requirements of the Accounting Act.

Responsibilities of the Auditor

Our opinion on 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 inconsistent with the financial statements or with our knowledge obtained during the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we find a material misstatement of Other Information, we are required to state this fact in our auditor's report. In accordance with the requirements of the Certified Auditors Act, it is also our responsibility to issue an opinion whether the Report on Activities has been prepared in accordance with binding regulations, and whether it is consistent with the information presented in the financial statements. We are also required to issue an opinion whether the Statement on the Application of Corporate Governance contains the required information.

We received the Report on Activities prior to the issue of the present auditor's report, whereas the Annual Report will be available after this date. In the event that we find a material misstatement in the Annual Report, we are required to communicate this to the Bank's Supervisory Board.

Opinion on the Report on Activities

Based on the work we have performed during the audit, in our opinion the Report on Activities:

- has been prepared in accordance with Article 49 of the Accounting Act and par. 70 of the Minister's of Finance Decree of 29 March 2018 on the current and periodic information reported by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (the "Current Information Decree" - 2018 Journal of Laws, item 757);
- is consistent with the information presented in the financial statements.

Furthermore, based on our knowledge obtained during the audit about the Bank and its environment we have identified no material misstatements in the Report on Activities.

Opinion on the Statement on the Application of Corporate Governance

In our opinion, the Bank's Statement on the Application of Corporate Governance contains the information specified in paragraph 70 section 6 point 5 of the Current Information Decree. In addition, in our opinion, the information indicated in paragraph 70 section 6 point 5 letters c-f, h and i of the Decree, contained in the Statement on the Application of Corporate Governance is consistent with the applicable regulations and with the information contained in the financial statements.

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Report on Other Legal and Regulatory Requirements

Declaration on the Provision of Non-audit Services

To the best of our knowledge and belief we declare that any non-audit services we have provided to the Bank were consistent with the law and the regulations binding in Poland, and that we have not provided any non-audit services prohibited by virtue of Article 5 par. 1 of Regulation EU and Article 136 of the Certified Auditors Act. The non-audit services we have provided to the Bank in the audited period are listed in note 9.2 to the Report on Activities.

Information on the Bank's Compliance with Prudential Regulations

The Bank's Management is responsible for ensuring compliance of the Bank's activities with legal regulations, including prudential regulations, and for the proper determination of capital ratios.

Our responsibility was to inform in the auditor's report on whether the Bank adheres to binding prudential regulations set forth in separate provisions, and in particular on whether the Bank has correctly determined the capital ratios presented in note 7.40 to the Bank's financial statements.

It was not an objective of our audit of the Bank's financial statements to express an opinion on its compliance with the above regulations. As part of our audit of the Bank's financial statements we performed audit procedures aimed at uncovering instances of incompliance with legal regulations, including breaches of prudential regulations.

In the course of our audit we identified no breaches by the Bank of binding prudential regulations set forth in separate provisions in the period from 1 January to 31 December 2019, in particular with respect to the accuracy of the Bank's determination of capital ratios as at 31 December 2019, which could have a significant effect on the Bank's financial statements.

Appointment of the Auditor

We were appointed as auditors of the Bank's financial statements in a resolution passed by the Bank's Supervisory Board on 20 December 2018. The total uninterrupted period of the audit engagement has been 2 years starting from the financial year ended 31 December 2018.

The auditor in charge of the audit resulting in this independent auditor's report is Michał Tomczyk.

BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw
entered on the list of audit firms in number **3355**

represented by the auditor in charge

Michał Tomczyk
Certified Auditor No. 13503

Dr. André Helin
Managing Partner of the General Partner
Certified Auditor No. 90004

Warsaw, 23 March 2020

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