

MANAGEMENT BOARD REPORT ON THE ACTIVITIES IN THE FIRST HALF OF 2020

BNP Paribas Bank Polska S.A. Group

This document is a translation of a document originally issued in Polish.
The only binding version is the original Polish version.



BNP PARIBAS

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1. CAPITAL GROUP OF BNP PARIBAS BANK POLSKA S.A.

1.1. Brief overview of the Group

The Bank BNP Paribas Bank Polska S.A. (hereinafter referred to as the "Bank") is a universal bank with a comprehensive product offer, addressed to Polish and international corporations, the SME segment, farmers and retail clients. It is present in local communities but has global reach. The Bank has a leading position in the agri-food, consumer, large enterprise and international corporation segments.

The mission of the Bank is to responsibly deliver innovative financial solutions which enable our clients to change their world and which support local economy.

The Bank and its subsidiaries form the BNP Paribas Bank Polska S.A. Group (hereinafter referred to as the "Group"). In terms of the balance sheet total, the Group is sixth in the Polish banking sector.

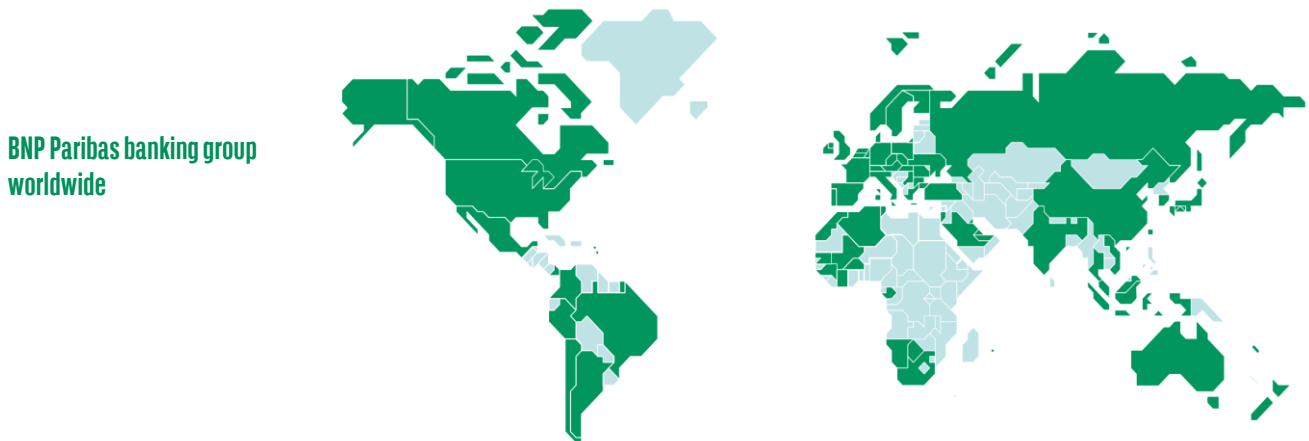
The Group hires 9,600 employees.

The Group provides services through a nationwide branch network and alternative distribution channels, including online and mobile banking for individual and corporate clients.

The Bank's shares are listed on the Main Market of the Warsaw Stock Exchange.

The Bank operates within BNP Paribas, a leading international financial group, operating in 71 countries, with over 200 thousand employees, of which ca. 152 thousand in Europe.

In Poland, the BNP Paribas Group operates in many areas of financial services, such as: banking, investment funds, custody services, factoring, leasing, insurance, real estate and car fleet management.



The BNP Paribas Bank Polska in figures



PLN **119** bn



3.9 m



494



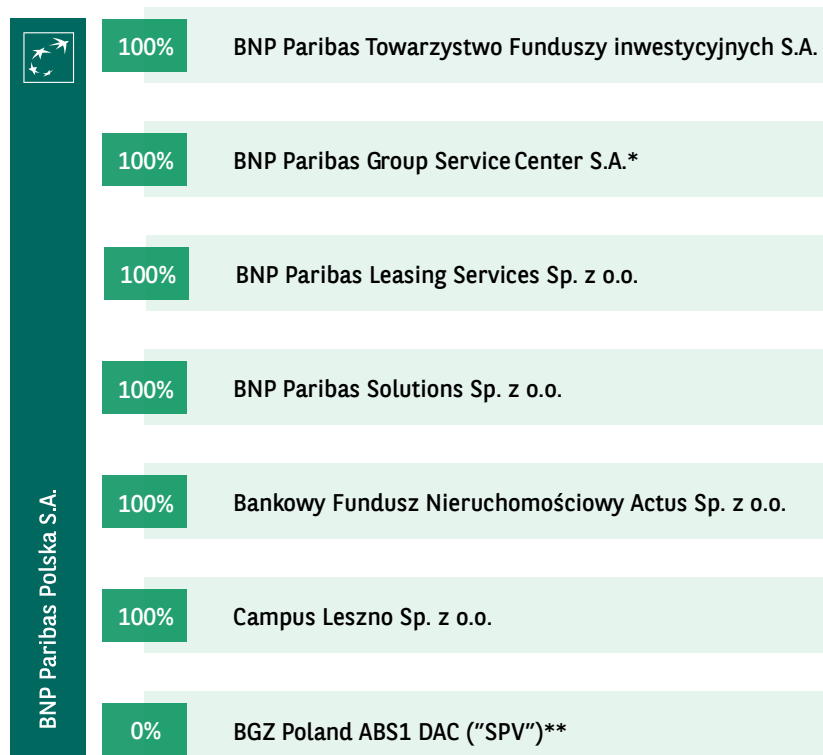
9.6 thous.

1.2. Structure of the Group and consolidated entities

Composition of the Group as of 30 June 2020:

- BNP Paribas Bank Polska S.A. – as the parent company; and
- fully consolidated subsidiaries listed below:

Structure of the Group



* On 31 December 2019, the BNP Paribas Group Service Center S.A. (acquirer) merged with the BNP Paribas Financial Services Sp. z o.o. (target company)

** BGZ Poland ABS1 DAC („SPV”) - SPV company with which the Bank performed a securitization transaction of a part of the loan portfolio. The Group has no equity contribution in this entity. The company is controlled by the Bank due to the fulfilment of the control conditions only within the understanding of IFRS 10.

1.3. Business model

The BNP Paribas Bank Polska Group operates basing on operational segments (the percentage share of the business line in the Group's banking activity, NBI, for 6 months of 2020 is given):

- **Retail and Business Banking** includes comprehensive services for individual clients, including private banking (Wealth Management) and business clients (micro-entrepreneurs) with the biggest share in NBI that amounts to 47%;
- **Corporate Banking** offers a broad range of financial services provided to big and medium-size enterprises, local government units and entities belonging to international capital groups (22% share in NBI);
- **The Small and Medium Enterprises Banking** includes services provided to agro and non-agro clients (10% share in NBI);
- **Corporate & Institutional Banking** supports the sale of the Group's products to the largest Polish enterprises and includes the service of strategic clients (5% share in NBI);
- **Other activities** covering the operations of Assets & Liability Management Line and Corporate Center (16% share in NBI).

The foundations of the BNP Paribas Bank Polska Group activities are:

• A local bank with global coverage

We are a Bank with over 100 years of tradition/history on the Polish market. Affiliation to BNP Paribas, a global financial group, enables us to apply best international practices to the needs of the local market and expectations of the Bank's customers.

• Completeness and availability of the offer

The Group offers its customers a full range of financial products and services, provided by the Bank and the Group's companies (including investment funds and leasing). We also provide a direct access to the offers of BNP Paribas entities functioning in Poland (e.g. factoring, leasing, insurance, etc.).

As a bank close to the customer, we provide services through a network of bank branches. We are constantly developing and transforming our branches, paying particular attention to accessibility and openness to the needs of various groups of customers, including the elderly and disabled.

Our credit products are also available through outlets in partner shops and in selected car dealer networks.

Taking into account technological challenges, we continue to develop our products and digital services channels: mobile and online banking and new forms of communication using technology.

• Addressing challenges of the civilization

In our activity, we constantly analyse and consider the regulatory and economic aspects, as well as the dynamic development of digitalisation or social and climate changes, which affect both the national and global economy. We react to challenges of civilisation through development and adjusting our offer to the changing environment and needs of our customers.

• Responsible risk managements

The pillar of our business activity in order to provide services of the highest quality to our customers is a culture of compliance and careful risk management. The Group has implemented proper policies and procedures of management and monitoring of risks to which the Group is or might be exposed.

One of the elements of the risk management framework is incorporating the ESG criteria into the overall risk assessment.

In a changing world - by taking care of their financial needs, providing professional services and innovative solutions, we support our customers in sustainable development, we build professional development and employee involvement and generate shareholder value growth and benefits for the economy and local communities.

1.4. Major events in Capital Group of BNP Paribas Bank Polska S.A. in the first half of 2020

January 2020

Extraordinary General Meeting of Shareholders:

- Adopting resolutions regarding (among others):
- authorising the Management Board to acquire the Company's own shares by the Bank and to establish a reserve capital fully earmarked for the acquisition of own shares
 - issuing subscription warrants, conditionally increasing the share capital by issuing series M shares, waiving the existing shareholders' pre-emptive rights to subscription warrants and pre-emptive rights to series M shares, dematerialising and applying for series M shares admission of to trading on a regulated market

March 2020

Determination of **the minimum MREL requirement for the Bank at the sub-consolidated level** - 16.001% of total equity and total liabilities (TLOF), which corresponds to 20.866% of risk exposure amount (TRE). This requirement should be achieved by 31 December 2022.

According to the Bank Guarantee Fund announcement of 26th March 2020, because of the removal of the systemic risk buffer, the MREL requirements will be significantly reduced and the target date for compliance will be extended to 1st January 2024. (instead of 1st January 2023) as well as the deadline for meeting the first binding medium-term target by 1st January 2022 (instead of 1st January 2021).

The Bank informs that binding decisions on the MREL requirements for the Bank are issued at the Single Resolution Board level in agreement with the Bank Guarantee Fund and have not changed as of the date of publication of this Report.

The Bank intends to meet the defined MREL requirements at the end of 2020.

February 2020

PFSA's decisions related to consent to include in the **Common Equity Tier 1 capital net profit for the third quarter of 2019** - standalone (PLN 114.1 million) and prudentially consolidated (PLN 110.9 million)

April 2020

The Bank Guarantee Fund determined the amount of the BNP Paribas Bank Polska S.A. annual contribution to the mandatory bank resolution fund for 2020 (PLN 125.86 million)

May 2020

PFSA's decisions related to consent to include in the Common Equity Tier 1 capital net profit for the fourth quarter of 2019 - standalone (PLN 107.3 million) and for the Group (prudential consolidation, PLN 113.2 million)

Confirmation of the Bank's ratings and changing of the rating's perspective to stable by Moody's Investors Service agency



June 2020

Ordinary General Meeting of Shareholders

Any changes in the composition of the Bank's Management Board and the Supervisory Board of the Bank that took place in 2020 are described in Chapter 7.3. of the herein Report – *Statutory bodies of the Bank*

1.5. Awards and distinctions

AWARDS AND DISTINCTIONS RECEIVED IN THE FIRST HALF OF 2020

January 2020

The Bank (for 7th consecutive time) received **the title of Top Employer Polska** for an HR policy developed in line with best market practices

March 2020

The Bank once again received the **Gwiazda Jakości Obsługi 2020** (Service Quality Star) distinction based on a consumer survey of the Polish Service Quality Program; The Star confirms that the Bank represents the highest standards of service and puts customer needs first

June 2020

1st place in the general classification (2nd consecutive year) and **1st place in the banking, financial and insurance sector** in the 14th Ranking of Responsible Companies

Srebrny Listek CSR Tygodnika „Polityka” (award received for the sixth time)

3rd place in the „Credit card” category in the "Golden Banker" ranking

Awards (golden trophies) in the Golden Arrow contest in the following categories: Experiential marketing – event marketing; Artificial intelligence and Integrated Campaign B2C

Special award of the contest jury for the Bank –for long-term, genuine social commitment visible in many areas of activity

Two distinctions for the action: "Pass the change on" ("Podaj Zmianę") and the campaign "You are the change and we are the bank of a changing world" ("*Ty jesteś zmianą, a my bankiem zmieniającego się świata*")

The Bank has joined the signatories of **The Declaration of Responsible Selling** – the aim of this project is to promote (among others) the highest ethical standards in relations between financial institutions and their customers

February 2020

5-star note for BNP Paribas Wealth Management in the Forbes magazine private banking services rating

April 2020

trophies in three categories in the 5th edition of the Institution of the Year ranking conducted by Mojebankowanie.pl: **Best service in a branch; Best remote process of account opening; Best Social Responsibility of the Business**

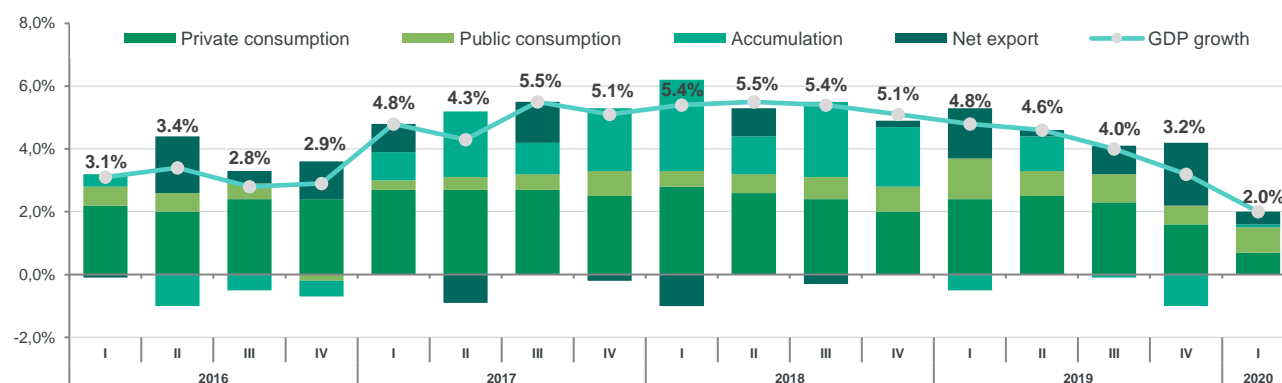
2. EXTERNAL ENVIRONMENT AFFECTING THE BANK'S OPERATIONS IN THE FIRST HALF OF 2020 AND PERSPECTIVE FOR THE DEVELOPMENT

2.1. Macroeconomic conditions

GDP

Due to the spreading pandemic, the beginning of 2020 was a challenging time for economies of many countries. However, GDP remained positive in Q1, increasing by 2.0% y/y comparing to 2.3% in the previous quarter. On the other hand, a slight decline by 0.4% was recorded in quarterly perspective. Compared to the previous quarter, investments slowed down the most, with only 0.9% y/y growth in Q1. Private consumption, which used to be the main driver of economic growth, has also decreased. Uncertainty in the labour market and weaker demand contributed to a slowdown in household spending to 1.2% y/y from 3.3% y/y in the last quarter of the previous year. On the other hand, public sector spending grew dynamically, to 4.3% y/y from 3.2% y/y at the end of 2019. Net export also had a positive impact on economic growth. A decrease of the trade balance due to the epidemic may not appear until the second quarter of this year. A decrease in income and possibly changing consumption habits of households will contribute to the weakening of the import dynamics. On the other hand, the decrease in the volume of exports will be caused by a deep drop in foreign demand.

Chart 1. GDP growth (y/)



Source: GUS

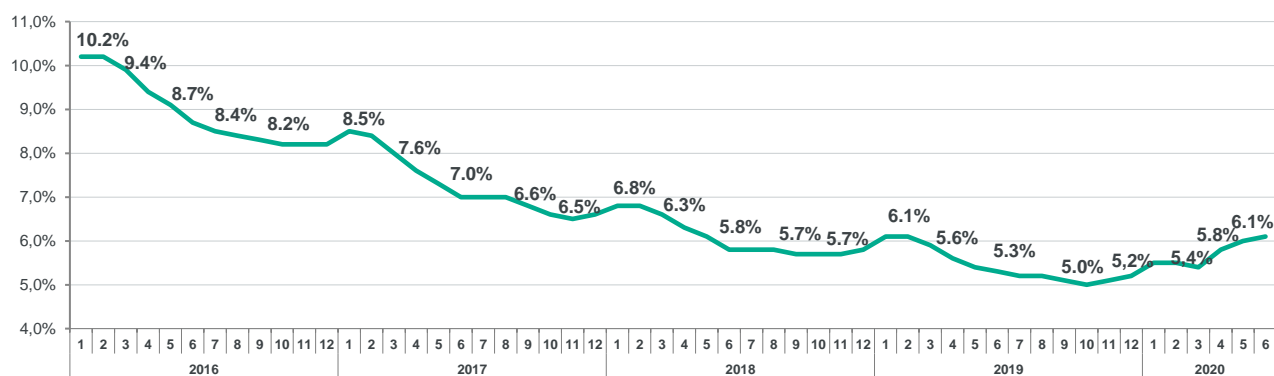
Business activity

In the first months of 2020, the growth rate of industrial production remained at a relatively good level, around 3% y/y. The situation was significantly changed by the outbreak of the coronavirus epidemic. The impact on the industrial sector was particularly visible in the second quarter, when a decline of almost 25% y/y was noted. However, the data for May, in particular the leading indicators such as PMI, indicate a distinct improvement in the Polish industry. Stimulation of the world's economics contributes to the economic recovery. Construction and assembly production in 2020 were gradually decreasing mainly as a result of diminishing inflow of capital from EU structural funds and investments in the economy. In Q1, construction and assembly production grew, on average to 5.2% y/y, compared to -4.0% y/y in Q4 of the previous year. A decrease in consumer demand was reflected in the decline in real retail sales by about 0.6% y/y on average in Q1 2020. During this period, March was particularly affected by the decrease in demand, as restrictions introduced to prevent a spread of coronavirus began to apply. The registered unemployment rate increased as a result of the slowdown in employment growth and reached 6.0% at the end of May 2020.

Inflation

At the beginning of 2020, CPI inflation remained above the upper limit of the inflation target set by the NBP (i.e. 1.5-3.5% y/y). The general price level declined at the beginning of Q2 2020 due to the economic slowdown resulted from the outbreak of the coronavirus, when CPI inflation remained around 3.0% y/y. Inflation increased slightly in June. According to the Central Statistical Office (GUS), in June the CPI accelerated to 3.3% y/y (according to the preliminary data), which came as a surprise, as the market expected the rate to rise to about 2.9%. The main reason for the increase is probably the core inflation (estimated growth by 4.1% in June, which is the highest result since 2001). Preliminary data suggest that core inflation remains high despite a general consensus that a pandemic will have a deflationary impact on the economy. It is worth emphasizing that June was the first month since the outbreak of the pandemic in which CPI data should not be distorted by problems with data collection. As reasons for the increase in inflation the sudden increase in demand in industries closed due to the pandemic (a deferred demand) and an attempt to pass on costs to the customer (a tighter sanitary regime) may be indicated. However, the output gap resulting from the sudden slowdown in growth noted this year suggests a decline in inflation this year and next year (to about 1.0% in Q1 2021).

Chart 2. Registered unemployment rate

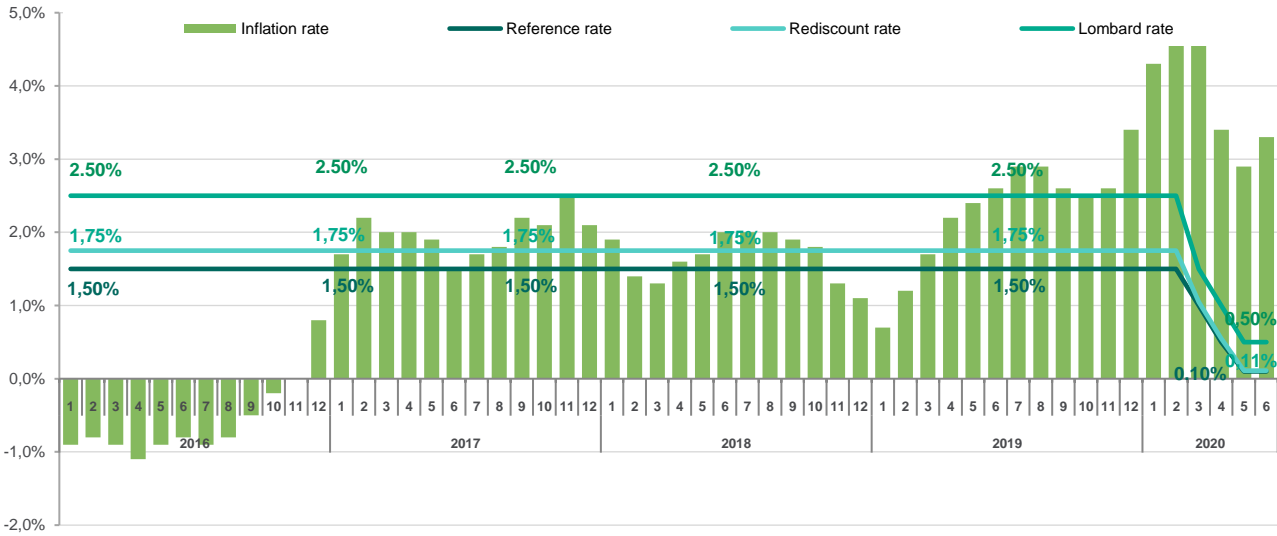


Source: GUS

Monetary policy

The coronavirus epidemic had a significant impact on the monetary policy of the National Bank of Poland. Since March, the Monetary Policy Council (MPC, Council) has decided on three reductions, by a total of 140 bps. Currently the reference interest rate amounts to 0.1%. In addition, the NBP has launched the first ever quantitative easing program (QE), which involves the purchase of securities (mainly treasury bonds and Treasury guaranteed bonds issued by Bank Gospodarstwa Krajowego and Polish Development Fund). The purpose of the undertaken actions was to stabilize the secondary market of treasury bonds and to support financing of the economy. What is more, the QE program made it possible for the Ministry of Finance to launch anti-crisis packages preventing the collapse of the government bond market, similar to the one that took place in 2008 or 2012-13. to the MPC members, the interest rate easing cycle has been completed.

