

**TRANSLATORS' EXPLANATORY NOTE**

*The English content of this report is a free translation of the audit report of the below mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.*

*In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.*

## **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. ("Entity", „Bank”), which comprise the statement of financial position as at 31 December 2022, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year from 1 January to 31 December 2022, as well as the notes to the financial statements comprising a description of the significant adopted accounting policies 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 2022 and its financial result and cash flows 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 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 maintained accounting records in accordance with the provision of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" - 2023 Journal of Laws, item 120 with subsequent amendments).

Our opinion is consistent with the additional report to the Audit Committee, which we issued on 4 April 2023.

#### **Basis for Opinion**

We conducted our audit in accordance with National Standards on Auditing in the wording of International Standards on Auditing adopted by resolution of the National Council of Statutory Auditors ("NSA"), and pursuant to the Law of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (the "Law on Registered Auditors" - 2022 Journal of Laws, item 1302 with subsequent amendments) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the 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 our report.

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) of the International Ethics Standards Board for Accountants ("IESBA Code") as adopted by resolution of the National Council of Statutory Auditors and other ethical requirements that are relevant to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and

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the IESBA Code. During the audit, the key registered auditor and the audit firm remained independent of the Bank in accordance with the independence requirements set out in the Act on registered Auditors and in the 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 matters that, according to our professional judgment, were most significant during our audit of the financial statements for the current reporting period. They include the most significant risks of material misstatements, including the assessed risks of material misstatement due to fraud. We addressed these matters in the context of our audit of the financial statements as a whole and when formulating our opinion, 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.

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## **1. IMPACT OF SO-CALLED “PAYMENT HOLIDAYS”**

On 7 July 2022, the Parliament in Poland adopted the Act on crowdfunding for economic ventures and borrower assistance (“the Act”), which was then signed by the President and published in the Journal of Laws on 14 July 2022. The Act introduced the possibility of suspending the repayment of mortgage contracts granted in the Polish currency in the years 2022-2023. Borrowers who meet the criteria set out in the Act could apply for so-called “payment holidays” in two months each in a third and fourth quarters of 2022 and one month in each quarter of 2023.

In accordance with International Financial Reporting Standard 9 “Financial Instruments” (IFRS 9), such a modification of the expected cash flows from a loan contract requires a recalculation of the gross carrying amount of the loans and recognition of loss in the reporting period in which the Act was implemented. Based on information on the applications submitted by clients, as well as expectations as to the applications that clients may still submit in 2023, the Bank estimated the impact of the modification of the expected cash flows from credit contracts and recognized a loss in the amount of PLN 96,094.9 thousand, which was accounted for as an adjustment of interest income.

We have classified the so-called “payment holidays” as a key audit matter due to their impact on the Bank’s statement of comprehensive income and necessity to apply significant estimates and professional judgment by the Management Board when estimating the number of applications that may still be submitted by clients after 31 December 2022.

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## **DISCLOSURES IN THE FINANCIAL STATEMENTS**

The method used to recognize the so-called “payment holidays”, as well as the key assumptions, are described in Note 2 “Material events in 2022”, and the effect on interest income is presented in Note 7.1 to the financial statements.

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## **AUDIT PROCEDURES PERFORMED IN RESPONSE TO THE RISK**

As part of our procedures, we obtained an understanding of the Bank’s accounting policy relating to the recognition of the so-called “payment holidays”, as well as its estimation methods. We analyzed the calculations by verifying the model input data and the recalculation method. We verified system recalculations associated with recognition of the modification based on selected credit samples.

With regard to the applications submitted by the borrowers, based on a sample, we verified that those have been correctly recorded and included in the calculation. We performed a critical assessment of the estimates of the number of applications that may still be submitted by clients in 2023 calculated based on the Bank’s experience and expectations towards the use of “payment holidays” by its clients.

We assessed the impact of the loss on the Bank’s capital ratios, also in the context of its ability to continue as a going concern. We also analyzed subsequent events and the accuracy and completeness of disclosures in the accompanying financial statements in accordance with requirements of IAS.