Chart 3. Inflation and interest rates



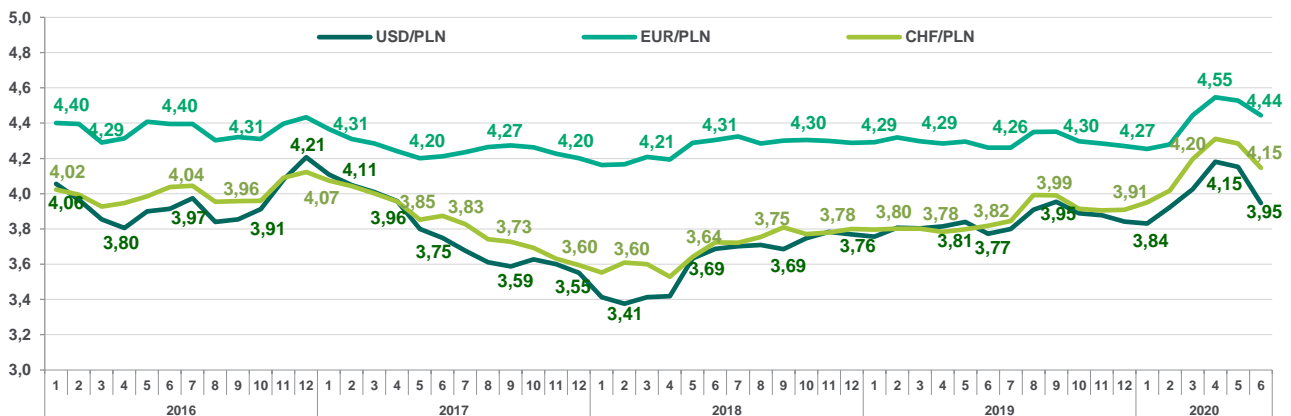
Source: GUS, NBP

Bonds market

In first half of 2020 yields of government bonds in Poland remained under the influence of the situation on the core markets (US and Euro zone) and domestic data on inflation, public debt, as well as investors' expectations regarding the future monetary policy of the Monetary Policy Council. The policy adopted by the MPC effectively contributed to maintaining the yield of Polish bonds at low levels. The risk premium for long-term Polish bonds (measured by the spread against 10-year German bonds) in the first quarter of 2020 remained in the range of 155-287 bp, as compared to around 250-255 bps in the fourth quarter of the previous year. The increase in the spread between bond yields in March was significantly influenced by concerns about the budgetary situation after the introduction of aid packages by the government. In the next months, the narrowing of the spread was affected by the NBP's actions, among others, the quantitative easing program.

Currency market

Chart 4. PLN exchange rate (monthly average)



Source: Macrobond

In the first half of 2020, the EUR/PLN exchange rate increased to around 4.50-4.60. The zloty was largely influenced by negative external factors, in particular coronavirus-related restrictions. At the end of the second quarter, the Polish zloty strengthened slightly and the EUR/PLN exchange rate decreased to approx. 4.45. At the same time, the USD/PLN exchange rate increased to 4.30 from 3.80 at the beginning of the year. At the end of the second quarter, the Polish zloty strengthened against the USD and the exchange rate decreased to approx. 3.90-4.00. The CHF/PLN exchange rate grew above 4.30 in March and then slightly decreased to 4.20 at the end of the second quarter. The weakening of the Polish zloty in the first half of 2020 was caused by global and local factors, such as an increase in global risk aversion resulting from the outbreak of coronavirus pandemic and the asset purchase program introduced by the NBP.

2.2. Performance of the banking sector

Basic categories of the banking sector profit and loss

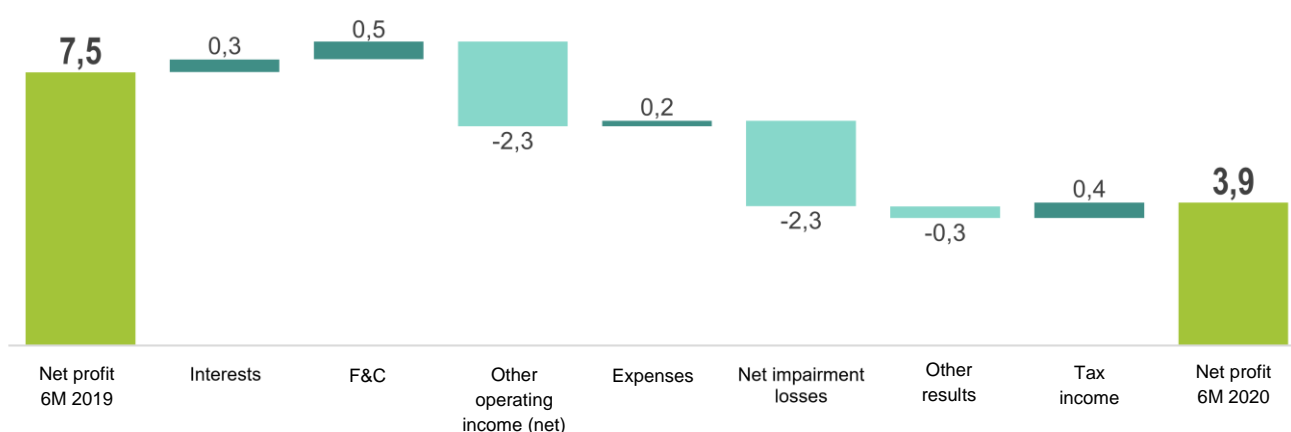
According to preliminary data of the Polish Financial Supervision Authority (PFSA), the net financial result of the banking sector in Poland in the first half of 2020 accounted to PLN 3.9 billion and was by PLN 3.6 billion, i.e. 47.7%, lower than in the corresponding period of 2019.

The decrease in the net result of the banking sector was determined by a significant growth in impairment losses on assets and other provisions (by PLN 2.3 billion, 46.2% y/y). It was primarily a consequence of the fact that banks included in their risk models changes in macroeconomic forecasts related to the COVID-19 pandemic. The increase in the balance of impairment allowances was accompanied by the further creation of legal risk provisions for the portfolio of foreign currency mortgage loans by some banks. The above was a consequence of the increase in the balance of the aforementioned loans as a result of the depreciation of the Polish zloty and a constantly growing number of lawsuits and cases settled in favour of debtors.

The increase in the cost of risk in the sector was followed by a moderate (-4.1% y/y), but significant in nominal terms (by PLN 1.5 bn) decline in total net operating income. The decrease was driven by a fall in other components of total revenues by PLN 2.3 bn, i.e. 44.6% y/y, due to lower dividend income and valuation of the financial instruments valued at fair value.

The decrease of the above mentioned other revenue components was partially neutralised by an improvement in net interest income (by PLN 0.3 bn, i.e. 1.4% y/y) and an improvement in net fee & commission income (by PLN 0.5 bn, i.e. 7.5% y/y). The y/y growth of the net interest income occurred despite negative factors such as: a three-fold reduction of interest rates by the Monetary Policy Council and the implementation of the provisions of the CJEU judgment of September 2019 regarding the proportional refund of commissions on early repayment of a loan.

Chart 5. Selected profit or loss items of the banking sector (PLN billion)



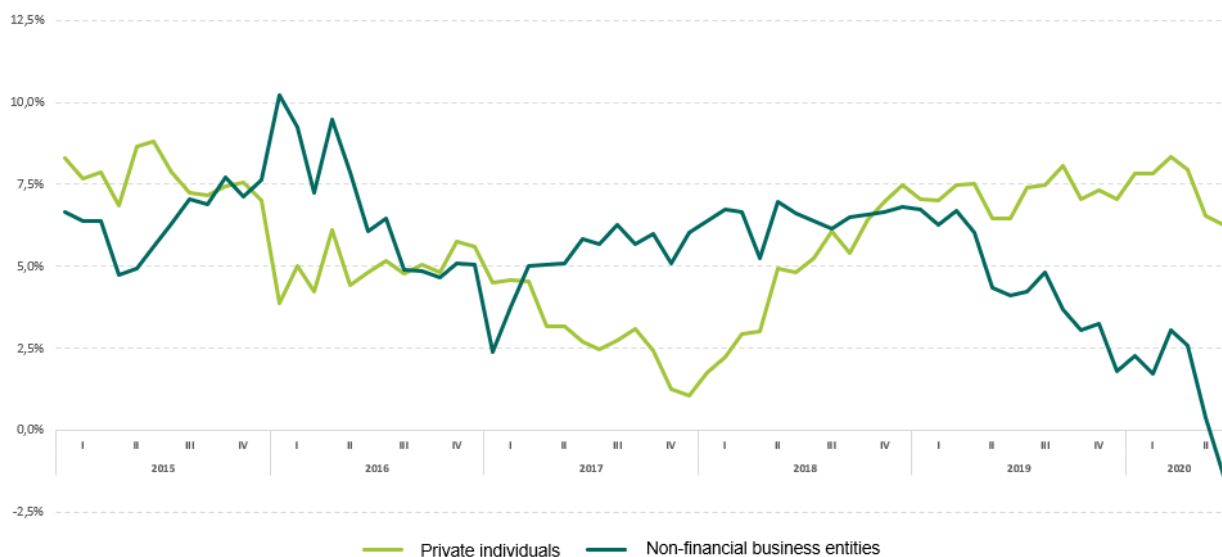
Source: PFSA

Operating costs (including banking tax) and depreciation slightly decreased by 0.8% y/y. The decrease in costs resulted from a significant decrease in the contribution to the BFG banks' resolution fund, recognized in the first quarter of 2020 (by 20% y/y, to PLN 1.6 bn). The above neutralised the impact of other factors, such as the salary pressure observed in the first quarter and a double increase of the quarterly paid contribution for the BFG bank's guarantee fund.

The main positions of the balance sheet of the banking sector

Loans to non-bank customers reached PLN 1,319.3 bn at the end of June 2020, with a growth rate of 3.0% y/y - despite a significant weakening of the zloty against the base market currencies in the first half of 2020. The increase was lower than that recorded at the end of 2019 (5.0%), which was mainly due to a decrease in the dynamics of loans to non-financial business entities (below zero on an annual basis), other financial institutions and consumer loans to individual customers.

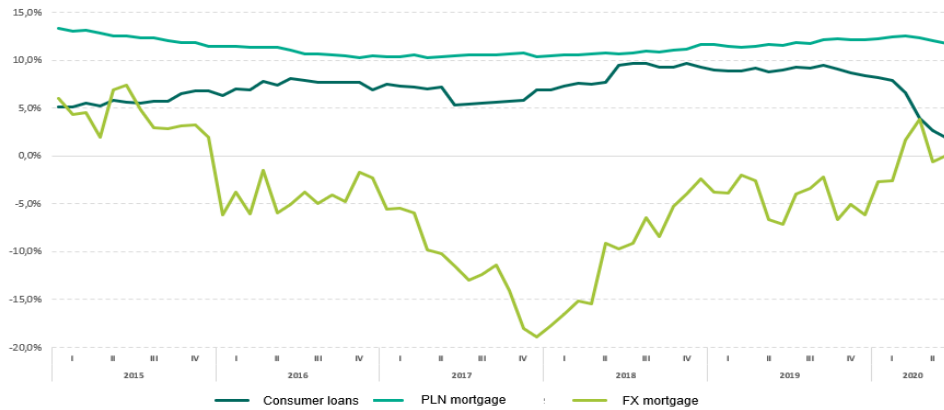
Chart 6. Loans for clients from non-financial sector (y/y dynamics)



Source: NBP

The volume of loans to non-financial business entities decreased compared to the previous year (by 1.4%), which happened for the first time since September 2010. The main factor influencing the negative dynamics was the outbreak of the COVID-19 pandemic, which affected the volume of loans. The introduced sanitary regime has interrupted the activities of certain industries. The spectre of the economic crisis has stopped investment plans and resulted in a tightening of credit criteria by banks. The demand for credit from enterprises was negatively affected by the implementation of the government's financial support program for business entities, the so-called Anti-Crisis Shield, which improved the liquidity situation of enterprises. As a result of the above factors, as at the end of June 2020, a decrease in the volume of overdraft loans for enterprises by near 7% y/y was recorded. This reflected, on the one hand, changes in the liquidity situation of economic entities (receiving institutional support) and, on the other hand, a reduction in their business activity.

Chart 7. Loans for individuals (y/y dynamics)



Source: NBP

Loans to individual customers grew by 6.3% y/y, which was a slightly lower level than at the end of 2019 (7.0%). Their slower growth was caused mainly by a reduction in lending in the consumer credit segment. The above was related both to the fall in effective demand and the tightening of credit policy by banks in the light of the outbreak of the pandemic, as well as to the introduced sanitary regime, which significantly reduced sales opportunities, especially for instalment loans. All this was reflected in a deep decline in sales of consumer loan in annual terms (according to BIK data (a credit information bureau), in the first half of 2020, there were 32.9% fewer cash loans and 5.5% instalment loans in terms of value than in the corresponding period of 2019).

Contrary to a deep decline in sale of consumer loans in the first half of 2020, the number of new PLN mortgage loans - despite the pandemic - was close to the number noted in the corresponding period of the previous year (and amounted to -0.4% y/y according to BIK data). This should be associated with the more complex process of granting mortgage loans by banks and more complicated, based on different rationales, decision-making process of households.

As a result, the relatively high demand for a PLN mortgage loan contributed to the maintenance of a moderately high growth rate of banks' receivables (+11.7% y/y at the end of June 2020, compared to +12.2% y/y at the end of 2019). At the same time, the dynamic decrease in the balance of gradually repaid foreign currency mortgage loans was halted. Their dynamics at the end of the first half of 2020 amounted to 0.1% y/y, with minus 6.2% y/y at the end of 2019. However, this was only due to a clear weakening of the zloty against CHF and EUR, in particular in the first half of 2020.

Chart 8. Deposits of clients from non-financial sector (y/y dynamics)



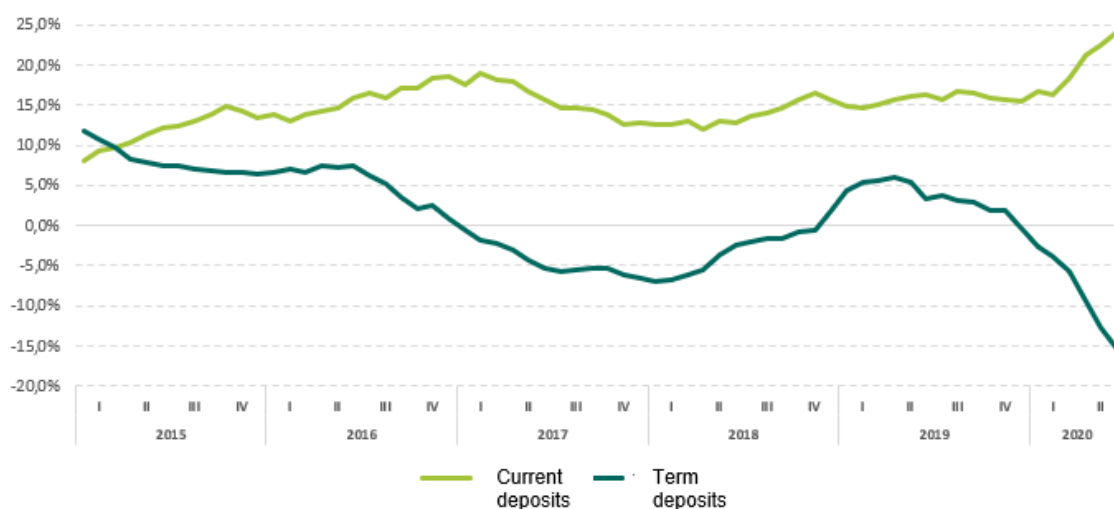
Source: NBP

The COVID-19 pandemic outbreak brought in the first half of 2020 - primarily driven by institutional factors - a significant increase in non-bank customer deposits to 19.2% y/y, from 8.2% y/y at the end of 2019. Their volume at the end of June 2020 amounted to PLN 1,589.5 billion, having grown by PLN 132.2 billion only in the second quarter. It was determined by a sudden and unprecedented growth of over PLN 66.0 billion in deposits of non-financial business entities in the second quarter of 2020. It resulted mainly from the implementation of the government support program, i.e. the above-mentioned Anti-Crisis Shield, under which micro, small and medium-sized enterprises, until 2 July 2020, received a total of PLN 55.5 billion, partially non-repayable aid provided by the Polish Development Fund. This was accompanied by, among others, additional PLN 18.0 billion of support for job protection program of the Labour Fund and the Guaranteed Employment Benefit Fund subsidizing the salaries of employees from the European Social Fund and micro-loans for entrepreneurs. As a result, the dynamics of non-financial corporate deposits increased to 31.5% y/y at the end of June 2020, i.e. more than three times as compared to 10.3% y/y at the end of 2019.

The rapid growth of deposits from non-financial business entities was accompanied by an equally dynamic and significant increase in volume of funds in government bank accounts - by PLN 55.8 billion, or 85.4% y/y. The vast majority of it, i.e. PLN 46.5 billion, was recorded in the second quarter of 2020 and was mainly of a temporary nature. It was also associated with obtaining funds to finance support for business entities under the Anti-Crisis Shield.

Institutional support provided to business entities in order to help them maintain liquidity was strengthened by the remaining high level of deposits of individuals, which increased by 9.3% y/y at the end of June 2020, i.e. at a pace similar to that recorded at the end of 2019. The above was determined by the growing uncertainty and aversion to risk (reflected, inter alia, in the outflow of funds from the investment funds, which in the first phase of the crisis, in March 2020, exceeded PLN 100 billion). The growth of retail deposits was visible only in the category of current deposits, which grew by 24.1% y/y, while term deposit decreased by 15.4% y/y. The factors influencing a structure of deposit growth included a drop in NBP interest rates to the historically lowest level, which caused the interest rates offered by banks on term deposits to slightly exceed the interest rates on current deposits; and a substantial over liquidity of banks, increasing in the second quarter of 2020, limiting the banks' demand for deposits.

Chart 9. Deposits of individual clients (y/y dynamics)



Source: NBP

Market share

In the first half of 2020 the BNP Paribas Bank Polska Group maintained 6th position in terms of assets in the banking sector in Poland.

Table 1. Market share of BNP Paribas Bank Polska

	30.06.2020	31.12.2019
Loans for non-banking clients	5.7%	5.6%
Loans for individual clients	4.9%	4.7%
Loans for non-financial business entities	8.8%	8.7%
Deposits of non-banking clients	5.7%	6.1%
Deposits of individual clients	4.8%	5.0%
Non-financial business entities	9.4%	9.3%

In the category of "loans to non-bank customers", the Bank's share in the sector amounted to 5.7% at the end of June 2020, compared to 5.6% at the end of 2019. The improvement of the Bank's position on the credit market resulted from further dynamic growth of the share in the segment of PLN mortgage loans for individual customers and gradual reconstruction of the Bank's position in the corporate loans segment (which are the key sub-segment of non-financial business entities).

The Bank's share in deposits for non-banking customers was 5.7%, with 9.4% in the non-financial corporate segment and 4.8% in the retail segment. The decrease in a share of the deposit market was caused by a stronger market growth and adjustment of the deposit volume to the liquidity position of the Bank.

2.3. Stock market and investment situation

In the first half of 2020, the WIG index, representing all listed companies on the Warsaw Stock Exchange (WSE), was characterized by increased volatility, which translated into a drop of over 35% in February-March, followed by an increase of over 45% in subsequent months. In the first half of this year, a visible variability in rates of return was observed among corporate segments. Between 31 December 2019 and 30 June 2020 WIG reported a negative rate of return (-17.6%). For the WIG20 index, which groups the largest entities on the Warsaw Stock Exchange, it was also negative (-24.4%). The mWIG40 index representing average companies ended the period with a 15.0% loss. The reversal of trends regarded the WIG80 index representing the smallest companies, which despite proceeding outflow of funds from domestic share funds noted double-digit rate of return accounted to almost 13.5%.

However, the indices of the Warsaw Stock Exchange noted relatively lower results compared to foreign stock markets. For example, the American S&P500 index dropped by almost 4.0% in the first six months of 2020, while the German DAX index fell by over 7.0%.

Table 2. Key WSE indices

Index	30.06.2020	31.12.2019	30.06.2019	change in H1 2020	change y/y
WIG	49,569	57,833	60,187	(14.3%)	(17.6%)
WIG20	1,759	2,150	2,328	(18.2%)	(24.4%)
mWIG40	3,468	3,908	4,082	(11.3%)	(15.0%)
sWIG80	13,412	12,044	11,821	11.4%	13.5%

Source: Bloomberg

The following factors, among other, had an impact on the outlook of the Warsaw Stock Exchange in the first half of 2020: (i) Uncertainty about the impact of the COVID-19 epidemic on the global economy resulting from a possible disruption of the global supply chain, loss of liquidity for enterprises and a drop in consumer spending; (ii) Increased risk aversion and thus the flow of capital to so-called safe havens (iii) the accommodative policy of central banks and the related growing share of negative-yield debt instruments; (iv) a clear decline in macroeconomic data, and at the same time the expectation of a rapid economic recovery (v) geopolitical risk factors, in particular the Beijing-Washington conflict; (vi) a clear weakening of the zloty and a cutting of interest rates by the Monetary Policy Council to a record low level.

The first half of 2020 brought a clear downward trend in the yields of Polish government bonds, which took place in an environment of increased volatility. The above was a result of, on the one hand, the uncertainty on the markets caused by concerns about the economic effects of the COVID-19 pandemic and, on the other hand, the actions of central banks and particular governments, which introduced fiscal stimulation programs to protect the economy. Major central banks, led by the U.S. Federal Reserve, have made deep interest rate cuts, which in the case of the U.S. are in the range of 0.0-0.25%. Likewise, the Monetary Policy Council (MPC) reduced the reference rate to the level of 0.1% in three steps. The above, together with the purchase of treasury bonds and other securities guaranteed by the National Bank of Poland, translated into a decrease in yields of 10-year treasury bonds to record low levels - still at the beginning of the year they were above 2.0%, while at the end of June this year it was only 1.4%.

Table 3. Number of companies, capitalization and trading volume on WSE

	30.06.2020	31.12.2019	30.06.2019	change in H1 2020	change y/y
Number of companies	440	449	460	(2.0%)	(4.3%)
Capitalization of domestic companies (PLN million)	472,860	550,242	594,378	(14.1%)	(20.4%)
Share trading volume (PLN million)	134,273	195,215	99,639	(31.2%)	34.8%
Futures trading volume (PLN '000)	5,663	6,728	3,188	(15.8%)	77.6%

In the first half of 2020, only one new company appeared on the main market of the WSE and 10 entities left the trading floor. On the New Connect organized market, during the first six months of 2020, 4 issuers debuted, with the simultaneous withdrawal of 6 entities from listings. On the Catalyst bond market, a total of 546 series of bonds were listed, and the value of the issue exceeded PLN 947 billion.

2.4. Strategy of BNP Paribas Bank Polska S.A.

The main assumption of the new Fast Forward strategy for 2018-2021, adopted by the Bank's Management Board and Supervisory Board in May 2018, is focus on the customer and digital transformation of products, services and processes aimed at accelerating development and increasing profitability.

The Bank's strategic goals are:



Business development is based on five key pillars: growth, simplicity, digitisation, quality and enthusiasm.

- **Growth** – The primary driver of development is retail banking. Within this area, the Bank has prepared a new offer for individual customers, together with the modernisation of digital tools (Internet and mobile banking). The selection of products and services will be constantly adjusted to promote a broader range of products to be contracted by the customers. The new acquisition will be supported by expanding cooperation with B2B customers. The Bank's ambition is to become one of the leaders in corporate and SME banking, to become the first-choice bank for micro-enterprises and to strengthen its position among leaders in private banking.
- **Simplicity** – On the customer side, the Bank will strive to simplify products and communication methods along with the improvement of processes, especially those related to the so-called customer journey. On the business organization side, the Bank will review its internal structures and optimize the sales network.
- **Quality** – Achieving a high level of satisfaction and thus customer loyalty will be a priority. On a synthetic level, the Bank aims at doubling the NPS ratio in the horizon of the current strategy. The level of satisfaction is constantly monitored at various levels, enabling improvement of internal processes. Additional support will be provided by systemic promotion of quality parameters in areas related to customer service.
- **Enthusiasm** – In order to achieve its strategic goals, the Bank will take care of high retention of the best employees and support cooperation and information exchange between business units. The priority will also be to run the business in a socially responsible manner, which is at the same time an element of the brand identity.
- **Digitalisation** – In order to enhance cost efficiency, the Bank introduces process automation by means of artificial intelligence. A great deal of effort is put into cyber security and modernisation of IT architecture. Customers will experience better integrated sales and service channels and will receive better-suited product and service proposals.

2.5. Execution of the strategy in the first half of 2020

Since the beginning of March 2020, events in the country and across the world have been dominated by the COVID-19 pandemic. The whole economy has been confronted with a completely new reality, where health and safety have become an undisputed priority. For many industries, including the banking sector, this meant a redefinition of business models and processes so that they could continue to function in a world of limited direct contact between people. Despite this unprecedented challenge, the Bank managed to remain fully operational. Stability and liquidity were maintained. Customers were provided with full sales and service support, and employees were equipped with all available safety measures. We are convinced that the pillars of Fast Forward strategy, i.e.: intelligent and responsible growth, improvement of efficiency and quality and focus on people – supported by digitalisation – will continue to be valid in the new reality. The pandemic will, on the other hand, strengthen key market trends, such as digitalisation of the banking sector, which will compel the Bank to act more dynamically.

Further actions within the strategy are described in the table below:

PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN THE FIRST HALF OF 2020
<p style="text-align: center;">GROWTH</p>	<p>concentration of resources: people, IT and capital on the most profitable products and segments in order to increase customer acquisition, sales and, as a result, increase of financial results</p>	<ul style="list-style-type: none"> • Record sales of mortgage loans at PLN 2.9 billion, of which PLN 1.5 billion in in the second quarter of the year, which was economically pressured by the pandemic. • Over 110 thousand personal accounts sold in the first half of 2020. • Dynamic development in the area of e-commerce on the Allegro platform. Since the beginning of cooperation, over 330 thousand customers have financed purchases worth PLN 700 million. • Establishing cooperation with Decathlon – sale of credit cards and instalment loans. • Concluding contracts for syndicated financing: <ul style="list-style-type: none"> - Polimery Police project (The Bank acts as one of the main organizers of financing and coordinator of interest rate risk hedging instruments. This is the largest investment in the history of the Azoty Group and in the chemical industry for many years – it will allow Poland to become independent of polypropylene imports), - new wind and photovoltaic farms under construction by Qair Polska (consortium with EBRD up to a total of PLN 630 million) - a multi-annual investment plan for PKP Energetyka (the Bank acts as the Bookrunner and the main organiser). • Concluding contracts with CIECH Group entities for reverse factoring. As a result of the cooperation, the CIECH Group received a total limit of PLN 200 million at its disposal.
<p style="text-align: center;">SIMPLICITY</p>	<p>simpler product offer - especially in the area of Retail Banking, as well as simplified and interactive communication with customers, simplified processes and focus on customer service, optimization of traditional distribution channels and migration of clients to digital channels, simplification of the organisation to increase its effectiveness</p>	<ul style="list-style-type: none"> • Enabling the remote activation of loan moratoria. Suspension of capital and interest instalments for individual and corporate customers. • Opening a bank account without having to leave home using the GOMobile application. Identity is verified on the based on a video of the customer's face. • Possibility to apply for a mortgage product without visiting a branch for applicants who are already the Bank's customers. • Cooperation with booking application Booksy via which customers can arrange a meeting with an advisor on investment, savings or mortgage products in one of 100 branches of the Bank. • Investment (together with PKO BP and Alior Bank) in Autenti start-up – the initiative to create a Polish standard for remote signing and digital document circulation. E-signature is systematically implemented in various areas, e.g. available in the sale of current / savings accounts, instalment loans and leasing and

PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN THE FIRST HALF OF 2020
		<p>for selected documents in the Wealth Management segment. Bank is the first on the market offering corporate clients access both to e-signature and qualified e-signature.</p> <ul style="list-style-type: none"> • The Financial Shield (Tarcza Finansowe): enabling applications for a Polish Development Fund (PFR) subsidy in the electronic banking system.
QUALITY	<p>significant improvement in the quality of customer service and its satisfaction by changing the organisation and streamlining service processes and focusing on the relationship with the client, recognition and appreciation of the loyalty of current customers and change of meaning and approach to measure of customer satisfaction</p>	<ul style="list-style-type: none"> • Founding Customer Lab – an internal “knowledge about customers centre” – for researching customer preferences and needs. • Free assistance of a sign language interpreter - in the branches and on the Bank's hotline - deaf people may use their own phone or a special tablet to connect with a professional interpreter who will introduce the Bank's offer using Polish sign language. • Launching the Centre of Competence regarding the Anti-Crisis Shield (Tarcza Antykryzysowa) offering free consultations for Wealth Management segment clients-entrepreneurs. • A 5-star, top rating in Forbes magazine's private banking services rating for BNP Paribas Wealth Management. • 3rd place in the Golden Banker (Złoty Bankier) ranking in the Credit Card category. • Service Quality Star (Gwiazda Jakości Obsługi) in a consumer study by the Polish Service Quality Program. • Implementation of campaigns supporting Polish entrepreneurs, e.g. joint action with OLX <i>Get Poland started with transactions</i> and <i>We support local business</i>.
ENTHUSIASM	<p>increased employee involvement through participation in projects and increased cooperation, revitalization of organizational culture through rewarding for results, focus on talents, attracting the best on the market and care for the best employees</p>	<ul style="list-style-type: none"> • Ranking of Responsible Firms: 1st place for the second consecutive year in the general classification and 1st place in the banking and financial & insurance sector category. • The Silver CSR Leaf award of the Polityka weekly magazine (Srebrny Listek CSR Tygodnika Polityka). • Top Employer 2020 Certificate – achieved for the seventh consecutive year, for the personnel policy compliant with best practices. • Support for employees in times of the pandemic: remote working, safety measures in branches, psychological assistance, SARS-CoV-2 tests. The Bank's activities undertaken during the pandemic were assessed by representatives of bank trade unions as a role model. • 20 thousand protective masks and 2 thousand SARS-CoV-2 tests, purchased by the Bank for medical facilities. • Providing 670 laptops for students and organisations in need of support in education and online work.

PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN THE FIRST HALF OF 2020
		<ul style="list-style-type: none"> Bank's support for the Itaka Foundation Anti-Depression Trust Line. This will allow the on-duty shift to be extended from 4 to 15 hours per week for 12 months. This is an important help in the fight against depression, especially in times of pandemic.
DIGITALISATION	<p>building a competitive advantage based on technologies: digitalisation for cost optimisation through automation of operations, digitalisation enabling growth using a comprehensive, multi-channel sales and service model, and digitalisation supporting identification of customer needs through the use of CRM and data analytics to improve the offer matching and personalisation of communication with the client via coherent online and mobile platforms</p>	<ul style="list-style-type: none"> 1.2 million customers actively using remote channels of communication with the Bank. <p>GOonline - finalisation of the migration of retail customers to the new platform and thus switching off the old PI@net system in May 2020. Number of GOonline users - 748,000.</p> <p>GOMobile - extension of the application's functionality - customers without a visit in the branch will, among other things, repay their credit card debt in instalments, prepay a loan or get access to the FX PI@net currency exchange platform; it will also enable payments for parking and public transport tickets in GOMobile (Warsaw has joined several dozen other Polish cities). New functionalities are implemented without the need to temporarily shut down the systems. Number of GOMobile users – 536,000.</p> <ul style="list-style-type: none"> GOMobile Business - new features in the mobile application, including: the use of biometrics to start the application, realising instant payments and handling split payments.

2.6. Impact of the COVID-19 pandemic on the activity of BNP Paribas Bank Polska S.A.

Since mid-March 2020, BNP Paribas Bank Polska has been actively involved in actions supporting the fight against the pandemic, taking steps to ensure continuity of services, while caring for the health of employees and customers, as well as safety of funds entrusted to the Bank. Simultaneously, the Bank actively supports customers and initiatives aiming at restoring economic recovery.

WORK ORGANISATION - PROTECTING EMPLOYEES AND CUSTOMERS

- enabling remote working on a mass scale (both for employees of the headquarters and branches), if the nature of the work allows it; currently, about 85% of the headquarters' employees still work remotely, and people appearing in the office physically work in an interchangeable system (split teams);
- helping employees who do not have company laptops to remotely connect to the office desktop so that they can work from home, increasing the Internet limit on company phones to make it easier for those who do not have home Internet access;
- equipping the Bank's branches with protective plexiglass, masks, gloves, disinfectants;
- in order to ensure the safety of employees and customers, in the period from 18 March to 8 May, the number of people in the branches was reduced, opening hours were shortened, a dedicated service hour for seniors was introduced, and selected branches, including the cashiers, were temporarily excluded from service due to employees' child care responsibilities. Since the outbreak of the pandemic, an average of 99% of the branches were accessible to customers with appropriate safety rules. As of 11th May this year, standard customer service hours were restored in the branches;
- signing a contract with a nationwide network of ALAB diagnostic laboratories to carry out PCR tests - if there is a reasonable suspicion that the employee may have had contact with another employee or customer who was diagnosed with COVID-19 infection;
- preparation of online educational materials for employees' children to support them in organising children's time;
- remote recruitment of new employees, virtual welcome training #NiceToSeeYou for new employees;
- providing telephone psychological support and mental health materials on the Worksmile Wellbeing Platform (formerly Fitqbe);
- all educational and pro-employee initiatives have been transferred to an online platform, i.e. organisation of CSR Days, Children's Day, training offers, webinars (including remote work organisation, COVID-19 pandemic);
- a special section in the internal Echonet network dedicated to information about the coronavirus;
- marketing campaigns of #stayhome - promoting the Bank's personal account, without leaving home.

BUSINESS ACTIVITY, SUPPORTING CUSTOMERS

From the beginning of April 2020, the Bank has provided its customers with the possibility of deferring the repayment of principal and interest or principal only repayments (the so-called "loan moratoria") in a convenient remote process. As at the end of June 2020, the number of loans and advances subject to moratoria was 48.1 thousand with the total gross balance sheet exposure value of PLN 6,788.3 million, of which PLN 3,359.0 million related to individual customers, PLN 3,094.3 million to business entities and PLN 335 million to leasing and other receivables.

In addition, the Bank actively joined the Polish Development Fund's (PFR's) fundraising program for the execution of the PFR Financial Shield Program for micro, small and medium-sized enterprises in relation to the effects of the COVID-19 epidemic in Poland as part of the government's anti-crisis shield. Under the program the Bank purchased on 27 April the PFR0324 bonds for PLN 1 billion, on 8 May the PFR0325 bonds for PLN 1 billion, on 25 May the PFR0925 bonds for PLN 1 billion and on 5 June the PFR0627 bonds for PLN 1 billion. Thus, the Bank's total exposure to the Polish Development Fund (PFR) bonds amounted to PLN 4 billion. Additionally, the Bank acquired PLN 3.7 billion of bonds issued by Bank Gospodarstwa Krajowego (BGK) for the COVID-19 Counteraction Fund.

In the GOonline and BiznesPI@net internet banking systems, the Bank enabled entrepreneurs to submit applications under the anti-crisis shield and the financial shield of the Polish Development Fund (PFR).

Other activities for customers are described below:

Retail Banking

- possibility of remote document processing for customers,
- creating a GOMobile account remotely with video verification technology to confirm customer's identity,
- honouring documents submitted by registered mail or courier service as well as by scans,
- possibility of remote disbursement of a loan tranche,
- remote cash loan disbursement process - from the moment of application to the agreement signing and disbursement of funds,
- remote handling of dispositions for cash loans, credit cards and the Allegro limit,
- encouraging payments with cards, BLIK, Apple Pay and Google Pay,
- increasing the limit for contactless payments (up to PLN 100) without the need to provide a PIN number for Mastercard and Visa cards,
- enabling to open a bank account without leaving home by video-verification (using the GOMobile application and a mobile phone equipped with a camera),
- a series of webinars, addressed to microentrepreneurs, on how to run and promote small business on the Internet,
- enabling the arranging of visits to 100 branches of the Bank via the Booksy booking application,
- implementation of the Autenti e-signature service in Wealth Management,
- facilitating safe parking and travel with the GOMobile application (possibility of remote purchase of city card and parking fee).

Corporate Banking

- PLN 10 billion for loan repayment guarantees under the BGK de minimis guarantee scheme and the Liquidity Guarantee Fund,
- customer support within the framework of the anti-crisis shield and the financial shield of the Polish Development Fund (PFR),
- a personalised approach to the renewal of credit lines for micro-enterprises,
- possibility of remote submission of applications and orders through the Business Service Centre and Business Service Zone,
- possibility of remote processing of documents for customers, including honouring documents submitted by registered mail or courier service, as well as scans,
- possibility of remote disbursement of a loan tranche,
- organisation of webinars in the field of labour law (including subsidies to employees' salaries) and regarding the financial subsidy program for companies, and in cooperation with the SPCG Law Firm also a series of webinars on legal aspects of other support solutions proposed by the government during the epidemic
- enabling entrepreneurs to sign documents electronically on the Autenti platform, as well as to conclude a lease agreement in a car dealership by using an e-signature,
- supporting entrepreneurs by co-financing their advertisements on OLX.

SOCIAL ACTIVITY

- financing 2,000 tests for the presence of SARS-CoV-2 in cooperation with Warsaw Genomics, Diagnostic Group and ALAB company,
- donating 20,000 protective masks to health care,
- fighting against digital exclusion - purchase of over 520 laptops with routers and Internet access for students in need through the Impact Foundation, as part of the #Computerforastudent (#Komputerdlaucznia) action,
- donating 150 bank laptops to school and educational institutions in need of support in education and on-line activities,

- donation to support the development of a tool to manage public fundraising for hospitals: www.wsparciedlaszpitala.pl - a free-of-charge platform that helps hospitals to communicate their needs and support those who want to help them find out what is most needed,
- support of the Association of Little Brothers of the Poor (donation for a basket for an Easter basket for the Senior Citizen),
- the Bank, as a strategic partner of the Wiosna (Spring) Association's Noble Parcel action, supported the organisation in its assistance activities, especially by promoting the "Good Words - Help for Seniors" info-line project, which aims to help the elderly during the COVID-19 pandemic. Thanks to the action, seniors can count on the support of specialists - psychologists, therapists and volunteers,
- financial support for the Alivia Oncological Foundation, a social partner of the BNP Paribas Foundation, to purchase protective gear for oncological patients,
- financial support for the Itaka Foundation Anti-Depression Trust Line action, allowing for the extension of the on-call time from 4 to 15 hours per week for 12 months. The helpline operates within the framework of the "Stop Depression" program of the Foundation and is an important aid in the fight against depression, especially in times of pandemic,
- delivering meals for the medical personnel of Wolski Hospital from the Paribar bank canteen,
- a group of employees-volunteers from the PF Operations Division made 450 masks, which were donated to two orphanages with which the Bank's volunteers cooperate and to the Centre for the Advancement of Women Foundation,
- involvement in the national aid action #hot16challenge2 - the action was accompanied by a fundraising organised via the siepomaga.pl portal, the funds from which were entirely donated to help the healthcare staff in the fight against the coronavirus,
- an information campaign #stayhome, encouraging safe banking and leaving home only when necessary, including a dedicated section on coronavirus on the Bank's website.

The Bank constantly monitors the situation and engages in assistance activities for groups most affected by the pandemic.

IMPACT ON THE FINANCIAL RESULT

- net interest income: according to the Bank's estimates - published by the Bank on 2 and 15 April and 2 June 2020 (Current Reports 13/2020, 15/2020, 20/2020) - decisions of the Monetary Policy Council of 17 March 2020, 8 April 2020 and 28 May 2020 to reduce the reference interest rate from 1.5% to 0.1% and of 17 March 2020 to increase the interest rate on the mandatory reserve from 0.5% to 1.0% as of 30 April 2020 **will have a total negative impact on the Bank's and the Group's interest result for 2020 in the range estimated from PLN 195 to 230 million**. Additionally, the reduction of interest rates is expected to have a negative impact on the result on the credit portfolio measured at fair value through profit and loss in 2020. The actual impact will depend on the profitability curve and the implementation of business assumptions. Both estimates and assumptions may be subject to changes. In the first half of 2020, net interest income was higher by 0.6% y/y, with a clear negative impact of interest rate cuts only visible in the second quarter of 2020, when net interest income dropped by 5.8% q/q,
- financial assets impairment provisions and provisions for contingent liabilities: in the first half of 2020, an increase in loan loss provisions resulting mainly from the change of macroeconomic scenarios following COVID-19 (forward looking PD and LGD, determined on the basis of smoothed macro forecasts) along with the Bank's assessment about the expected future impact of the current economic situation on the risk parameters of selected client types in the total amount of PLN 156.5 million (on a consolidated basis) was taken into account. Consequently, the total cost of risk in in the first half of 2020 is significantly higher than in the comparable period of the previous year, i.e. by 93.8% y/y.

IMPACT ON LIQUIDITY AND CAPITAL SITUATION

- The Bank monitors and assesses the impact of the coronavirus epidemic on the Bank's liquidity and capital situation, which remains good. The liquidity of the banking sector was positively affected by the Monetary Policy Council's decision of 17 March 2020 to reduce the mandatory reserve rate from 3.5% to 0.5% (which means that more funds were left at banks' disposal) and by the decisions of the National Bank of Poland regarding the purchase of treasury bonds, a bill-of-exchange loan and repo operations (increasing banks' ability to manage current liquidity),

- By decision of the Minister of Finance, as of 19 March 2020, the level of the systemic risk buffer was reduced from 3% to 0%. This means that the minimum capital requirements for the Bank and the Group have been reduced to 10.75% for the Bank's total capital adequacy ratio (TCR) and to 8.75% for the Tier 1 capital ratio. As at 30 June 2020, the consolidated TCR was equal to: 15.24% and Tier 1: 12.93%,
- Since the announcement of an epidemic threat and the so-called "lockdown" in Poland, the Bank has recorded much lower customer activity despite the ensured availability of the branch network and other channels of contact with the Bank. As a result, in the second quarter of 2020 the Bank recorded lower sales volumes of banking products, e.g. the number of personal accounts sold decreased by 40% q/q, and cash loans by 46% q/q. Only the sale of mortgage loans remained at levels before the pandemic began. In the Corporate Banking and SME segments, customer acquisitions in the second quarter were lower by 47% q/q, and payment volumes - by 10% q/q. This translated into lower loan volumes, which were 0.7% lower than in the first quarter of 2020. At the same time, as a result of anti-crisis measures, a significant increase in non-financial customer deposits is observed. These factors, additionally taking into account the aforementioned changes concerning the amount of the mandatory reserve, resulted in a significant improvement of liquidity ratios - the Bank's LCR increased from 130-140% to over 180%, and the loan-to-deposit ratio decreased to the historically low level of 81%. Liquidity surpluses are invested in liquid assets (including Polish Development Fund and BGK bonds).
- Minimum level of own funds and eligible liabilities (MREL): on 16 March 2020 the Bank received a letter from the Bank Guarantee Fund concerning a joint decision of the resolution authorities, i.e. the Single Resolution Board, the Central Bank of Hungary, Finanstilsynet, Bank of England and the Bank Guarantee Fund, on the minimum level of own funds and eligible liabilities (MREL). This decision is based on the BNP Paribas Group's forced restructuring strategy assuming a Single Point of Entry (SPE).