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## 2. COMPLETENESS, EXISTENCE AND VALUATION OF LOANS AND ADVANCES TO CUSTOMERS

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As at 31 December 2022, the balance of loans and advances to customers amounted to PLN 2,901,111.1 thousand and was lower by PLN 981,888.4 thousand, i.e. by 25%, from the balance as at 31 December 2021. The decrease in this item of the financial statements resulted from customer repayments in 2022 and the lack of mortgage loan transfers from ING Bank Śląski S.A.

Under 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. 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 of 31 December 2022, the Bank’s total allowance for expected credit losses amounted to PLN 4,919.4 thousand, and Stage 3 loans accounted for 0.2% of the value of total loans.

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 97.1% of the Bank’s total assets. In addition, the measurement of credits and loans granted to clients involves significant estimates and professional judgment from Management Board during the application of the expected credit loss model.

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### DISCLOSURES IN THE FINANCIAL STATEMENTS

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The Bank’s accounting policies on loans and advances to customers and on the expected credit loss calculation model is described in note 5 of “Significant accounting methods and key judgements”, in point 5.5 “Financial assets and liabilities”.

A note containing the required disclosures relating to loans and advances to customers is included in point 7.9 of the financial statements and in note 7.30 regarding the Bank’s credit risk management.

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### AUDIT PROCEDURES PERFORMED IN RESPONSE TO THE RISK

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As part of our procedures, we obtained an understanding of the Bank’s accounting policies relating to the classification and recognition of financial assets, as well as their valuation and impairment. We also familiarized ourselves with the internal control environment regarding the monitoring and valuation of the portfolio of loans and advances to customers. We assessed its design and evaluated the effectiveness of identified key controls.

With regard to the information system used to store information on the credit portfolio, we verified Bank’s control mechanisms under IT General Controls (ITGC) procedures.

We supplemented the tests of controls with tests of details which included reconciliation the analytical credit report to the values disclosed in the financial statements, verification of accounting policies on the recognition of the credits transfer transaction costs, as well as testing, based on a selected example, system’s valuation of credits using the effective interest rate. Due to the lack of new transfers, we made sure that there were no new items in the loan portfolio via comparison to the analytical data audited as at 31 December 2021.

With regard to the expected credit losses impairment model, our experts familiarized themselves with the relevant accounting policies, model assumptions and allocation of credits to the different stages in accordance with IFRS 9 as of 31 December 2022. We obtained documentation of the validation of model parameters, performed an independent recalculation of the impairment allowance from the financial statements based on the obtained EaD, PD and LGD parameters.

We also performed an analysis of subsequent 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 IFRS.

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

The Management Board of the Bank is responsible for the preparation, based on properly maintained accounting records, of the financial statements reflect fairly and clearly the assets and financial position of the Bank and its result in accordance with International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the legal regulations binding the Bank, and its Article of Association, as well as for internal controls which the Management Board considers to be necessary to prepare financial statements which do not include any material misstatements caused by fraud or error.

In preparing the financial statements, the Management Board of the Bank is responsible for assessing the Bank's ability to continue as a going concern, for the disclosure, if necessary, any matters related to its going concern and for adopting the going concern principle as the basis of accounting, except in situations when the Management Board of the Bank either intends to liquidate the Bank or discontinue its operations, or has no real alternative to liquidation or discontinuation of operations.

The Management Board and members of its Supervisory Board of the Bank are obliged to ensure that the financial statements comply with 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 aim is to gain reasonable assurance that the financial statements as a whole are free from material misstatements due to fraud or error, and to issue an audit report which includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that the 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, individually or in the aggregate, they could affect the business decisions of users, made on the basis of these financial statements.

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 assurance of the Bank's future profitability or the current or future effectiveness of managing all matters by the Bank's Management Board.

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

- we identify and assess the risks of a material misstatement in the financial statements due to fraud or error, we design and conduct audit procedures in response to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detection of a material misstatement which is result of fraud is higher than that resulting from an error because fraud may relate to conspiracy, falsification, intentional omission, misleading or overriding internal controls;
- we obtain an understanding of the internal controls relevant to the audit in order to design our audit procedures suitable in the given circumstances, but not to express an opinion on the effectiveness of the Bank's internal controls;
- we assess the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and related disclosures made by the Management Board of the Bank;
- we reach a conclusion as to the appropriateness of the Bank's Management Board application of the going concern principle as the basis of accounting and, based on the audit evidence collected, we assess whether there is material uncertainty related to events or conditions that may raise

significant doubts on the Bank's ability to continue in operation as a going concern. If we reach the conclusion that a material uncertainty exists, we have to draw the attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on the audit evidence obtained to the date of preparing our audit report, however, future events or conditions may cause the Bank to discontinue operations;

- we assess the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements present the transactions and events which constitute their basis in a manner ensuring their fair presentation.