The MREL requirement for the Bank was set at the sub-consolidated level at 16.001% of total equity and total liabilities ("TLOF"), which corresponds to 20.866% of total risk exposure ("TRE"). This requirement should be achieved by 31 December 2022. In addition, the Bank Guarantee Fund has set MREL interim targets at sub-consolidated level, which in relation to the TLOF are: 12,363 % at the end of 2020 and 14,182 % at the end of 2021; and in relation to the TRE are: 16.122% at end 2020 and 18.494% at end 2021.

The MREL requirement was determined on the basis of consolidated balance sheet data as at 31 December 2018 and the required buffers valid as at 1st January 2019 and the additional capital requirement of the Polish Financial Supervision Authority valid as at 9 July 2019 (on 9 July 2019 the Bank was released from the obligation to maintain that requirement).

According to the Bank Guarantee Fund announcement of 26 March 2020, as a consequence of lifting of the systemic risk buffer, the MREL requirements will be significantly reduced and the target date for compliance will be extended to 1st January 2024 (instead of 1st January 2023) as well as the deadline for meeting the first binding medium-term target to 1st January 2022 (instead of 1 January 2021). The Bank informs that binding decisions on the MREL requirements for the Bank are issued at the Single Resolution Board level in agreement with the Bank Guarantee Fund and have not changed as of the date of publication of this Report.

The Bank intends to meet the defined MREL requirements at the end of 2020.

POTENTIAL IMPACT ON THE FUTURE SITUATION OF THE BANK AND THE GROUP

At the moment, it is not possible for the Bank to precisely estimate the impact of the coronavirus epidemic on the Bank's activity and financial results in subsequent periods. The development of the economic situation is and will be dependent on a number of factors, including the duration of the epidemic, the restrictions introduced and potential additional support activities within the framework of economic and monetary policy undertaken by Polish and/or European authorities. In the Bank's opinion, the deterioration of the global and domestic economic outlook may result in lower customer activity and lower sales of banking products, and consequently, lower business and financial results of the Bank and the Group. At present it is impossible to reliably estimate the impact of the coronavirus epidemic on the quality of assets and the level of risk costs in subsequent periods. The Bank's Management Board intends to actively adjust the Bank's policy and procedures to the changing economic conditions and plans actions aimed at limiting the impact of these factors on the financial results.

2.7. Factors which may affect the performance and operations of the Bank's Capital Group

The most important external factors, which in the Bank's opinion may affect the Group's results in the subsequent periods, include the following:

- The coronavirus pandemic and the initial symptoms of recession.** The scale and rate of the spread of coronavirus worldwide varies from region to region. In Europe, the coronavirus situation is beginning to stabilise thanks to restrictions and social distancing. This has reduced the spread of the coronavirus, but has had a negative impact on private consumption, industrial production and the labour market. The synchronised nature of the economic slowdown has intensified the slowdown worldwide. Global trade contracted in the first quarter by more than 5% y/y and continued the trend in April, falling to 16% y/y. The trade contraction reflects weaker demand combined with supply-side changes related to supply disruptions (exacerbated in some cases by trade restrictions). According to the International Monetary Fund (IMF), the economic slowdown in some countries could be deeper than previously estimated. According to the IMF report of June, the global economy will contract by around 4.9% in 2020 (previous estimate: -3.0%). In the eurozone, the IMF forecasts a 10.2% contraction in 2020 and a 6.0% rebound in 2021 (previous estimates: 7.5% and 4.7% respectively). For Poland, the IMF's forecasts have been upheld and the IMF expects a 4.6% decline in GDP this year and a 4.2% increase in the next year. The European Commission's forecasts are slightly milder. GDP in the euro zone is expected to fall by 8.7% in 2020 and to rebound by 6.1% in the next one. In case of Poland, forecasts are similar. Both institutions also agree on the high degree of uncertainty surrounding the forecasts. The actual scale of the GDP contraction will largely depend on the fall in economic activity in the second quarter (not all data are yet available) and the scale and duration of the shock. These elements in turn depend on several uncertain factors, including the length of the pandemic and renewed economic lockdowns, upholding of social distancing, the ability of workers and entrepreneurs to adapt to the "new" reality or the reorganisation of global supply chains.
- Actions taken by major central banks and governments.** Determined and swift action taken by central banks and governments around the world has helped to mitigate the economic impact of the pandemic. Fiscal stimuli in the form of assistance programs have saved workers from unemployment, while financial support to businesses and regulatory action to ensure continued lending has prevented the scale of bankruptcies from worsening. Fast and, in some cases, unconventional actions of the main central banks (e.g. the introduction of asset purchase programs by central banks of emerging markets, including Poland) increased liquidity and limited the increase in loan costs.
- Activities of Polish central institutions in the fight against the coronavirus epidemic.** The coronavirus epidemic had a significant impact on the monetary policy pursued by the National Bank of Poland (NBP). Starting from March this year, the Monetary Policy Council (MPC) decided on three interest rate cuts, by a total of 140 basis points. Currently the reference interest rate is 0.1%. In addition, the National Bank of Poland (NBP) has launched the first ever quantitative easing program (QE), which consists of purchasing securities (mainly treasury bonds and bonds guaranteed by the State Treasury issued by BGK and the Polish Development Fund). The aim of the undertaken actions was to stabilise the secondary market of treasury bonds and support the lending to the economy. Moreover, the launch of the QE program made it possible for the Ministry of Finance to introduce anti-crisis packages, which allowed to avoid the risk of the treasury bond market collapse that took place in 2008 or 2012-13. According to the statements of MPC members, the interest rate easing cycle is completed.
- The economic situation in Poland.** The first quarter of 2020, despite the evolving epidemic in Poland, ended with a GDP growth of 2.0% y/y, compared to 3.2% y/y in the previous quarter. The main driver of growth was public sector spending, driven by the introduced aid packages. On the other hand, limited demand coupled with uncertainty in the labour market translated into a slowdown in household spending. Private consumption and investment slowed down to 1.2% y/y and 0.9% y/y respectively. According to the inflation report published by the National Bank of Poland in July 2020, the bottom of the recession occurred in the second quarter of this year and was caused, among others, by limited consumer spending, reduced supply and weakened external demand. In the view of the National Bank of Poland, the impact of these three factors will translate into an over 10% y/y decline in GDP in the second quarter. According to the National Bank of Poland, as the restrictions are alleviated and the economic situation abroad improves, in the second half of 2020 there will be a limited recovery of domestic economic activity, but the GDP dynamics in y/y terms will remain negative (-7.7% y/y in the third quarter). This recovery will primarily cover consumer spending. Households will gradually purchase goods and services not completed in the second quarter, but consumer demand will be limited by a significant deterioration of their income situation. Throughout 2020 the NBP expects a 5.4% y/y drop in GDP.

- Situation in the Polish labour market.** Due to a strong reduction of economic activity in the second quarter of this year, the situation in the labour market deteriorated. In particular, the number of employed persons has decreased, unemployment has increased and the wage dynamics have decreased. In the second quarter, the unemployment rate increased to 6.1% from 5.4% in the previous quarter. In June this year the government revised its estimates for the unemployment rate registered at the end of 2020 to 7-8% from previously forecast 10%. In the longer term, the forecast of the unemployment rate is subject to considerable uncertainty and depends, among other things, on how quickly the recession will end for our main trading partners and how fast the recovery will be. Moreover, economic activity will be influenced by the extent to which companies will use anti-crisis measures, such as assistance for micro-businesses and the self-employed, and the possibility of taking advantage of furlough by entrepreneurs. At the same time, according to the results of the research on the economic situation conducted by the Central Statistical Office (GUS), in May this year the percentage of enterprises expecting a decrease in employment within the next three months decreased. In June and July this percentage was further decreasing, although the share of companies expecting a decrease in employment still outweighs the share of companies expecting it to increase.
- Changes in the inflation level.** According to the Central Statistical Office (GUS), in June this year's CPI accelerated to 3.3% y/y, which was a big surprise as the market was expecting an increase to about 2.9%. The main reason for the rise was core inflation (up by 4.1% in June and the highest result since 2001). The data suggest that core inflation remains high despite a general consensus that a pandemic will have a deflationary impact on the economy. It is worth noting that June was the first month after the outbreak of the pandemic in which the CPI data should not be distorted by problems with data collection. The reasons for the rise in inflation can now be found in the sudden increase in demand in closed industries due to the pandemic (deferred demand) and in an attempt to pass on costs to the customer (tightened sanitary regime). However, the sharp slowdown in growth this year and the resulting opening of the output gap suggests a slowdown in inflation this year and next year, which is consistent with the NBP's inflation forecast published in the *Report in inflation*. According to this publication, CPI inflation in the third quarter of this year will slow down to 2.8% y/y and to 2.7% y/y in the fourth quarter.
- Potential increase in public finance imbalance.** After the general government deficit (ESA2010) fell to 0.2% of GDP in 2018, it increased to 0.7% in 2019. The larger deficit was influenced by a package of legislative changes announced by the government including increased spending on social benefits and a reduction in personal income tax. In 2020, the deficit will increase significantly as a result of fiscal stimulus. According to the updated Convergence Program, the deficit of the entire public finance sector will reach 8.4% of GDP. The main reason for this increase in the deficit will be the implemented fiscal stimulation scheme called "Anti-Crisis Shield", which aims at helping entrepreneurs and at maintaining jobs. The potential effectiveness of the presented packages is, in our opinion, high, but a lot will depend on the extent to which the above-mentioned aid is used by enterprises.
- Potential increase in risk aversion in European financial markets.** At the moment, global growth prospects are strongly affected by the coronavirus epidemic. The main topic in the markets is the potential impact of the second wave of the disease on the global economy. On the other hand, optimism and hopes related to the rapid economic recovery are supported by the incoming positive macroeconomic data.
- Potential depreciation of the PLN against key currencies.** The zloty as an emerging market currency is heavily influenced by external factors. In June this year, the EUR/PLN exchange rate decreased to ca. 4.40-4.50 compared to 4.60 in April and May, following growing hopes for economic recovery. However, it is still well above the pre-epidemic levels, i.e. 4.25-4.30. If the aversion in the markets intensifies, the foreign exchange market will transfer capital from risky assets to those considered safe (e.g. the dollar, yen, gold), which may further weaken the zloty. However, as the epidemic subsides and the economy opens up, the zloty is likely to return to the nominal trend of strengthening in relation to the euro.
- Deterioration of the credit portfolio quality.** The economy freezing in response to the pandemic will directly translate into higher unemployment and will strongly affect the condition of companies. The immediate effects to be expected have been mitigated or postponed by the introduction of a number of anti-crisis tools by the government. Direct subsidies required the entrepreneur to maintain employment, which stopped excessive unemployment growth. In turn, borrowers who were uncertain of their future income could apply to their bank for loan repayment moratoria for 3 or 6 months. According to the estimates of the Polish Bank Association, by the end of June this year, over a million customers have already made use of this opportunity. As a result, according to the NBP data for June this year, the quality of the portfolio measured by the NPL indicator remains stable. So far, no worrying movements have been observed in any product category, although this situation is most likely unsustainable in the long term.

- Structure of the banking sector balance sheets.** Demand for credit fell sharply during the pandemic, which combined with the banks' more cautious approach to risk hampered new business. This occurred despite interest rate cuts aimed at strengthening the economy by attracting more investment. At the same time, deposit levels in the sector continue on the trajectory of strong growth. This led to an exceptionally low loan-to-deposit ratio in the sector (<85%) and forced banks to allocate funds to other instruments. These are most often invested in treasury bonds, and in times of the epidemic also in bonds issued on a large scale by the Polish Development Fund and BGK. The banking tax is also important in this situation. At such low interest rates, the tax charges additionally discourage banks from taking up more credit (especially when granted with low interest levels) when safe treasury bonds are exempt from the banking tax. These structural changes may have a negative impact on banks' net interest margins and may consequently reduce the profitability of the banking sector.
- Stability of the deposit base at reduced interest rates.** Following three successive interest rate cuts, the reference interest rate decreased from 1.50% in March 2020 to a symbolic 0.10% in May. As a result, interest rates on savings products in banks faced another wave of cuts, which resulted in more and more offers with rates close to zero. Despite this, there is no risk of deposit outflow from banks. According to NBP data, since February 2020 (before the first rate cut) to June 2020, the value of deposits from private individuals in the banking sector increased by PLN 28 billion to PLN 865 billion. However, a change in the structure of savings is visible. In the analysed period, customers withdrew PLN 40 billion from deposits and other term liabilities, while the volume of current deposits increased by PLN 68 billion. Thus, funds on current accounts already constitute 71% of private individuals' deposits. Further growth of this ratio can be expected in subsequent quarters. The overall deposit base should remain stable due to the decline in popularity of many other forms of capital investment, such as the real estate market (uncertainty in the market) or treasury bonds (interest rate cuts).
- Lowering the maximum lending cost limits.** The regulations within the anti-crisis shield, in force since the beginning of April, limit the total interest and non-interest costs from 55% to 21% per year for loans over 30 days. A 5% limit on total costs for loans shorter than 30 days was also introduced. The rules are to be in force until March 2021. As a consequence of the new rules, bankruptcies in the lending industry are expected. A conservative estimate of March 2020 predicted bankruptcies of up to 60% of entities. CRIF's data on sales of so called "chwilówki" ("loans for a moment") confirms large drops in sales. In terms of the number of loans, the negative dynamics compared to the beginning of March reached -60% in mid-April, after which it stabilized at -45% in May. In terms of value, the decreases are even stronger, by -75% and -65% respectively. This is a result of both lower demand for loans and tighter credit criteria by lenders. Promotional free offers for new customers have almost disappeared from the market, and some institutions have completely stopped lending. There is a risk that the lending market will shrink permanently, thus pushing some customers into unregulated areas.

The Bank emphasises that the dynamically changing situation and uncertainty as to the real impact of the coronavirus epidemic on the economy and environment may result in the occurrence of other significant factors not mentioned in this Report.

3. FINANCIAL STANDING OF THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN FIRST HALF 2020

3.1. Consolidated statement of profit and loss

In the first half of 2020 the BNP Paribas Bank Polska S.A. Capital Group generated a net profit of PLN 334,127 thousand, i.e. by PLN 44,534 thousand (11.8%) higher than the one achieved in the same period of 2019.

The result on the banking activity of the Group in the analysed period amounted to PLN 2,372,332 thousand, and was higher by PLN 50,371 thousand, i.e. by 2.2%.

The most important event affecting the level of net profit in the first half of 2020 and comparability of results with the first half of 2019 was the coronavirus pandemic, which started in Poland in March 2020 and radically changed the economic situation of the country and the conditions of activities of the Group and its clients. The factors that had the greatest impact on the Group's financial results were the following:

- reduction of the NBP interest rates implemented by the Monetary Policy Council by decisions of 17 March, 8 April and 28 May 2020 (for the reference rate decrease from 1.5% to 0.1%). It is estimated that the total impact of interest rate cuts on the Bank's and the Group's interest result for 2020 may range from PLN 195 to 230 million. Additionally, changes in the yield curve had a negative impact on the result on the loan portfolio measured at fair value through profit or loss, i.e. the result on the Group's investment activity;
- disruption of business activities caused by sanitary restrictions introduced in Poland at the end of the first quarter of 2020, which negatively affected the economic situation and consequently led to the cost of risk almost doubling due to additional write-offs resulting from changes in macroeconomic scenarios caused by COVID-19 influence. The result of impairment losses on financial assets and provisions for contingent liabilities in the first half of 2020 was negative and amounted to PLN 398,233 thousand, compared to PLN 205,534 thousand in the first half of 2019. (increase by PLN 192,699 thousand, i.e. by 93.8%);
- sharp reduction in activity and changes in the existing habits and behaviours of the Group's customers, which had a negative impact on the fee and commission income and trading income in Q2 2020. Uncertainty as to the scale and permanence of these changes makes their impact on the 2020 results impossible to estimate at present.

The factor that mitigated to some extent the unfavourable impact of the pandemic on the Group's financial results for the first half of 2020 is the fact that in November 2019 the operational merger between the Bank and the core business of Raiffeisen Bank Polska S.A. ("RBPL", "Core RBPL") was completed and thus there was no negative impact of integration costs.

It is estimated that after excluding integration costs the net profit in the first half of 2020 would amount to PLN 332,009 thousand and would be by PLN 178,563 thousand (i.e. by 35.0%) lower than the net profit that would be reported in the first half of 2019 (PLN 510,573 thousand) after excluding integration costs.

As elements that partially neutralised the negative impact of the coronavirus pandemic on the results of the first half of 2020 should also be included:

- results on the debt instruments measured at fair value through other comprehensive income realized in Q1 and Q2 2020 mainly as part of the Asset and Liability Management Division (ALM Treasury) activity. These transactions made it possible to increase the result on investment activity in the first half of 2020 by the total amount of PLN 74,433 thousand (compared to PLN -585 thousand in the first half of 2019),
- increase in the valuation of infrastructure companies (BIK, KIR, Mastercard and VISA Int.) in the first half of 2020 by PLN 56,723 thousand, presented as part of the result on trading activities.

Additionally, the comparability of the results achieved in the first half of 2020 and the first half of 2019 was influenced by the following factors:

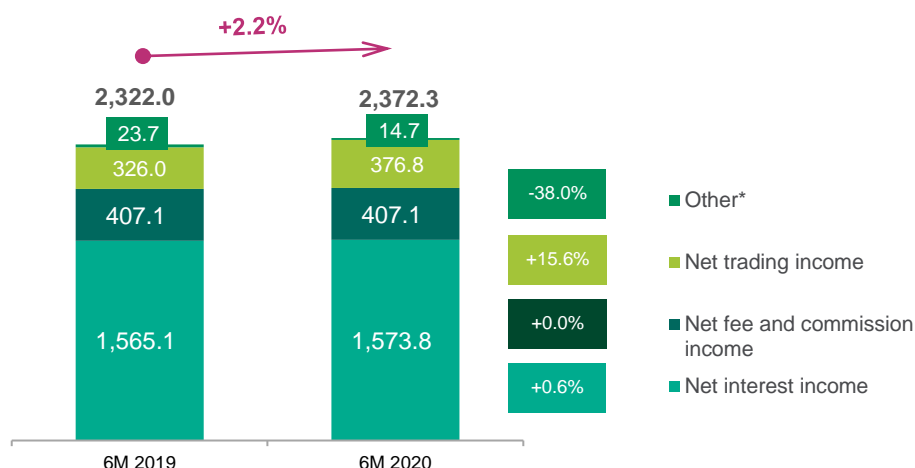
- The Group incurred higher costs for the Bank Guarantee Fund ("BFG") in the first half of 2020 as a result of an increase in the calculation base and changes in the level of contributions made by the BFG Board compared to 2019. In the first half of 2020, the total costs of the BFG incurred by the Group amounted to PLN 169,553 thousand and were higher by PLN 27,833 thousand (i.e. 19.6%) than in the first half of 2019;
- recognition (charging the results of the first half of 2020) of a provision for CHF mortgage loans proceedings in the total amount of PLN 26,559 thousand (portfolio and individual method, judgment of the Court of Justice of the European Union of 3 October 2019 in case C-260/18),
- recognition in the result on other operating income/costs in the first half of 2020 of the sale of real estate at Kasprzaka Street in Warsaw, in the gross amount of PLN 43 564 thousand,
- execution on 28 June 2019 of the transaction of sale of the organised part of the Bank's enterprise conducting the factoring activity to BGŻ BNP Paribas Faktoring Sp. z o.o. and recognition in the Group's gross financial result in the first half of 2019 the amount of PLN 45,000 thousand. In July 2019, the parties to the transaction made a final verification of the transferred net value of factoring receivables, as a result of which in the third quarter of 2019 an adjustment of the sales price of PLN 2,565 thousand was made. The final selling price after the adjustment was PLN 42,435 thousand.

Table 4. Statement of profit or loss

in PLN '000	6 months ended	6 months ended	Change y/y	
	30.06.2020	30.06.2019	PLN'000	%
Net interest income	1,573,773	1,565,139	8,634	0.6%
Net fee and commission income	407,059	407,087	(28)	(0.0%)
Dividend income	2,439	1,556	883	56.7%
Net trading income	376,805	326,032	50,773	15.6%
Net investment income	17,870	(19,998)	37,868	x
Result on fair value hedge accounting	(9,697)	(1,083)	(8,614)	795.4%
Other operating income and expenses	4,083	43,228	(39,145)	(90.6%)
Net income on banking activity	2,372,332	2 321,961	50,371	2.2%
Net impairment allowance on financial assets and provisions for contingent liabilities	(398,233)	(205,534)	(192,699)	93.8%
General administrative expenses	(1,130,427)	(1,232,900)	102,473	(8.3%)
Depreciation and amortization	(179,552)	(221,227)	41,675	(18.8%)
Operating result	664,120	662,300	1,820	0.3%
Tax on financial institutions	(150,823)	(141,327)	(9,496)	6.7%
Profit (loss) before income tax	513,297	520,973	(7,676)	(1.5%)
Income tax expense	(179,170)	(142,312)	(36,858)	25.9%
Net profit (loss)	334,127	378,661	(44,534)	(11.8%)
Net profit (loss) excluding integration costs*	332,009	510,573	(178,563)	(35.0%)

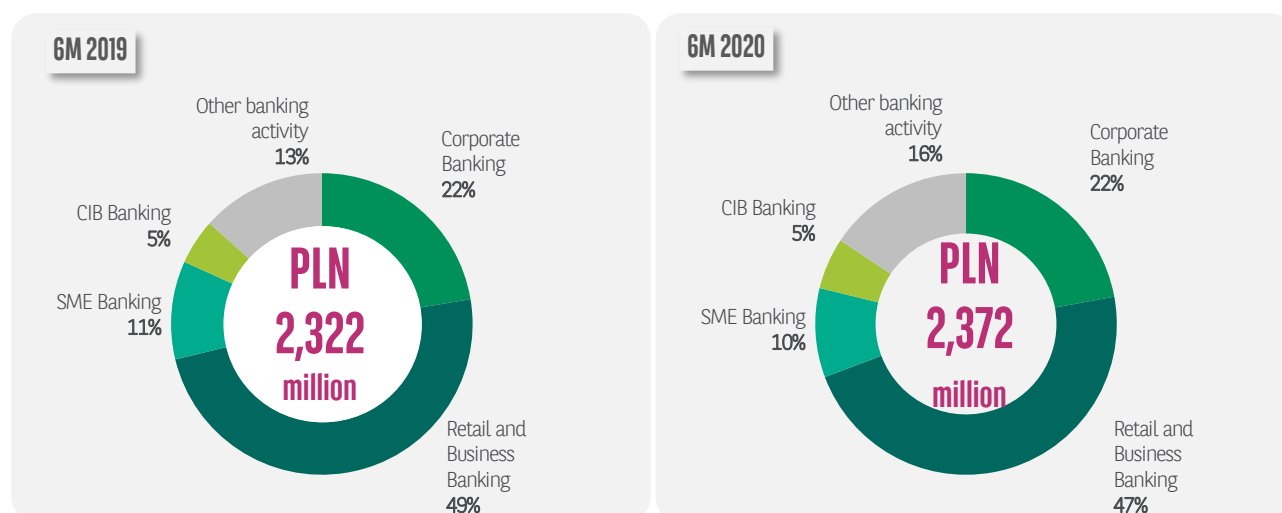
* Integration costs: First half 2020 – positive PLN 2,614 thousand, First half 2019 – negative PLN 162,854 thousand
Note: As the figures have been rounded up, the totals in the tables and charts of this Report may not add up

Chart 10. Structure of net income on banking activity in PLN million



* The 'Other' category includes the result on investment activities, result on hedge accounting, dividends income and other operating income and expenses

Chart 11. Net income on banking activity by segments



The changes in the structure of the result on banking activity broken down by segments, as shown in the charts above, are i.e. a result of an improvement in the result on investment activity carried out within the Asset and Liability Management Division (ALM Treasury).

Net interest income

Net interest income, which is the main source of the Group's income, amounted in the first half of 2020 to PLN 1,573,773 thousand and was higher by PLN 8,634 thousand or 0.6% y/y.

In the first half of 2020, as compared to the first half of 2019, interest income was lower by PLN 147,727 thousand, i.e. by 7.1%, while interest expenses decreased by PLN 156,139 thousand, i.e. by 29.5%.

Table 5. Net interest income

in PLN '000	6 months ended 30.06.2020	6 months ended 30.06.2019	change y/y	
			PLN'000	%
Loans and advances to banks	6,451	11,756	(5,305)	(45.1%)
Loans and advances to clients measured at amortized cost	1,489,133	1,642,728	(153,595)	(9.4%)
Loans and advances to clients measured at fair value through profit or loss	17,424	33,284	(15,860)	(47.7%)
Debt instruments measured at amortized cost	249,782	210,043	39,739	18.9%
Debt instruments measured at fair value through profit or loss	1,886	280	1,606	573.6%
Debt instruments are measured at fair value through other comprehensive income	96,960	117,024	(20,064)	(17.1%)
Derivative instruments in fair value hedge accounting	85,232	79,461	5,771	7.3%
Buy-sell-back securities	-	19	(19)	(100.0%)
Interest income	1,946,868	2,094,595	(147,727)	(7.1%)
Amounts due to banks	(48,541)	(48,992)	451	(0.9%)
Debt securities issued	(33,928)	(38,925)	4,997	(12.8%)
Amounts due to customers	(219,119)	(360,345)	141,226	(39.2%)
Lease liabilities	(3,605)	(4,267)	662	(15.5%)
Derivative instruments in fair value hedge accounting	(61,661)	(62,211)	550	(0.9%)
Sell-buy-back securities	(6,241)	(14,716)	8,475	(57.6%)
Interest expenses	(373,095)	(529,456)	156,361	(29.5%)
Net interest income	1,573,773	1,565,139	8,634	0.6%

An important external factor affecting the decrease in the level of interest income, expenses and interest result was the policy of the National Bank of Poland (NBP) in terms of shaping basic interest rates. In 2020, in order to counteract the negative economic effects of the coronavirus pandemic, the Monetary Policy Council, in its decisions of 17 March, 8 April and 28 May 2020, reduced the NBP interest rates (for the reference rate from 1.5% to 0.1%).

The changes did not have a significant impact on the result for Q1 2020 (the first one entered into force on 18 March) but - due to their scale and current level of interest rates close to zero - they affected the interest result in the second quarter of 2020 and will cause a decrease in interest margins realised by banks in the whole 2020. It is estimated that the total impact of interest rate cuts on the Bank's and the Group's interest result for 2020 may range from PLN 195 to 230 million. The actual impact will depend on the yield curve and the execution of business assumptions. Both estimates and assumptions are subject to change.

An additional factor affecting the reduction of interest income in the first half of 2020 as compared to the first half of 2019 was also the recognition in the profit and loss account of settling the fair value adjustment for the Phase I loan portfolio acquired within the RBPL Core Business. In the first half of 2020, the positive impact of this settlement was PLN 25,097 thousand (of which in the first quarter of 2020: PLN 13,431 thousand and in the second quarter of 2020: PLN 11,666 thousand), while in the first half of 2019, it was PLN 60,658 thousand (decrease in revenue by PLN 35,561 thousand).

The net interest income in the first half of 2020 was also negatively affected by commission returns on early client loan repayments after September 11, 2019 (CJEU judgment) in the amount of PLN 24.0 million (in Q2 2020: PLN 12.2 million, in Q1 2020: PLN 11.8 million, in Q4 2019: PLN 15.1 million, in Q3 2019: PLN 3.5 million).

As a result of the factors described above, the average credit margins realised in the first half of 2020 were lower than in the corresponding period of the previous year and this trend will intensify in the second half of 2020.

A factor positively affecting the level of interest income was the optimisation of financing costs throughout 2019, which allowed to achieve higher average deposit margins in the first quarter of 2020 and maintain average deposit margins in the whole first half of 2020 at a level similar to the first half of 2019. Additionally, in the first half of 2020, the Bank took steps to adjust deposit prices to the changed market environment.

Among the factors that made it possible to maintain the interest result in the first half of 2020 at a level comparable to that of the first half of 2019, there was also an increase in the scale of operations and, as a result, an increase in the average value of the loan portfolio and the securities portfolio (interest income on debt instruments measured at amortised cost and measured at fair value increased in the analysed period by PLN 21,281 thousand, i.e. by 6.5%).

As at the end of June 2020, the Group applied fair value hedge accounting. The change in fair value measurement of hedging transactions is recognized in the result on hedge accounting. Interest on IRS transactions and hedged items is recognized in the interest result.

Net interest income on hedging relationships (total interest income and interest expense on derivatives under fair value hedge accounting) amounted in the first half of 2020 PLN 23,571 thousand compared to PLN 17,250 thousand in the first half of 2019 (increase by PLN 6,321 thousand, i.e. by 36.6%).

Net fee and commission income

The Group's fee and commission income in the first half of 2020 amounted to PLN 407,059 thousand and remained at a level similar to the first half of 2019 (it was lower by PLN 28 thousand y/y).

Fee and commission income increased in the first half of 2020 as compared to the first half of 2019 by PLN 635 thousand, i.e. by 0.1%, while fee and commission expenses increased by PLN 663 thousand, i.e. by 0.7%.

The largest increases in fee and commission income concerned the following categories:

- intermediation in the sale of insurance products by PLN 16,199 thousand, i.e. by 60.5% (among others, due to higher income from life insurance for mortgage loans),
- accounts servicing by PLN 10,684 thousand, i.e. by 15.8% (due to, among others, unification of the offer and commission tariffs after the merger with Core RBPL),
- lending and leasing activity by PLN 6,946 thousand, i.e. by 5.2%,
- other commissions by PLN 6,054 thousand, i.e. by 79.4%.

The decrease in revenues from the execution of transfers and electronic banking services (by PLN 16,211 thousand, i.e. by 30.6%) was related to, among others, new European regulations on the commissions on international transfers (SEPA, December 2019).

The decrease in revenue from payment and credit card service (by PLN 6,353 thousand, i.e. by 6.3%) was related to, among others, a change in the presentation of revenue from exchange rate differences on card transactions (since November 2019, exchange rate differences on card transactions with currency conversion are presented as a result of trading activity).

The increase in fee and commission expenses was mainly due to higher costs of:

- other commissions by PLN 7,969 thousand or 145.2%,
- intermediation in the sale of insurance products by PLN 4,348 thousand, i.e. by 60.7%,
- accounts servicing by PLN 3,162 thousand, i.e. 125.6% (including an increase in the cost of servicing nostro accounts).

Table 6. Net fee and commission income

in PLN '000	6 months ended 30.06.2020	6 months ended 30.06.2019	change y/y	
			PLN'000	%
Fee and commission income				
loans, advances and leases	141,239	134,293	6,946	5.2%
accounts servicing	78,280	67,596	10,684	15.8%
cash service	14,267	19,716	(5,449)	(27.6%)
cash transfers and e-banking	36,748	52,959	(16,211)	(30.6%)
guarantees and documentary operations	26,874	29,302	(2,428)	(8.3%)
asset management and brokerage services	53,303	57,500	(4,197)	(7.3%)
payment and credit cards	95,158	101,511	(6,353)	(6.3%)
intermediation in the sale of insurance products	42,975	26,776	16,199	60.5%
intermediation in the sale of Bank's products and acquisition of customers	6,524	11,135	(4,611)	(41.4%)
other commissions	13,673	7,619	6,054	79.5%
Fee and commission income	509,042	508,407	635	0.1%
Fee and commission expenses				
loans, advances and leases	(280)	(1,509)	1,229	(81.4%)
accounts servicing	(5,680)	(2,518)	(3,162)	125.6%
cash service	(3,858)	(5,797)	1,939	(33.4%)
cash transfers and e-banking	(1,149)	(2,527)	1,378	(54.5%)
asset management and brokerage operations	(2,152)	(8,124)	5,972	(73.5%)
payment and credit cards	(51,583)	(52,733)	1,150	(2.2%)
intermediation in the sale of insurance products	(11,513)	(7,165)	(4,348)	60.7%
intermediation in the sale of Bank's products and acquisition of customers	(12,312)	(15,460)	3,148	(20.4%)
other commissions	(13,456)	(5,487)	(7,969)	145.2%
Fee and commission expenses	(101,983)	(101,320)	(663)	0.7%
Net fee and commission income	407,059	407,087	(28)	(0.0%)

Dividend income

Dividend income in the first half of 2020 amounted to PLN 2,439 thousand and resulted from the 2019 profits of companies, in which the Bank held minority shares, i.e.: PONAR S.A. (PLN 1,563 thousand), CCCiG Group (PLN 843 thousand) and Dafo Plastic S.A. (PLN 33 thousand).

Dividend income in the first half of 2019 amounted in total to PLN 1,556 thousand and resulted from the profits of Krajowa Izba Rozliczeniowa S.A. (PLN 1,179 thousand) and VISA (PLN 377 thousand).

Net trading income and net investment income

The result on trading activity in the first half of 2020 amounted to PLN 376,805 thousand and was higher by PLN 50,773 thousand, i.e. by 15.6% y/y. The level and volatility of this result is determined mainly by the valuation of equity instruments and the foreign exchange result.

The factor that positively affected the level of trading income in the first half of 2020 was a positive change in the valuation of shares in companies held by the Bank, measured at fair value through profit or loss in the total amount of PLN 61,784 thousand (as compared to PLN 8,913 thousand in the first half of 2019).

The above amount was primarily attributable to a change in the valuation of shares in: BIK S.A. (PLN 36,061 thousand), Mastercard (PLN 10,790 thousand), KIR S.A. (PLN 8,990 thousand) and Visa Intl. (PLN 883 thousand).

The increase in valuation made it possible to neutralise the decrease in the result on derivatives and the foreign exchange result, which amounted in the first half of 2020 to PLN 310,991 thousand and was lower by PLN 4,831 thousand, i.e. by 1.5%, as compared to the result generated in the first half of 2019. This decrease was influenced, among others, by a decrease in the activity of enterprises as a result of freezing the economy under sanitary restrictions introduced in connection with the coronavirus COVID-19 pandemic.

Result on investment activity in the first half of 2020 amounted to PLN 17,870 thousand and was higher by PLN 37,868 thousand than the loss of PLN 19,998 thousand incurred in the first half of 2019.

The main item determining the level of the result in the first half of 2020 was the result on debt instruments measured at fair value through other comprehensive income in the amount of PLN 74,433 thousand, realized in the first and second quarter (respectively: PLN 26,620 thousand and PLN 47,813 thousand). The result on debt instruments in the first half of 2019 amounted to PLN -585 thousand.

These transactions made it possible to neutralise the negative impact of the valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which amounted to PLN -56,565 thousand in the first half of 2020 (compared to the negative impact of PLN -19,413 thousand in the first half of 2019).

The factor negatively influencing the valuation of the portfolio in the first half of 2020 was, among others, a decrease in the yield curve as a result of significant NBP interest rate cuts made by the Monetary Policy Council in 2020. It is estimated that the impact amounted to about PLN 25.9 million in March and about PLN 12.1 million in May 2020).

Other operating income

Other operating income in the first half of 2020 amounted to PLN 195,467 thousand and was higher by PLN 86,616 thousand, i.e. by 79.6% than in the first half of 2019.

The comparability of the income in the analyzed periods was primarily affected by the settlement and accounting treatment of the sale of the Bank's Head Office on Kasprzaka Street in Warsaw. The total result on this operation amounted to PLN 43,564 thousand (gross) and was presented under other operating income (in the item Profit on the sale or liquidation of property, plant and equipment and intangible assets, in the amount of PLN 110,848 thousand) and under other operating costs (in the items: Loss on the sale or liquidation of property, plant and equipment and intangible assets, amounting to PLN 64,371 thousand, and Other costs, amounting to PLN 2,914 thousand).

In the first half of 2019, under other operating income (in the item: Other operating income), the amount of PLN 45,000 thousand was recognized on the sale of the organised part of the Bank's enterprise conducting factoring activity to BGŻ BNP Paribas Faktoring Sp. z o.o. completed on 28 June 2019.

Table 7. Other operating income

in PLN '000	6 months ended 30.06.2020	6 months ended 30.06.2019	change y/y	
			PLN'000	%
Sale or liquidation of property, plant and equipment and intangible assets	120,215	8,796	111,419	1 266.7%
Release of impairment allowances for other receivables	4,099	-	4,099	x
Sale of goods and services	4,472	10,521	(6,049)	(57.5%)
Release of provisions for litigation and claims and other liabilities	20,676	9,862	10,814	109.7%
Recovery of debt collection costs	11,698	7,815	3,883	49.7%
Recovered indemnities	870	408	462	113.2%
Leasing operations	14,261	4,754	9,507	200.0%
Other operating income	19,176	66,695	(47,519)	(71.2%)
Total other operating income	195,467	108,851	86,616	79.6%

In addition, the level of other operating income in the first half of 2020 was positively influenced by:

- increase in income on release of provisions for litigation and claims and other liabilities by PLN 10,814 thousand, i.e. by 109.7%.
- increase in income on release of impairment allowances for other receivables by PLN 4,099 thousand,
- increase in income on leasing operations by PLN 9,507 thousand, i.e. by 200.0%,
- increase in income on recovery of debt collection cost by PLN 3,883 thousand, i.e. by 49.7%.

The level of other operating income in the first half of 2020 was adversely impacted by decrease in the income on sale of goods and services by PLN 6,049 thousand, i.e. by 57.5 %.

Other operating expenses

Other operating costs in the first half of 2020 amounted to PLN 191,384 thousand and were higher by PLN 125,761 thousand (i.e. by 191.6%) than in the first half of 2019, mainly as a result of:

- an increase in the loss on the sale or liquidation of property, plant and equipment and intangible assets by PLN 63,316 thousand, i.e. by 479.1%, as a result of including in this item the amount of PLN 64,371 thousand constituting a part of the settlement of the sale of the Bank's Head Office property on Kasprzaka Street in Warsaw, made in the first quarter of 2020,
- increase in the costs of creating provisions for litigation cases and other liabilities by PLN 46,691 thousand, i.e. by 437.1%, among others in connection with the creation in the first half of 2020 of a provision for risk related to CHF mortgage loans in the amount of PLN 25,559 thousand (PLN 11,329 thousand in Q1 2020 and PLN 15,230 thousand in Q2 2020) and the creation of a provision for an old option case of exBGŻ client in the amount of PLN 9,418 thousand in the first quarter of 2020,
- increase in the costs of creating impairment allowances for other receivables by PLN 9,269 thousand,
- increase in the category of other operating costs by PLN 7,056 thousand i.e. by 194.2%, i.a., in connection with the recognition of an adjustment of calculated VAT in the amount of PLN 4,396 thousand and a part of the settlement of the sale of real estate of the Bank's Head Office on Kasprzaka Street in Warsaw in the amount of PLN 2,914 thousand.

Table 8. Other operating expenses

in PLN'000	6 months ended 30.06.2020	6 months ended 30.06.2019	change y/y	
			PLN'000	%
Loss on sale or liquidation of property, plant and equipment and intangible assets	(76,531)	(13,215)	(63,316)	479.1%
Created impairment allowances for other receivables	(9,269)	-	(9,269)	x
Provisions for litigation and claims and other liabilities	(57,373)	(10,682)	(46,691)	437.1%
Debt collection	(23,613)	(21,478)	(2,135)	9.9%
Donations made	(3,227)	(2,970)	(257)	8.7%
Costs of leasing operations	(8,508)	(11,035)	2,527	(22.9%)
Costs of compensations, penalties and fines	(2,173)	(2,609)	436	(16.7%)
Other operating expenses	(10,690)	(3,634)	(7,056)	194.2%
Total other operating expenses	(191,384)	(65,623)	(125,761)	191.6%

Net impairment allowance on financial assets and provisions for contingent liabilities

The result of impairment losses on financial assets and provisions for contingent liabilities in the first half of 2020 was negative and amounted to PLN 398,233 thousand. Its negative impact on the Group's results was higher by PLN 192,699 thousand, i.e. by 93.8% as compared to the first half of 2019.

Considering the main operating segments:

- Retail and Business Banking segment recorded an increase of the negative result by PLN 205,225 thousand y/y,
- SME Banking segment - decrease (improvement) by PLN 20 312 thousand y/y,
- Corporate Banking segment (including CIB) - increase by PLN 6,854 thousand y/y.

Such a significant deterioration of the result on impairment allowances is primarily related to negative forecasts for the economic situation in Poland and worldwide, in connection with the development of the coronavirus pandemic. Taking into account - based on the current state of knowledge - assessments of the effects of the pandemic, including, inter alia, the weakening of the Polish zloty and the Bank's expectations as to the impact of the pandemic on the financial standing of the Bank's credit customers, resulted in an increase in the negative result of impairment losses on financial assets and provisions for contingent liabilities.

The impact of COVID-19 on the cost of risk in the first half of 2020 was PLN 156.5 million and is mainly due to the change in macroeconomic scenarios as a result of COVID-19 (forward looking PD and LGD determined based on smoothed macro forecasts) and the Bank's assessment of the expected future impact of the current economic situation on the risk parameters for selected types of clients.

In the first half of 2019, the Bank concluded agreements on the sale of the retail loan portfolio. The amount of receivables sold under the agreements covered to a significant extent by impairment losses, or written off in full from the Bank's statement of financial position, amounted to PLN 618,223 thousand (principal, interest and other receivables). The contractual price of sale of these portfolios was set at PLN 69,873 thousand. The net impact on the Bank's result from the sale of the portfolios amounted to PLN 7,639 thousand and is presented in the lines for the creation and release of impairment allowances for loans and advances.

In the first half of 2020 the Bank did not conclude any agreements on the sale of loan receivables.

The cost of credit risk expressed as a relation of the result on impairment allowances to the average balance of gross loans and advances to customers, measured at amortised cost (calculated on the basis of the balances at the end of quarters) amounted to 1.03% in the first half of 2020 and increased by 48 bps compared to the first half of 2019 (0.55%). It is estimated that without taking into account the negative impact of the coronavirus pandemic, the cost of credit risk in the first half of 2020 would amount to 0.63% and the cost of credit risk in the first half of 2019 without taking into account the sale of receivables would amount to 0.57%.

General administrative expenses, depreciation and amortization

In the first half of 2020, total administrative expenses (including depreciation) of the BNP Paribas Bank Polska Group amounted to PLN 1,309,979 thousand and were lower by PLN 144,148 thousand, i.e. by 9.9% y/y.

Table 9. General administrative expenses, depreciation and amortization

in PLN'000	6 months ended 30.06.2020	6 months ended 30.06.2019	change y/y	
			PLN'000	%
Personnel expenses	(606,764)	(674,306)	67,542	(10.0%)
Marketing	(49,377)	(76,547)	27,170	(35.5%)
IT and telecomm expenses	(76,712)	(119,036)	42,324	(35.6%)
Short-term lease and operating costs	(38,395)	(48,392)	9,997	(20.7%)
Other non-personnel expenses	(158,189)	(148,125)	(10,064)	6.8%
Business travels	(5,582)	(11,079)	5,497	(49.6%)
ATM and cash handling expenses	(12,677)	(4,203)	(8,474)	201.6%
Outsourcing costs related to leasing operations	(1,695)	(2,169)	474	(21.9%)
Contributions to Bank Guarantee Fund	(169,553)	(141,720)	(27,833)	19.6%
Polish Financial Supervision Authority fee	(5,261)	(7,323)	2,062	(28.2%)
Cots of Borrower's Support Fund	(6,222)	-	(6,222)	x
Total general administrative expenses	(1,130,427)	(1,232,900)	102,473	(8.3%)
Depreciation and amortization	(179,552)	(221,227)	41,675	(18.8%)
Total expenses	(1,309,979)	(1,454,127)	144,148	(9.9%)

The comparability of data in the analysed periods was affected, among others, by integration costs related to the acquisition of the Core Business of Raiffeisen Bank Polska in 2018.

In the first half of 2020, integration costs reduce the Bank's costs by PLN 2.6 million (including: PLN 0.4 million costs of operations and PLN 3 million recognized as reduction in other operating costs). In the first half of last year, integration costs amounted in total to PLN 162.9 million (of which: PLN 161.5 million was included in general administrative expenses and depreciation; PLN 1.4 million - in other operating expenses). Excluding integration costs in analysed periods, the Group's general administrative expenses and depreciation would have been higher by PLN 16.9 million, i.e. by 1.3% y/y.