We communicate with the Supervisory Board regarding, among others things, the planned scope and timing of conducting the audit and significant audit findings, including any significant weaknesses of internal controls which will be identified by us during the audit.

We hereby submit statement to the Supervisory Board that we complied with the relevant ethical requirements relating to independence and we communicate all the relationships and all issues which could rationally be considered hazardous to our independence, and where applicable we inform you of the related safety measures applied.

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 the key audit matters. We describe these matters in our auditor's report, unless law or regulations precludes their public disclosure or when, in exceptional cases, we find that a given 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 information.

### **Other Information, Including Report on Activities**

The other information comprises the Management Board Report on Performance for the financial year ended 31 December 2022 (the "Report on Activities") along with the Corporate Governance Statement, the letter of the Chairman of the Management Board and the statement of the Management Board which are separate sections of the report and which we have obtained prior to issue this audit report, as well as the Supervisory Board statements which we expect to obtain after the issue of this audit report (together the "Other Information").

### **Responsibilities of the Bank's Management and Supervisory Board**

The Bank's Management Board is responsible for the preparation of the Other Information in accordance with applicable law.

The Management Board and members of its Supervisory Board of the Bank are obliged to ensure that the Report on Activities along with its separate sections comply with the requirements set forth in the Accounting Act.

### **Responsibilities of the Auditor**

Our opinion on the financial statements does not cover the 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 in the Other Information, we are required to report that fact in our auditor's report. In accordance with the requirements of the Act on Statutory Auditors, it is also our responsibility to issue an opinion whether the Report on Activities has been prepared in accordance with applicable laws and regulations, and whether it is consistent with the information presented in the financial statements. We are also required to report whether the Bank has prepared a Statement on Non-financial Information and to issue an opinion whether the Corporate Governance Statement contains the required information.

In the event that we find a material misstatement in the Supervisory Board statements, 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 with subsequent amendments);
- is consistent with the information presented in the financial statements.

Furthermore, based on our knowledge about the Bank and its environment obtained during the audit, we have not identified material misstatements in the Report on Activities.

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

In our opinion, the Bank's Statement on Corporate Governance contains the information specified in paragraph 70 section 6 point 5 of the Current Information Decree. Furthermore, 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 Corporate Governance is consistent with the applicable laws and with the information contained in the financial statements.

## 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 we have not provided services other than the audit and review of financial statements, which are prohibited under Art. 5 sec. 1 of the Regulation EU and art. 136 of the Act on Statutory Auditors.

### Information on the Bank's compliance with prudential regulations

The Management Board of the Bank is responsible for ensuring the compliance of the Bank's operations with the laws, including prudential regulations, and for the correct determination of capital ratios.

Our responsibility was to inform in the audit report whether the Bank complies with the applicable prudential regulations set out in separate regulations, and in particular whether the Bank correctly determined the capital ratios presented in Note 7.32 to the Bank's financial statements.

The purpose of our audit of the Bank's financial statements was not to express an opinion on its compliance with the aforementioned regulations. As part of the audit of the Bank's financial statements, we performed audit procedures aimed at detecting cases of non-compliance with the law, including breaches of prudential regulations.

In the course of the audit, we have not identify any instances of non-compliance of the Bank with the applicable prudential regulations defined in separate laws in the period from 1 January to 31 December 2022, in particular with regard to the correctness of the Bank's determination of capital ratios as at 31 December 2022, that could have a material impact on the financial statements of the Bank.

### 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 27 May 2022. The total uninterrupted audit engagement period is 5 years starting from the financial year ending 31 December 2018.

Key register auditor who is main person responsible for performing the audit, which result is 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**

**on behalf of which the audit was performed by key registered auditor**

*Signed with a qualified electronic signature.*

**Michał Tomczyk**  
Certified Auditor  
Registration No. 13503

Warsaw, 4 April 2023