The largest decrease in costs by type y/y (by PLN 67.5 million, or 10.0%) was recorded in the personnel expenses item, which resulted mainly from a decrease in the Group's workforce (by over 1,000 FTE vs. 30 June 2019) and the creation of a provision for retention programs in the first half of 2019 in the amount of PLN 22.6 million. At the same time, in connection with the launch at the end of 2019 of the Employee Capital Plans (PPK), the costs incurred by the Bank (excluding subsidiaries) in this respect amounted in the period from January to June 2020 to PLN 7.5 million. Excluding the integration costs in both analysed periods, the decrease in employee costs would amount to PLN 31.2 million, i.e. 4.8% y/y.

A decrease in the level of costs y/y was also noted in the following categories:

- IT and telecommunications costs by PLN 42.3 million in connection with the integration of IT infrastructure and systems after the operational merger finished in November 2019
- marketing costs by PLN 27.2 million, which was influenced, on the one hand, by the rebranding and image campaign conducted in the first half of 2019, related to the change of the Bank's name from 1 April 2019 (cost of PLN 23.7 million), on the other hand - restrictions in marketing activities in the second quarter of this year in connection with the COVID-19 pandemic;
- costs of short-term leasing and operation by PLN 10.0 million following the process of optimisation of the branch network and renegotiation of rents;
- costs of business travels were reduced by 5.5 million PLN, due to the COVID-19 pandemic travels have been reduced due to hotel closures, remote working and organization of meetings on Skype.

The Group's costs in the first half of 2020 were also influenced by higher costs of contribution to the BFG resulting from:

- increase in contributions - in 2020 there was an increase in the total amount of contributions to the BFG for the banking sector determined by the Council of the Bank Guarantee Fund (PLN 1.6 billion of contributions to the Bank Restructuring Fund for 2020 against PLN 2 billion for 2019 and PLN 1,575 million of contributions to the Bank Guarantee Fund for 2020 against PLN 791 million in the previous year) and
- increasing the guaranteed funds base, after the merger with the Core Business of Raiffeisen Bank Polska.

Total contributions recorded in the Bank's costs for 6 months of 2020 amounted to PLN 169.6 million and were PLN 27.8 million higher than in the corresponding period of last year.

- annual contribution to the mandatory bank restructuring fund in the first half of 2020 amounted to PLN 126.0 million (in the first half of 2019 it was PLN 116.1 million),
- the contribution to bank guarantee fund amounted to PLN 43.6 million in the first half of 2020 (in the first half of 2019 amounted to PLN 25.6 million).

Furthermore, the level of administrative costs was influenced by higher costs in the following categories:

- other costs in kind (increase by PLN 10.1 million) – increase in the Bank by PLN 6.3 million and concerned mainly costs of consulting and advisory services (increase by PLN 3.5 million) and postal and telecommunications services (increase in costs of text messages sent to customers by PLN 2.0 million in connection with the requirement of the PSD2 directive confirming the need for additional authentication of logging into the Bank's systems with an SMS code),
- costs of ATMs and ATM services (increase by PLN 8.5 million), which is related to a change in the presentation in 2020 resulting from the way they are handled by the supplier. In 2019, these costs were recorded as other operating expenses,
- costs of the Borrowers' Support Fund - creating a provision in the first half of this year in the amount of PLN 6.2 million.

Depreciation and amortization of the BNP Paribas Bank Polska Group amounted to PLN 179.6 million in the first half of 2020 and was lower by PLN 41.7 million as compared to the corresponding period of the previous year. The decrease resulted mainly from the realisation of synergies on assets as a result of the Bank's merger with the core business of Raiffeisen Bank Polska S.A., partially offset by an increase in depreciation on investments performed in the years 2018-2019. In the first half of 2019, the cost of calculation of accelerated depreciation of systems in connection with the bank merger processes amounted to PLN 55.5 million.

Depreciation costs in the Capital Group subsidiaries remained at a comparable level y/y.

3.2. Statement of comprehensive income

The comprehensive income of the Capital Group in the first half of 2020 amounted to PLN 396,175 thousand and was PLN 32,930 thousand (9.1%) higher than in the first half of 2019.

The recorded increase was mainly due to the improvement of the valuation of financial assets by PLN 96,991 thousand (positive impact on the total comprehensive income in the first half of 2020 of PLN 77,568 thousand, compared to the negative impact of PLN 19,423 thousand in the first half of 2019). The change neutralised the decrease of the net profit y/y by PLN 44,534 thousand (i.e. by 11.8%) and the decrease in deferred tax by PLN 18,433 thousand.

Table 10. Statement of comprehensive income

in PLN'000	6 months ended 30.06.2020	6 months ended 30.06.2019	change y/y	
			PLN'000	%
Net profit for the period	334,127	378,661	(44,534)	(11.8%)
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	62,830	(15,728)	78,558	x
Mark-to-market of assets measured at fair value through other comprehensive income	77,568	(19,423)	96,991	x
Deferred tax	(14,738)	3,695	(18,433)	x
Items that will not be reclassified subsequently to profit or loss	(782)	312	(1,094)	x
Actuary valuation of employee benefits	(966)	386	(1,352)	x
Deferred tax	184	(74)	258	x
Other comprehensive income (net of tax)	62,048	(15,416)	77,464	x
Total comprehensive income	396,175	363,245	32,930	9.1%

3.3. Statement of financial position

Assets

The total assets of the Group as at the end of the first half of 2020 amounted to PLN 118,707,148 thousand and were higher by PLN 8,753,006 thousand, i.e. by 8.0%, compared to the end of 2019.

The most important change in the structure of the Group's assets compared to the end of 2019 was an increase in the share of the securities portfolio (+2.3 p.p.) and receivables from banks (+0.9 p.p.) with a simultaneous decrease in the share of the loan portfolio (total portfolios measured at amortized cost and at fair value), which decreased by 3.1 p.p.

Table II. Assets

in PLN'000	30.06.2020	31.12.2019	change	
			PLN'000	%
Cash and balances at Central Bank	4,524,539	4,658,171	(133,632)	(2.9%)
Amounts due from banks	1,834,807	679,308	1,155,499	170.1%
Derivative financial instruments	1,322,060	800,886	521,174	65.1%
Fair value adjustment of hedged item	563,865	228,120	335,745	147.2%
Loans and advances to customers measured at amortised cost	74,339,859	71,836,643	2,503,216	3.5%
Loans and advances to customers measured at fair value through profit or loss	1,714,418	1,974,396	(259,978)	(13.2%)
Debt securities measured at amortised cost	19,905,356	17,916,645	1,988,711	11.1%
Financial instruments measured at fair value through profit or loss	340,468	241,754	98,714	40.8%
Debt securities measured at fair value through other comprehensive income	10,677,194	7,953,358	2,723,836	34.2%
Investment real estate	56,577	56,577	0	0.0%
Intangible assets	525,717	519,945	5,772	1.1%
Property, plant and equipment	1,149,393	1,226,746	(77,353)	(6.3%)
Deferred tax assets	904,821	976,748	(71,927)	(7.4%)
Current tax assets	43,195	0	43,195	x
Other assets	804,879	884,845	(79,966)	(9.0%)
Total assets	118,707,148	109,954,142	8,753,006	8.0%

The structure of assets is dominated by loans and advances to customers (total portfolios measured at amortised cost and at fair value), which accounted for 64.1% of all assets at the end of the first half of 2020 as compared to 67.1% at the end of 2019. The net volume of loans and advances increased by PLN 2,243,238 thousand (+3.0%), mainly concerning the portfolio of individual customers (+6.1%) and, to a lesser extent, the portfolio of institutional customers (+1.1%). The increase was influenced by, among others, the weakening of the Polish zloty against CHF, EUR and USD, related to the development of the coronavirus pandemic and its impact on foreign exchange markets.

The second largest asset item was securities, which accounted for 26.0% of total assets at the end of the first half of 2020 (at the end of 2019: 23.7%). In 2020, their value grew by PLN 4,811,261 thousand, i.e. 18.4%, mainly as a result of an increase in the portfolio of Treasury bonds issued by central government institutions, bonds issued by banks and bonds issued by other financial institutions (including BGK and PFR under programs related to the so-called anti-crisis shield).

At the same time, the share of receivables from banks increased from 0.6% to 1.5%, which in value terms increased by PLN 1,155,499 thousand, i.e. 170.1% (mainly in interbank deposits) and derivative financial instruments from 0.7% to 1.1% (up by PLN 521,174 thousand, i.e. 65.1%).

Loan portfolio

Structure and quality of loan portfolio

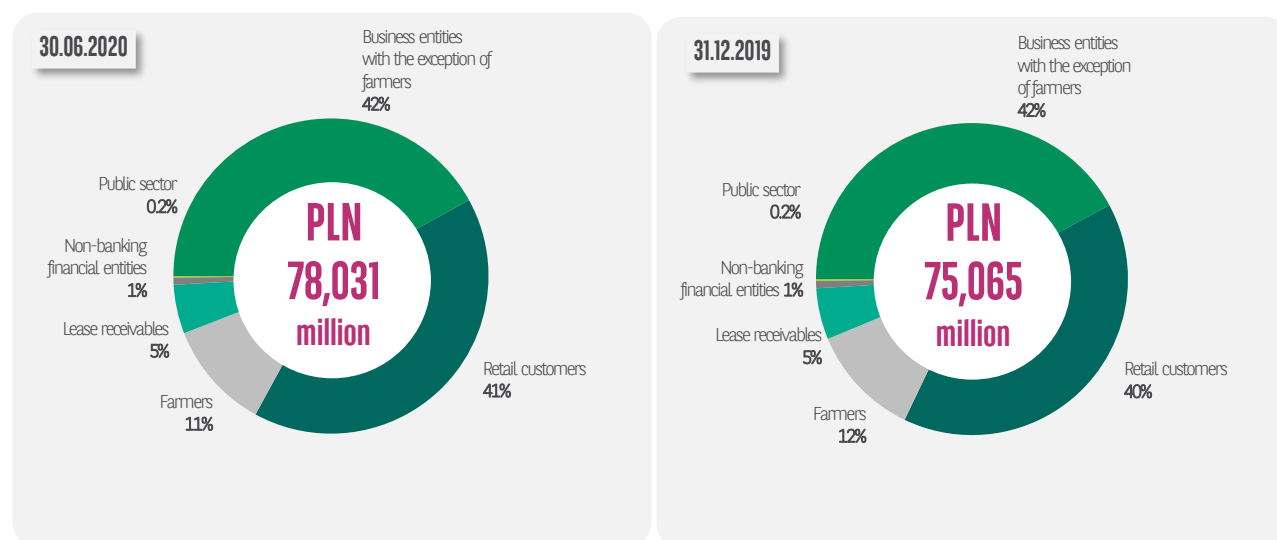
As at the end of June 2020, gross loans and advances to customers (total portfolios measured at amortised cost and measured at fair value) amounted to PLN 79,943,320 thousand and increased by PLN 2,761,904 thousand or 3.6% as compared to the end of 2019.

The portfolio of gross loans and advances measured at amortised cost in the analysed period amounted to PLN 78,030,582 thousand and increased by PLN 2,965,730 thousand, i.e. by 4.0% as compared to the end of 2019.

Table 12. Structure of loan portfolio measured at amortised cost

in PLN'000	30.06.2020		31.12.2019	
	PLN'000	share %	PLN'000	share %
Business entities with the exception of farmers	32,767,725	42.0%	31,632,607	42.1%
Farmers	8,700,545	11.2%	8,732,840	11.6%
Retail customers	31,953,087	40.9%	29,997,525	40.0%
- mortgage loans	20,727,570	26.6%	18,526,757	24.7%
in PLN	15,719,814	20.1%	13,634,997	18.2%
in foreign currencies	5,007,756	6.4%	4,891,760	6.5%
- cash loans	7,430,166	9.5%	7,404,864	9.9%
- other retail loans	3,795,351	4.9%	4,065,904	5.4%
Lease receivables	3,917,424	5.0%	3,995,444	5.3%
Public sector	119,393	0.2%	129,915	0.2%
Other financial entities	572,409	0.7%	576,521	0.8%
Kredyty i pożyczki brutto	78,030,582	100.0%	75,064,852	100.0%

Chart 12. Gross loans and advances measured at amortised cost - structure



Gross loans and advances to retail customers amounted to PLN 31,953,087 thousand (an increase of PLN 1,955,562 thousand or 6.5% as compared to the end of 2019). Their share in the credit portfolio measured at amortised cost in the analysed period was 40.9% (+0.9 p.p. as compared to the end of 2019). More than half (64.9%) of the credit exposure of retail customers are real estate loans, which at the end of June 2020 amounted to PLN 20,727,570 thousand. In the structure of mortgage loans, 75.8% are loans granted in PLN, while 23.9% are loans granted in CHF (the share in CHF decreased by 2.2 p.p. as compared to the end of December 2019).

The gross value of the portfolio of loans and advances to business entities (excluding farmers) amounted to PLN 32,767,725 thousand (an increase of PLN 1,135,118 thousand, i.e. by 3.6% as compared to the end of 2019). Their share in the analyzed loan portfolio at the end of June 2020 was 42.0% and decreased by 0.1 p.p. compared to the end of 2019. Current loans account for almost half of this portfolio (48.4%). In the second quarter of 2020, a reduction in demand for loans from business entities and a decrease in the share of current financing became apparent, with a simultaneous increase in the value of deposits, especially those on current accounts.

At the end of June 2020, the volume of loans granted to individual farmers amounted to PLN 8,700,545,000, recording a slight decrease by 0.4 p.p. in relation to December 2019.

The value of lease receivables amounted to PLN 3,917,424 thousand (decrease by 2.0% as compared to the end of 2019). Their share in the credit portfolio measured at amortized cost in the analyzed period was 5.0%.

The volume of loans granted to non-banking financial entities and budget sector institutions totalled PLN 691,802 thousand, remaining at a level similar to December 2019 (PLN 706,436 thousand).

The ratio of share of impaired exposures in gross loans and advances to customers measured at amortised cost was 6.0% at the end of June 2020 and increased slightly (+0.3 p.p.) compared to the end of last year.

Table 13. Quality of loan portfolio measured at amortised cost

in PLN '000	31.12.2019			31.12.2019		
	Gross total	of which: impaired	ratio %	Gross total	of which: impaired	ratio %
Institutional entrepreneurs, excluding farmers	33,459,526	2,107,563	6.3%	32,339,043	1,981,962	6.1%
Farmers	8,700,545	872,543	10.0%	8,732,840	768,651	8.8%
Retail customers	31,953,087	1,572,605	4.9%	29,997,525	1,332,616	4.4%
- mortgage loans	20,727,570	613,543	3.0%	18,526,757	523,852	2.8%
in PLN	15,719,814	269,466	1.7%	13,634,997	218,053	1.6%
in other currencies	5,007,756	344,077	6.9%	4,891,760	305,799	6.3%
- cash loans	7,430,166	730,336	9.8%	7,404,864	607,222	8.2%
- other retail loans	3,795,351	228,726	6.0%	4,065,904	201,542	5.0%
Lease receivables	3,917,424	167,076	4.3%	3,995,444	196,747	4.9%
Gross loans and advances	78,030,582	4,719,787	6.0%	75,064,852	4,279,976	5.7%

Table 14. Quality ratios of the loan portfolio measured at amortised cost

in PLN'000	30.06.2020	31.12.2019	change	
			PLN'000	%
Total gross loans and advances to customers	78,030,582	75,064,852	2,965,730	4.0%
Impairment allowances	(3,690,723)	(3,228,209)	(462,514)	14.3%
Total net loans and advances to customers	74,339,859	71,836,643	2,503,216	3.5%
Exposures without impairment triggers				
Gross balance sheet exposure	73,310,795	70,784,875	2,525,919	3.6%
Allowance	(1,054,113)	(943,899)	(110,214)	11.7%
Net balance sheet exposure	72,256,682	69,840,976	2,415,705	3.5%
Impaired exposures (stage 3)				
Gross balance sheet exposure	4,719,787	4,279,976	439,811	10.3%
Impairment allowance	(2,636,610)	(2,284,310)	(352,300)	15.4%
Net balance sheet exposure	2,083,177	1,995,666	87,511	4.4%
Ratios				
Share of impaired exposures in gross portfolio	6.0%	5.7%		0.3 p.p.
Coverage with impairment allowances	(55.9%)	(53.4%)		(2.5 p.p.)

In December 2017, the Bank performed a securitization transaction of the portfolio of cash and car loans. The transaction is a traditional securitization involving the transfer of ownership of the securitized receivables to SPV (BGŻ Poland ABS1 DAC based in Ireland). The revolving period is 24 months. Transaction is subject to amortisation since January 2020.

As a result of securitization, the Bank obtained financing in exchange for the transfer of rights to future cash flows resulting from the securitized loan portfolio in a value of PLN 2,300,471 thousand as of 22 November 2017 (the cut-off date). The maximum deadline for full redemption of bonds and repayment of the loan is 27 April 2032.

SPV issued bonds with a total value of PLN 2,180,850 thousand on the basis of securitized assets, and received a loan of PLN 119,621 thousand, which were secured by a registered pledge on the rights to cash flows from securitized assets. As at the end of June 2020, the value of bonds and loans totalled PLN 1,797,338 thousand.

The main benefit of the performed transaction is a positive impact on capital adequacy ratios and improvement of liquidity and diversification of financing sources.

In the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of securitized assets. In connection with the above, the Bank recognizes securitized assets in "Loans and advances to customers" as at 30 June 2020 at net value of PLN 1,783,254 thousand.

The Bank acts as a servicer in the transaction.

The transaction is affected by factors related to the effects of the coronavirus epidemic. On the one hand, the value of flows and future flows in the transaction are affected by the deferrals of credit instalments granted by the Bank since 19 March 2020 in order to mitigate possible negative effects related to the coronavirus pandemic, and currently in particular those resulting from the Act of 19 June 2020 on interest rate subsidies on bank loans granted to entrepreneurs affected by COVID-19 and simplified procedure for approval of the agreement in connection with COVID-19.

On the other hand, the decisions of the Monetary Policy Council to reduce the NBP base interest rates, in particular the reference rate to 0.10% on 29 May 2020, which resulted in a reduction of the maximum interest rate on loans and advances and a decrease in the market WIBOR rates also have an impact.

At present, it is not possible for the Bank to precisely estimate the impact of the coronavirus pandemic on this transaction, in particular in relation to a possible long-term deterioration of borrowers' situation.

Liabilities and equity

As at 30 June 2020, the total value of the Group's liabilities amounted to PLN 107,146,548 thousand and was by PLN 8,351,789 thousand, i.e. 8.5% higher than at the end of 2019. The share of liabilities in the Group's total liabilities and equity amounted to 90.3% in the analysed period compared to 89.9% at the end of 2019.

The most significant change in the structure of liabilities in the first half of 2020 was an increase in the share of liabilities towards customers as well as an increase in the share of items such as: fair value adjustment of hedged and hedging items and derivative financial instruments (their share, however, remains marginal).

Table 15. Liabilities and equity

in PLN'000	30.06.2020	31.12.2019	change	
			PLN'000	%
Amounts due to banks	4,891,630	4,485,264	406,366	9.1%
Fair value adjustment of hedging instruments and hedged items	597,961	224,218	373,743	166.7%
Derivative financial instruments	1,333,735	815,637	518,098	63.5%
Amounts due to customers	93,742,118	86,134,984	7,607,134	8.8%
Securities issued	1,704,302	2,179,052	(474,750)	(21.8%)
Subordinated liabilities	1,962,317	1,882,064	80,253	4.3%
Lease liabilities	637,185	602,192	34,993	5.8%
Other liabilities	1,715,669	1,893,414	(177,745)	(9.4%)
Current income tax liabilities	31,192	38,338	(7,146)	(18.6%)
Deferred tax	8,410	8,533	(125)	(1.5%)
Provisions	522,029	531,061	(9,032)	(1.7%)
Total liabilities	107,146,548	98,794,759	8,351,789	8.5%
Share capital	147,419	147,419	0	0.0%
Supplementary capital	9,110,976	9,110,976	0	0.0%
Other reserve capital	2,206,558	1,572,757	633,801	40.3%
Revaluation reserve	187,298	125,251	62,047	49.5%
Retained earnings	(91,651)	202,980	(294,631)	(145.2%)
- previous years result	(425,778)	(411,714)	(14,064)	3.4%
- net profit for the period	334,127	614,694	(280,567)	(45.6%)
Total equity	11,560,600	11,159,383	401,217	3.6%
Total liabilities and equity	118,707,148	109,954,142	8,753,006	8.0%

In the structure of liabilities, liabilities towards customers prevail. Their share at the end of the first half of 2020 amounted to 87.5% and increased by 0.3 p.p. compared to the end of 2019. In terms of value, the volume of such liabilities increased by PLN 7,607,134 thousand or 8.8% as compared to December 2019 and amounted to PLN 93,742,118 thousand. This increase took place in spite of the reduction of NBP interest rates almost to zero, resulting in a decrease in bank deposit interest rates.

The share of debt securities issued in total liabilities decreased by 0.6 p.p. to 1.6%. Their value amounted to PLN 1,704,302 thousand and was lower by PLN 474,750 thousand as compared to the end of 2019 (by 21.8%), mainly due to the beginning of amortisation of the securitisation transaction from January 2020.

As at 30 June 2020, equity amounted to PLN 11,560,600 thousand and increased by 3.6% or PLN 401,217 thousand as compared to 31 December 2019. The share of total equity in the Group's total liabilities and equity was 9.7% as at the end of June 2020 (compared to 10.1% at the end of last year).

Amounts due to customers

As at the end of June 2020, liabilities due to customers amounted to PLN 93,742,118 thousand and were higher by PLN 7,607,134 thousand or 8.8% than at the end of 2019, despite a significant drop in bank deposit interest rates as a result of interest rate cuts close to zero.

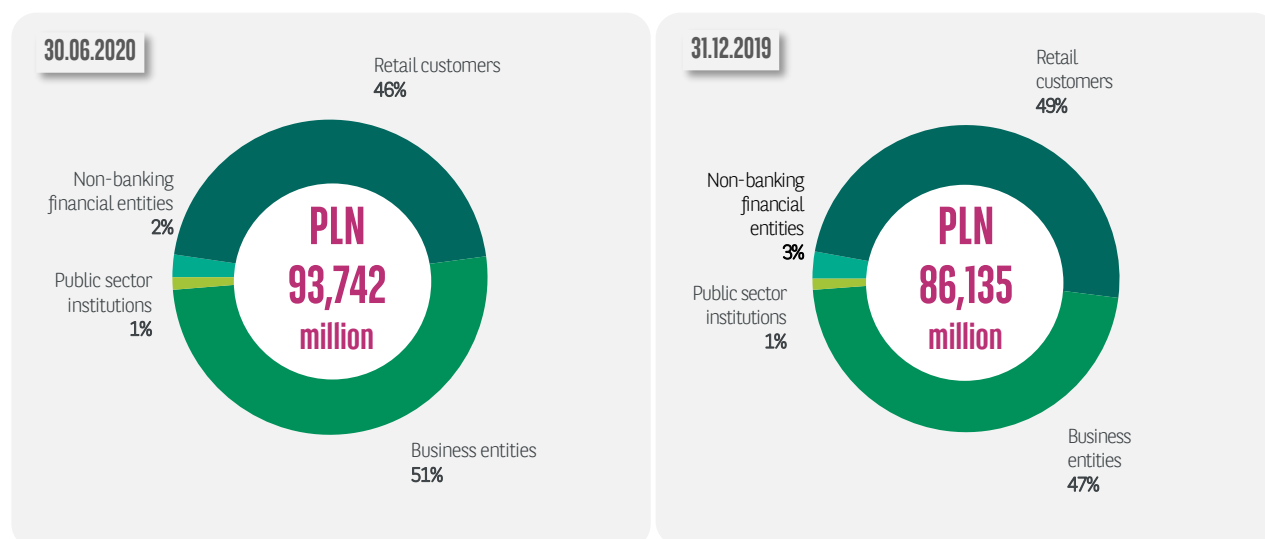
By entity, the increase mainly concerned liabilities towards business entities (as at the end of June 2020: PLN 47,663,810 thousand), the volume of which increased by PLN 7,325,024 thousand, i.e. by 18.2% as compared to the end of 2019 (including mainly current deposits, an increase by PLN 13,055,469 thousand, i.e. by 44.6%, with a decrease in term deposits). The share of this segment in the structure of amounts due to customers increased to 50.8% compared to 46.8% at the end of December 2019.

An increase in volumes was also recorded in the case of retail deposits, which at the end of June 2020 stood at PLN 42,714,502 thousand and were higher by PLN 364,044 thousand or 0.9% than at the end of 2019. At the same time, the share of retail deposits in the structure of total amounts due to customers decreased to 45.6% compared to 49.2% at the end of 2019.

The decrease was recorded in the case of deposits from non-bank financial entities (as at the end of June 2020, they amounted to PLN 2,168,471 thousand, i.e. by PLN 275,321 thousand or 11.3% less than at the end of 2019).

The volume of deposits from public sector institutions increased by PLN 193,387 thousand (i.e. by 19.3%, to PLN 1,195,335 thousand).

Chart 13. Structure of amounts due to customers



The share of current accounts in the total structure of amounts due to customers amounted to 80.9% at the end of June 2020, increasing by 13.9 percentage points compared to the end of 2019. Funds deposited on current accounts amounted to PLN 75,801,276 thousand and increased by PLN 18,122,859 thousand or 31.4%. The increase concerned all groups of customers: business entities (+13,055,469 thousand, i.e. by 44.6%), individual customers (+3,693,644 thousand, i.e. by 13.5%), non-banking business entities (+1,206,400 thousand, i.e. by 321.5%) and budget sector institutions (+167,346 thousand, i.e. by 21.2%).

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 18.5%, decreasing by 13.3 p.p. compared to the end of 2019. In value terms, term deposits decreased by PLN 10,059,081 thousand or 36.7% as compared to December 2019 and amounted to PLN 17,312,708 thousand. The decrease concerned mainly business entities and retail customers (by: PLN 5,164,963 thousand and PLN 3,437,338 thousand respectively).

The share of other liabilities in the structure of due to customers amounted to 0.7% (decrease by 0.5 p.p. as compared to December 2019). Their volume amounted to PLN 628,135 thousand.

Table 16. Amounts due to customers by products

in PLN'000	31.12.2019		31.12.2019	
	PLN'000	share %	PLN'000	share %
Current accounts	75,801,276	80.9%	57,678,417	67.0%
Term deposits	17,312,708	18.5%	27,371,789	31.8%
Other liabilities	628,135	0.7%	1,084,778	1.2%
Total amounts due to customers	86,134,984	100.0%	86,134,984	100.0%

Equity

As at the end of June 2020, the Group's equity amounted to PLN 11,560,600 thousand and was by PLN 401,217 thousand, i.e. 3.6% higher than at the end of 2019.

Pursuant to the Resolution of the Ordinary General Shareholders' Meeting of BNP Paribas Bank Polska S.A. of 29 June 2020, the entire profit of the Bank for 2019, in the amount of PLN 628,697 thousand, was allocated to reserve capital.

3.4. Own funds and capital ratios

The Group's total capital ratio as at 30 June 2020 amounted to 15.21% and increased by 0.18 p.p. compared to December 2019. The Group's consolidated Common Equity Tier 1 ratio (CET I) and consolidated Tier 1 capital ratio as at 30 June 2020 were identical and amounted to 12.90% (an increase by 0.12 p.p. compared to end 2019).

Total own funds as at 30 June 2020 increased by PLN 314,276 thousand as compared to 31 December 2019.

Pursuant to the Resolution of the Ordinary General Meeting of BNP Paribas Bank Polska SA of 29 June 2020, the entire profit of the Bank for 2019, in the amount of PLN 628,697 thousand, was allocated to reserve capital.

As at 30 June 2020, the total risk exposure amounted to PLN 84,827,952 thousand and increased by PLN 1,064,960 thousand as compared to 31 December 2019.

In accordance with the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial sector and Regulation of the Minister of Finance, since 1 January 2019 the capital requirements binding for Polish banks increased due to:

- introduction of the systemic risk buffer at the level of 3%,
- increase of the capital conservation buffer from 1.875% to 2.5%.

On 19 March 2020, the Regulation of the Minister of Finance (Journal of Laws of 2020, item 473) of 18 March 2020 on the system risk buffer entered into force - reduction of the buffer from 3% to 0%.

On 27 June 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 272/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic entered into force, allowing, among others, for the reduction of risk weights for selected SME loans.

Table 17. Own funds and capital ratios of the Group

in PLN'000	30.06.2020	31.12.2019	change	
			PLN'000	%
Tier I capital				
– share capital	147,419	147,419	0	0.0%
– supplementary capital	7,259,316	7,259,316	0	0.0%
– reserve capital	3,425,961	2,797,264	628,697	22.5%
– funds for general banking risk	627,154	627,154	0	0.0%
– intangible assets	(525,206)	(519,504)	(5,702)	1.1%
– other components of equity included in Tier I capital	5,690	394,984	(389,294)	(98.6%)
Total Tier I capital	10,940,334	10,706,633	233,701	2.2%
Tier II Capital				
– subordinated liabilities classified as Tier II capital	1,960,470	1,879,895	80 575	4.3%
Total own funds	12 900 804	12,586,528	314,276	2.5%
Risk exposure due to:				
– credit risk	75 513 296	74,668,829	844 467	1,1%
– market risk	1 041 284	876,152	165 132	18,8%
– operational risk	8 142 632	7,941,509	201 123	2,5%
– credit valuation adjustment	130 740	276,502	-145 762	-52,7%
Total risk exposure	84 827 952	83,762,992	1 064 960	1,3%
Group's capital ratios				
Total Capital Ratio (TCR)	15.21%	15.03%	0.18 p.p.	
Tier I Capital Ratio	12,90%	12,78%	0.12 p.p.	

On 8 August 2018, the Bank received a letter from the Polish Financial Supervision Authority informing about the PFSA's review of the adequacy of the buffer rate of other systemically important institution. As a result of the review, the PFSA concluded that there were no reasons to repeal or amend the PFSA's Decision of 4 October 2016, as set out in the PFSA Decision of 19 December 2017 on the Bank (on a consolidated and separate levels) of the buffer of other systemically important institutions equivalent to 0.25% of the total risk exposure amount.

On 10 July 2019, the Bank received a decision of the Polish Financial Supervision Authority, dated 9 July 2019, confirming the expiry of the PFSA decision of 15 October 2018, on the basis of which the PFSA recommended that the Bank should maintain own funds to cover an additional capital requirement of 0.36 p.p. in order to hedge the risk resulting from FX mortgage loans for households which should consist at least in 75% of Tier 1 capital (corresponding to 0.27 p.p.) and at least in 56% of Common Equity Tier 1 capital (which corresponds to 0.20 p.p.) as stated in art. 92 paragraph 1 of the EU Parliament and EU Council Regulation No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms ("Regulation No 575/2013").

As a result of the above changes, the minimum levels of capital adequacy ratios resulting from legal regulations and administrative decisions issued by the Polish Financial Supervision Authority ("PFSA") as of 30 June 2020, are as follows:

Minimum levels of capital adequacy ratios of the Bank and Capital Group	30.06.2020
Common Equity Tier I (CET I) capital ratio	7.25%
Tier I capital ratio	8.75%
Total capital ratio (TCR)	10.75%

On 12 December 2017, the European Parliament and the EU Council adopted Regulation No. 2017/2395 amending the Regulation (EU) No 575/2013 regarding transitional arrangements to mitigate the impact of the introduction of IFRS 9 on equity and on the treatment of large exposures to entities in the sector publicly denominated in the national currency of any Member State. This Regulation entered into force on the day following its publication in the Official Journal of the European Union and has been applicable since 1 January 2018. The European Parliament and the Council (EU) decided that the application of IFRS 9 could lead to a sudden increase in allowances for expected credit losses, and hence, the decrease in Tier 1 capital.

The Group, after analysing the requirements of Regulation No. 2017/2395, decided to apply the transitional provisions provided for in this Regulation, which means that the full impact of the implementation of IFRS 9 will not be taken into account for the assessment of capital adequacy of the Bank and the Group. As a result of adjusting the calculation of regulatory capital requirements, it was estimated that taking into account the full impact of the implementation of IFRS 9 on the total capital ratio of the Group would reduce its value by 70 basis points according to estimates as at the date of implementation of IFRS 9.

3.5. Financial ratios

The Group's return on equity (ROE) calculated on a comparable basis (excluding the impact of integration costs) amounted 5.9% in the first half of 2020 and was 3.7 p.p. lower than in the first half of 2019. The return on assets (ROA) calculated in a similar manner amounted to 0.6% and decreased by 0.3 p.p. compared to the first half of 2019. The indicators resulting from the reported figures amounted to 5.9% and 0.6%, respectively (decrease by 1.2 p.p. and 0.1 p.p. y/y). The decrease in the return ratios is mainly due to an almost twofold increase in the cost of risk due to the impact of the coronavirus pandemic.

The Cost/Income ratio (excluding integration costs) is 55.2%, 0.3 p.p. lower than in the first half of 2019. The ratio calculated on the basis of the reported figures was 55.2% (7.4 p.p. lower in comparison with the first half of 2019, due to additional integration costs incurred in 2019).

The presentation of ratios calculated on the basis of the profit and loss account category excluding integration costs (understood as additional costs related to the banks' merger processes) is intended to provide additional information allowing for a more adequate assessment of changes in the Group's financial standing.

Net interest margin calculated in relation to average assets amounted to 2.8% and was lower by 0.1 p.p. compared to the level calculated for the first half of 2019. Deterioration of the realised interest margin results from drastic reduction of interest rates at the end of the first and second quarter of 2020.

The values of ratios constituting the relation of net and gross loans to deposits and sources of financing continue the downward trend observed over the recent periods.

Table 18. Financial ratios

	30.06.2020	31.12.2019	30.06.2019	change y/y
Return on equity ⁽¹⁾	5.9%*	8.7%*	9.5%*	(3.7 p.p.)
Return on assets ⁽²⁾	0.6%*	0.9%*	0.9%*	(0.3 p.p.)
Net interest margin ⁽³⁾	2.8%	2.9%	2.9%	(0.1 p.p.)
Cost / Income ⁽⁴⁾	55.3%*	55.7%*	55.6%*	(0.3 p.p.)
Cost of credit risk ⁽⁵⁾	(1.03%)	(0.59%)	(0.55%)	+0.48 p.p.
Net loans and advances / Deposits ⁽⁶⁾	81.1%	85.7%	88.4%	(7.2 p.p.)
Gross loans and advances/Total sources of funding ⁽⁷⁾	79.1%	82.2%	84.7%	(5.6 p.p.)

* Normalized values calculated excluding: integration costs (first half of 2020 – positive PLN 2,614 thousand, 2019 – PLN -414,537 thousand, first half of 2019 – PLN -162,854 thousand) The impact of integration costs on the net profit was estimated using the standard 19% income tax rate. In the case of the "costs" category, the amount visible in the financial statements was reduced by the amount of integration costs recorded as general administrative expenses and depreciation. In the case of the "income" category, the amount of the income statement comprising the result from banking activities was adjusted for the integration costs recorded under other operating costs.

(1) Net profit in relation to average equity, calculated based on quarter-end balances.

(2) Net profit in relation to average assets, calculated based on quarter-end balances.

(3) Net interest income in relation to average assets, calculated based on quarter-end balances.

(4) Total general administrative expenses, amortization and depreciation in relation to total net banking income, calculated as the total of net interest income, net fee and commission income, dividend income, net trading income, net investment income, result on hedge accounting and other operating income and expenses.

(5) Net impairment allowances on loans and advances and provisions for contingent liabilities in relation to the average balance of gross loans and advances to customers measured at amortised cost, calculated based on quarter-end balances.

(6) Net loans and advances to customers in relation to customer deposits, balance at the end of the period.

(7) Gross loans and advances to customers in relation to total liabilities to customers, debt securities issued, loans from other banks and subordinated liabilities, balance at the end of the period

4. OPERATIONS OF BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN THE FIRST HALF OF 2020

4.1. Distribution channels

Branches

As at 30 June 2020, the Bank had 494 retail and business banking branches (including 17 partner branches).

The branch network is supported by 15 Wealth Management Centres and the retail network is supported by 58 Customer Service Points (located in OBI construction stores).

As part of a network optimization project, 201 retail and business banking branches were closed from 31 October 2018 to the end of the first half of 2020 (in the first half of 2020, 21 retail and business banking branches were closed).

In the first half of 2020 a transformation of the branch network, which begun in 2017 was continued. A new branch design was introduced, and a new customer service model based on moving basic everyday transactions to self-service channels was further developed. During the first six months of 2020, 21 facilities of the new type were opened (15 branches after transformation and 6 in a new format without changes in design). In total, as at 30 June 2020, the Bank has 174 branches operating in the new format, including and 154 branches transformed and 20 without changes in design.

In 44 branches, cash services are provided only in self-service devices.

As at 30 June 2020, the Bank had 36 branches with the "Facility without barriers" Certificate, issued by the Integration Foundation for good practices in providing services for the disabled.

All Bank branches obtained the **OK SENIOR®** Certificate, which confirms that senior (60+) customers are served in a safe, easily comprehensible and accessible manner.

The sales network for Corporate Banking consists of 9 Regional Corporate Business Centres, within which there are 25 Corporate Business Centres located in the largest business centres in Poland.

For the SME segment, the sales network includes 8 SME Banking Regions comprising 50 SME Business Centres, located on 37 local markets

ATM and Cash Deposit Machine (CDM) Network

As at 30 June 2020, in the Bank's branches there were:

- 433 cash deposit machines (CDMs) allowing for cash deposits, contactless deposits and withdrawals with the Bank's cards or a BLIK code, cash withdrawals with Google Pay and Apple Pay, and
- 194 ATMs supporting only standard withdrawals and VISA or MasterCard transactions.

E-banking and mobile banking

In the first half of 2020 the Bank continued an intensive development of remote channels, implementing a number of functionalities to strengthen its competitive position, reduce service costs and improve the quality of customer service while ensuring the highest security standards. In May 2020, the PI@net internet banking system was deactivated, therefore all customers were transferred to the modern GOonline platform (along with the existing history of communication with the Bank, transfer templates, future-dated transfers and notification subscriptions).

In the first half of 2020 due to the coronavirus pandemic, the Bank's focus in the Internet banking system was on providing customer support in remote access to banking services and products.

CHANGES IN SYSTEMS AND OFFER FOR RETAIL CUSTOMERS INTRODUCED IN THE FIRST HALF OF 2020

Sales and self-service processes

BNP Paribas Bank Polska has consistently introduced, into its e-banking offer, new self-service processes, which allow customers to fulfill their most important needs on a daily basis without the need to visit a branch - starting from the application for additional products, through after-sales service - from any device and at a time convenient for them.

Loans and cards

- **A credit calculator** which allows to analyze the offered financing conditions without the necessity to start the application.
- **The Mastercard Standard and Mastercard Gold credit card sales** process for customers who already hold another product - in two variants:
 - accelerated option - a customer receives a pre-approved credit limit offer and then fills in a simplified application form,
 - standard option - the customer completes a full application form.
- Application process for a revolving overdraft credit - in two variants:
 - accelerated option - a customer receives a pre-approved credit limit offer and then fills in a simplified application form,
 - standard option - the customer completes a full application form.

Each stage of the process is conducted online, including the signing of a contract.

- Adding a card to your Apple Pay and Google Pay mobile payment wallet via GOMobile.
For safety and convenience reasons, paying with a smartphone has recently become significantly more popular. From now on, customers who would like to pay with their phone may add their card to Apple Pay or Google Pay directly from the GOMobile app.
- Information about an active or inactive mobile payment service.
- **Sending policies to mortgage loans** by a customer - the customer has a possibility to attach a document and send it to the Bank within the details of a mortgage loan.
- Possibility to apply for early full/partial repayment of a mortgage.
- Information about the payable account, the balance on that account and the credit insurances held.
- Information on the status of the next steps within the customer requests in sales processes in GOonline
- Presentation in GOonline of **dedicated offers in different formats** depending on the set of products.
- **Payment in instalments of card transactions** pending to be recognised - Customers making a credit card transaction can distribute them in a convenient number of instalments immediately after the transaction has been made (i.e. the funds are blocked) from the history view in GOonline - without having to wait for the transaction to be registered in the banking system.
- **Display of Installment Plans Schedule** - customers with an active credit card installment plan were given the opportunity to review the plan repayment schedule. The service is also available for holders of Allegro Renewable Limit.
- The process of repayment of the Allegro revolving limit for customers holding a personal account.
- **Processing of Allegro Renewable Limit instructions** - customers holding Allegro Renewable Limit product can submit instructions related to product handling, i.e.: withdrawal from the agreement, cancellation of withdrawal, termination of the agreement, copy of the agreement, drawing up a bank opinion.

Deposits and Accounts

- Process of opening an account and signing a framework agreement for new customers - a complete process with video-verification via GOMobile.

Video-verification allows to open an account without the necessity to visit a branch. The only thing needed is a phone with the GOMobile application installed and an ID card.

The customer provides the necessary data, grants consent and selects the type of card linked to the account. Verification of identity is performed by taking a photo of both sides of the ID card and recording films showing the shot of the face while making three specific head movements. Modern, advanced technologies used in the application allow to compare face features from ID cards and video recordings. If the result of business verification is positive, the Customer is redirected to the Autenti service, the Bank's partner, that ensures security of contracts concluded via the Internet. After reading the agreement, the Customer signs it using a code sent in an SMS message. Once confirmed by the Bank, the account is activated, e.g. it is possible to apply for new products or pay bills.

The process was made available to the first group of clients on a pilot basis in March this year.

- Mobile process of setting up products for new customers in the Bank's branch (pilot phase).

The customer installs the GOMobile application on his/her smartphone, then uses it to take a photo of his/her identity document, which is sent to the Bank's systems. All personal data from the document is read out automatically.

Then, via the GOMobile application, the customer, assisted by an advisor or on their own, at any time after the visit in the Bank branch, chooses the account they would like to open and the debit card.

The Client signs the account agreement in electronic form using a one-time SMS code, received to the indicated telephone number. All documents required for the conclusion of the agreement are sent to the customer in electronic form to the e-mail address provided by the customer. The use of electronic signature saves time and costs and has a positive impact on the environment - by reducing paper consumption and carbon footprint.

The process was piloted in June this year.

- The process of selling the current account with a card - a complete process for a logged-in customer.
- A customer with a Framework Contract can set up Konto Otwarte dla Ciebie account, together with the chosen Debit Card (one of three).
- The process of selling a currency account - a complete process for a logged-in client.
After signing a Framework Contract, a client may open a foreign currency account with GOonline (in EUR, USD, GBP or CHF). A Customer may open one account in each currency.
- Sale process of a savings account - a complete process for a logged-in customer.
A Customer holding a Framework Agreement may set up a savings account in GOonline currently offered by the Bank - Konto Dobrze Oszczędnościowe account or a Rachunek Sejf account.
- Presentation of sales offers on savings accounts - in GOonline, customers have a preview of their sales offers on the savings account, together with information about the interest rate and terms and conditions of the promotion.
- Presentation in GOonline of information on powers of attorney granted for accounts and deposits of individual customers.

Investments

- Execution and update of MFID assessment - assessment of adequacy and suitability of brokerage services.
- The process is performed in "online" mode - the results of the survey are presented in online banking, additionally, the client receives documentation to his e-mail address
- Possibility to enter into an agreement to accept and transfer orders **regarding investment funds**.
- Process of opening a structured deposit.
- Providing access to purchasing, converting and selling units in investment funds

Customer data

- The process of changing the address data for the individual customer in GOonline - the possibility to change the residential, correspondence and e-mail address.

Financial shield of the Polish Development Fund

As a partner of the PFR program, BNP Paribas Bank Polska has made available to its customers via GOonline Internet banking a fully automatic process of applying for a subsidy from the Polish Development Fund for microenterprises and SMEs (small and medium-sized enterprises).

Customers have the possibility to submit the application in a standard and appeal mode.

The customer receives the generated documents (agreement and decision - signed with a bank seal) electronically.

Activation process of the FX PI@net currency platform

Individual and corporate customers as well as proxies can access FX PI@net fully remotely - via GOonline - with no need to visit a branch.

FX PI@net is an internet currency platform which enables quick and safe conclusion of FX transactions 24h/5 days a week. The service is free of charge.

Payments

- In the area of transactions, numerous improvements have been introduced to increase the functionality and attractiveness of the system and to improve the transparency of the presented information, such as:
 - Collecting an Individual Tax Account (the so-called "tax microaccount").

BNP Paribas Bank Polska is the first bank on the Polish market to offer its clients a possibility of automatic collection of an individual tax account by filling in a transfer form in online banking, which significantly shortens the time of PIT, CIT and VAT payments.
 - Possibility to verify whether the contractor is registered as an active VAT taxpayer - the so-called "white VAT list".

GOonline users have been given the possibility to quickly and automatically verify the recipient's account number on the domestic transfer form and the "Split Payment" transfer.
 - **Split Payment" transfers can be duplicated** from the transaction history - the data of a previously made transfer are automatically completed.
 - **Extension of the PayByNet Internet transfer service** with a possibility of quick transfers from an account maintained by BNP Paribas Bank Polska under the government administration services, e.g. paying taxes (podatek.gov.pl).
 - **Possibility to suspend/resume a standing order** without the necessity to delete and re-create.
 - Faster process of setting up a standing order when submitting a domestic transfer order.
 - **Credit card debt repayment form** - presentation of the upcoming payment date of the minimum amount.
 - **Express Elixir transfers are counted** - while filling in the transfer form in GOonline, the customer receives information about the number of free Express Elixir transfers remaining to be used.
 - Presentation of information about upcoming scheduled payments in the GOonline transaction history view.

Improvements made based on customer feedback

Development plan in the area of Internet and mobile banking is based on the client's voice. Regular feedback allows for more efficient identification of advantages and disadvantages of offered services and better understanding of individual customer needs.

- **New product list in GOMobile.** Refreshed, ergonomic interface makes it easier for customers to satisfy their most important everyday needs such as. e.g. verification of the balance, transfer, change of the card PIN, verification of points in the mamBONUS loyalty program or sharing the account number. The interface has been made compatible with the GOonline internet banking, so the customer receives the same information regardless of the channel. Finally, the new view will enable customers to initiate the process of applying for new products, such as cash loans, foreign currency accounts and credit cards.
- **The possibility to immediately call a consultant in the Call Center from the GOMobile** - "click-to-call". The new service gives the customer logged in to GOMobile application a chance to quickly and conveniently connect with the Bank's consultant and obtain information about products and services, omitting the authentication stage in the IVR automatic service and reducing the number of verification questions compared to the traditional connection path with the consultant.

- **3D Touch and Long Press.** Customers using the GOMobile application while holding the application icon on their phone's screen for a longer time can benefit from quick shortcuts to the most frequently used functions: BLIK code generation, domestic transfer, phone top-up, transaction history.
- Dedicated information section in GOonline containing, among other, answers to frequently asked questions about the use of electronic banking.
- **Possibility to send a message to the Bank's consultant at any time** - the customer can describe his/her case and send a message to the Bank (with an attachment) at any time via GOonline - regardless of the Bank's working hours.
- **Select the default profile in GOonline.** Customers with access to more than one relationship (e.g. own accounts, power of attorney, company accounts) can indicate which view should be displayed automatically each time they log in to online banking.
- Adding to the transaction history the possibility of **downloading the statement in PDF format** according to the filters defined by the Client.
- Presentation of historical transactions in the form of a calendar in GOonline.
- **Possibility to download transaction confirmation for new types of transactions** - e.g. direct debit, commissions and fees, BLIK transaction, IKE transaction, credit operations, interest.
- **Summary of expenses and inflows** over a given period in the form of an intuitive "Transaction Calendar" view in GOonline.
- Additional languages for SMS notifications - Ukrainian and Russian.
- Management of the notification package of card transactions.
- Possibility to receive push notifications of transactions for all co-account holders.
- Presentation of information about rejected transactions in GOonline. It is possible to filter and download the list.
- Push and SMS notifications are sent automatically when a transaction is rejected.
- Possibility of activating notifications for selected events - the customer can select events of interest regarding the products he or she owns and security for which he or she would like to receive SMS and e-mail notifications - without the need to activate a package covering all possible events.
- Presentation of the number of free money transfers from the savings account made by a client.

Security

Customer security is a basic element of the Bank's e-banking development strategy; therefore, the GOonline system has been supplemented with additional mechanisms to prevent possible consequences of unauthorised access and campaigns promoting modern authorisation methods and responsible use of remote channels.

- **Automatic activation of the mobile authorization during the first login to online banking.** When activating GOonline, the default authorisation method in the form of mobile authorisation is selected for customers with the Bank's active mobile application installed (confirmation of operations initiated in GOonline via GOMobile).
- **Accelerated mobile authorization activation process.** Customers with an active GOMobile application after logging in to online banking receive a notification that it is possible to activate the mobile authorization as a method of confirming operations in GOonline.
- **The possibility to manage the list of mobile devices with the active** GOMobile application in GOonline. In case of theft or loss of a phone, the customer can remove the device from the trusted list so that the application is deactivated and cannot be used from that moment on.
- **Possibility to safely extend the active session.** Before the end of the login session, GOonline displays a message that the session has expired, with the option to extend it.
- Dedicated information campaign on threats regarding phishing attempts made by fraudsters posing as government or banking institutions. As part of the communication campaign, customers received messages via GOonline and GOMobile in order to raise awareness about potential attacks and to remind them of the most important security rules in the use of electronic banking.

Table 19. Retail customer data

Specification	Name of the system	30.06.2020	30.06.2019
Number of customers with access	GOonline&PI@net	2,653,927	2,365,074
Number of clients /of users using online banking	GOonline&PI@net	747,579	785,875
Average monthly number of online transactions	GOonline&PI@net	2,435,684	3,615,197
Number of customers/users using Mobile	GOmobile	535,945	325,510

CHANGES IN SYSTEMS AND OFFER FOR BUSINESS CUSTOMERS IN THE FIRST HALF OF 2020

BiznesPI@net / GOmobile Biznes

- Create new users directly in the BiznesPI@net system
As part of sales activities enabling remote access management in BiznesPI@net, a functionality, which allows persons with Administrator privileges (from the customer's perspective) to add new users directly in the system, has been made available. Adding a user to the system is an electronic process performed via the BiznesPI@net, without the necessity to visit the bank.
- Financial shield for companies - POLISH DEVELOPMENT FUND (PFR) PROGRAM
Since April 29th, the Bank, in cooperation with PFR, has launched in BiznesPI@net the possibility to submit applications for support under the PFR Financial Shield. By the end of June this year, customers submitted over 18.8 thousand applications through this channel, of which 12.5 thousand were accepted (on the next business day after the application is accepted, customers receive funds from PFR).
- After-sales applications in the application module
As part of after-sales activities, a new application module BiznesPI@net has been made available, which allows for submission of:
 - application for opening an account: auxiliary, subsidy, special funds, payroll,
 - a request for Customer Service,
 - a request for a change in the registration data, which is confirmed by an extract from the official register,
- Providing the functionality of verification of beneficiaries' accounts with the VAT taxpayer's list, i.e. on the so-called "White List".
The control mechanism allows for on-line verification in BiznesPI@net of the status of the counterparty's VAT account and confirmation whether the beneficiary's account for the transfer is recorded on the White List.
- Changes in the GOmobile Business application
As part of the development of the mobile application, new functionalities were introduced:
 - Possibility to manage Split Payment transfers, foreign payments, instant transfers, SEPA transfers, handling the execution of orders to the tax microaccount,
 - possibility to log in using biometrics (TouchID/FaceID on iOS and fingerprint on Android),
 - new authorization method (mobile token) - currently at the pilotage stage.
- Changes in the execution of standing orders - a change resulting from the applicable legal regulations (Payment Services Act - Regulatory Technical Standards - PSD2).

Table 20. Corporate and SME customer data

Specification	Name of the system	30.06.2020	30.06.2019
Number of customers with access	BiznesPI@net	296,570	238,744
Number of active users	BiznesPI@net	164,018	148,695
Average monthly number of transactions	BiznesPI@net	5,562,167	5,221,494
Number of clients / users	Mobile app	23,500	11,838

Bank cards

As regards the issuing and servicing of payment cards, BNP Paribas Bank Polska S.A. cooperates with MasterCard and Visa. The card portfolio includes debit, credit and deferred payment cards.

As at 30 June 2020, the number of cards issued amounted to 2,387.2 thousand, which was 222.1 thousand more than the year before. The reported significant increase is primarily due to the acquisition of customers under the new personal account *Konto Otwarte na Ciebie* - the Bank's offer launched after the rebranding in April 2019 - and the possibility of issuing three new debit cards (*Karta Otwarta na Dzisiaj*, *Karta Otwarta na eŚwiat*, *Karta Otwarta na Świat*); opening a new sales channel in Q1 2020 (video-verification); provision, after the November migration of the systems, of a Multi-Currency card to all customers of the Bank (earlier - only for exRBPL customers) and increase in card sales in cooperation with Allegro.

Table 21. Number of bank cards issued by BNP Paribas Bank Polska S.A.

thousand	30.06.2020	30.06.2019	Change y/y	
			thousand	%
Debit cards – retail customers	1,342.3	1,257.2	85.1	6.8%
Credit cards – retail customers	847.8	723.5	124.3	17.2%
Debit cards – business	183.1	170.1	13.0	7.6%
Deferred payments cards – business	7.7	7.6	0.1	1.3%
Credit cards – business	6.3	6.7	(0.4)	(6.0%)
Total number of cards issued	2,387.2	2,165.1	222.1	10.3%

Cooperation with intermediaries

At the end of June 2020, as regards Retail and Business Banking, the Bank actively cooperated with 13 nationwide intermediaries on the basis of outsourcing contracts for the acquisition of banking products, as well as 270 local intermediaries (based on marketing agreements). The latter informed potential customers about the Bank's product offer.

As regards Personal Finance, the Bank cooperated with 15 nationwide intermediaries and 1 online intermediary, on the basis of outsourcing contracts for the acquisition of the cash loan product.

4.2. Retail and Business Banking

Segmentation

Retail and Business Banking provides financial services to individuals, private banking customers as well as businesses (micro-enterprises). The following customer segments are the focus of Retail and Business Banking:

Retail Customers:

- Mass;
- Premium: customers investing in the Bank, or through its services, assets of at least PLN 100 thousand or those whose monthly account receipts are at least PLN10 thousand
- Private Banking (Wealth Management): customers investing assets in the amount of at least PLN 1 million through the Bank; a "Family Fortunes" sub-segment was created as part of Private Banking: clients who invest assets via the Bank in the amount of at least PLN 10 million.

Business Customers (micro-enterprises):

- Entrepreneurs:
 - non-Agro, not preparing full financial reporting (in accordance with the principles specified in the Accounting Act) and with an annual net income for the previous financial year below EUR 2 million;
 - non-Agro, preparing full financial reporting, with an annual net income for the previous financial year below PLN 4 million and credit exposure not exceeding PLN 1.2 million;
 - Agro entrepreneurs not preparing full financial reporting, with an annual net income for the previous financial year below EUR 2 million, who conduct activities classified according to selected Polish Classification of Activities (PKD 2007) codes;
- Professionals: entrepreneurs with limited financial reporting, in conformity with the principles specified in the Accounting Act, and following occupations defined in a separate document;
- Individual farmers, with credit exposure below PLN 3 million;
- Individual farmers, with credit exposure is between PLN 3 million and PLN 4 million and whose collateral in arable lands covers at least 50% of credit exposure;
- Non-profit organizations (e.g. foundations, associations, workers unions);
- Housing communities, property managers.

The most important achievements in the first half of 2020

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
GROWTH	<ul style="list-style-type: none"> • Increase in sales of mortgage volume in H1 2020 to PLN 2.9 bn vs. PLN 1.9 bn in H1 2019 (53% y/y growth). The share of mortgage volume in the market increased to 11.7% in June 2020 vs. 5.2% in June 2019. • Continued growth in sales of investment products (investment funds, investment certificates, structured deposits). Sales in H1 2020 amounted to PLN 2.6 billion (20% y/y growth). • A main offer of personal accounts „Konto Otwarte na Ciebie” introduced in April 2019: 312,000 accounts sold as part of the offer with high penetration by debit card (94%) along with the continuation of the increase in current account deposits with the balance at the end of June 2020 at the level of PLN 21.9 billion (an increase of 3.2 billion, i.e. by 17% y/y); • Increase in sales of microfinance in 1H 2020 by 9% vs. 2H 2019 and 3% vs. 1H 2019. The estimated market share of microfinance increased to 16.7% in May 2020 vs. 9.2% in May 2019.

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
	<ul style="list-style-type: none"> • Increase in sales of corporate accounts in 1H 2020 by 7.3% y/y. • Record-high sales of Concordia's spring seasonal insurance in H1 2020 through a fully remote sales process, during uncertain market situation (up 13% y/y). • Increase in sales of POS terminals - the total number of terminals sold in 1H 2020 amounted to 2,347, increase by 18% y/y.
SIMPLICITY	<ul style="list-style-type: none"> • Process improvements: <ul style="list-style-type: none"> - Limiting the customer's visit in the branch to 1 visit while selling micro financial products, - implementing a fully remote sales process for Concordia insurance, - implementation of the possibility to conclude an agreement on structured deposits and execution of transactions involving investment funds by telephone - providing the possibility to sell cash loans remotely at branches by leading to the Virtual Branch; • BNPP was the first bank in the world and in Poland to provide customers with the opportunity to arrange visits at the Bank's branches using the Booksy.pl booking application; • Launching the service of an online sign-translator in the network of bank branches and on the Call Centre; • Improvements implemented in response to the COVID-19 pandemic: <ul style="list-style-type: none"> - loan moratoria - allowing individual customers to defer the repayment of full capital and interest instalments of the loan by 3 months or of capital instalments by 6 months, - adapting the principles of risk assessment to the changing environment, - Flexibility of sales and after-sales processes allowing for remote handling and purchase of products
QUALITY	<ul style="list-style-type: none"> • Ranking Złoty Bankier - 3rd place in the "Credit Card" category and 5th place in the "Best multi-channel service quality" category (from the 9th) in 2019. Assessment of the quality of service in branches, the hotline, written channels, ergonomics of online and mobile banking, system stability and banking products was made; • Joining the Declaration of Responsible Sales - a project aimed at promoting, among others, the highest ethical standards of relations with customers in financial institutions.
DIGITALIZATION	<ul style="list-style-type: none"> • Implementation of the process of remote account opening by video-verification • Migration of all retail customers to the GOonline platform (closing the PI@net system for retail), • Implementation of e-signature and digital signing of agreements based on the Autenti solution • Pilot implementation of the onboarding process for GOMobile applications in branches based on the GOone platform • Implementation of solutions allowing customers to apply for the Anti-Crisis Shield support (PFR applications), • Implementation of automatic FX PI@net onboarding for new customers through GOonline online banking.

Product offer for retail customers

The Bank provides services for retail customer, focusing primarily on the personal account offer, term deposits and consumer finance products (i.e. cash loans, account limit, credit cards, insurance). The offer includes all forms of current banking services, savings, investments and loans.

At the end of June 2020 there were 3 tariff plans within the Bank's offer of **personal accounts for retail customers**: *Konto Otwarte na Ciebie* – the main current account, which was recognized as the best personal account in the ranking of Money.pl. *Moje Konto Premium* – new current account for Premium Banking customers and *Konto Bankowość Prywatna* for Private Banking customers.

With regard to the management of the retail banking product offering, in the first half of 2020, the Bank focused on improving the efficiency and profitability of products.

There is a possibility to issue three debit cards within the *Konto Otwarte na Ciebie* account : *Karta Otwarta na Dzisiaj* - dedicated to people with lower income, looking for inexpensive and transparent financial solutions; *Karta Otwarta na eŚwiat* - for people frequently shopping on the Internet, using remote access channels to the Bank and paying attention to security in cyberspace; the card has a free Cyber Assistance Insurance; *Karta Otwarta na Świat* - addressed to people often traveling abroad, who appreciate the convenience and lower costs associated with making transactions in foreign currencies.

312 thousand personal accounts have been opened since the introduction of the *Konto Otwarte na Ciebie* offer in 2019 - of which only 6% did not choose one of the debit cards offered for the account. The Bank's branches were the main sales channel for the *Konto Otwarte na Ciebie* (approx. 79% share in sales), the remaining part include customers who opened an account via online applications on the Bank's website.

In April 2020, the Bank introduced the possibility of opening the *Konto Otwarte na Ciebie* account via the GOmobile application with the use of selfie. The new process using video verification of the customer's identity is simple and intuitive. When applying for an account, the customer should enter his/her basic data and then take a photo of both sides of his/her ID card. In the next step the system asks for three photos of the customer's face. During this process, the customer should move his/her head to make sure that the system does not take a photo. After positive verification, the data is confirmed and the necessary documents are sent to customers electronically.

The Bank's deposit offer for retail customers included savings accounts (*Konto Dobrze Oszczędnościowe*, *Rachunek Sejf*, *Autooszczędzanie* Savings Account) and term deposits (standard deposits in PLN and foreign currencies, Internet deposits - available through online banking, promotional deposits, progressive and special deposits - available for, among others, selected customer segments of the Bank).

In the first half of 2020 the Bank focused mainly on stabilising the savings portfolio of retail customers. Following the changes in interest rates introduced by the Monetary Policy Council, the Bank continued its policy of optimising interest margins on deposit products in Retail Banking. Periodic changes in the prices of offered term deposits and savings accounts were introduced, which, together with a change in the structure of the deposit product portfolio, resulted in a decrease in the average interest rate on the entire portfolio by 0.19 pp compared to the end of 2019.

The margin optimization included also the portfolio of BGŻOptima - a brand that is part of the Bank, specializing in offering savings and investment products in the direct model. In the first half of 2020, the average nominal interest rate on the deposit portfolio in this segment was reduced to 0.52%. The volume of deposits accumulated by BGŻOptima as at 30 June 2020 accounted to PLN 3.59 billion, which, compared to the end of 2019, constituted a decrease of PLN 0.45 billion, i.e. 11% y/y.

The Bank regularly launched attractive special offers for its Premium and Private Banking customers for selected maturities of the *Moja Lokata Premium* deposit and a promotional interest rate for the *Autooszczędzanie* account.

The Bank has prepared a dedicated offer of term deposits, available exclusively in GOmobile app and GOonline internet banking. Customers could take advantage of the entire family of GOonline online deposits *and Lokaty Mobilnej*, which is a particularly popular deposit

In 2020, for customers expecting profits higher than interest on term deposits, the Bank offered a wide range of investment products, including: over 500 investment funds of 24 domestic and foreign investment fund management companies; 5 investment portfolios – strategies based on FIO BNP Paribas subfunds, structured certificates issued by BNP Paribas Issuance B.V located in the Netherlands; the Individual Retirement Account (in the version of a savings account or in the form of a pension fund) and the Individual Retirement Protection Account in the form of an investment fund. During the COVID-19 pandemic, the Bank introduced numerous process improvements, including the ability to process investment fund orders over the phone and the possibility of remote conclusion of the Structured Deposit Term Agreement.

Furthermore, in the first half of 2020 the Bank:

- implemented a new strategy for a segment of Premium customers, including a dedicated offer of products such as Moje Konto Premium, Platynowa Karta Kredytowa and Insurance Sickness Support Plan - Premium. In addition, the Bank, together with the Fundacja na rzecz Standardów Doradztwa Finansowego foundation conducted the external EFPA EIP (European Investment Practices) certification of Premium customer advisors
- extended the offer for Housing Communities by an investment loan secured by an EIB guarantee, which allowed to increase the amount of granted financing to PLN 2.6 million;
- continued the implementation of the "Bank at Work" partnership program in the first quarter. Due to the pandemic, the program was suspended in the second quarter. Starting from 1 July 2020, the 2nd edition of the program was launched for e.g. corporate entities having relations with BNP Paribas Bank Polska, enterprises covered by PPK BNP Paribas TFI, local government units, housing communities and cooperatives;
- organized numerous campaigns aimed at increasing sales of personal accounts, among others „Kieszonkowe 2020” for the youngest customers (13-18 years old), „Startuj z kontem”, „Konto z dodatkiem”, „Zakupy z BNP Paribas”, „Konto z domu”;
- in cooperation with Arval Service Lease Polska Sp. z o.o. (a company belonging to the BNP Paribas Group) offered long-term vehicle rental for retail and business customers;
- cooperated with Employment Agencies and financial intermediaries in the acquisition of retail products (personal account, cash loans, mortgages and micro loans).

The retail customer loan offer in the first half of 2020 included mortgage loans in PLN, personal account loans (renewable loans), consumer finance products (described in more detail in Chapter 4.3. Personal Finance)

In the first half of 2020, the Bank noted record results in the sale of mortgage loans. The volume of concluded contracts amounted to almost PLN 2.9 billion vs. 1.9 billion in the same period of 2019). This resulted in an increase in market shares to almost 11% in May 2020. The result was the consequence of systematic automation and improvement of the process. In response to the COVID-19 pandemic, in March 2020 the Bank introduced credit moratoria, which customers could apply for free of charge, without leaving home using an electronic form, and the "signing" of the annex to the contract was completed remotely on the basis of a registered telephone call and an e-mail confirmation.

Private Banking: BNP Paribas Wealth Management

Services provided within Private Banking are dedicated to customers with assets exceeding PLN 1 million and a dedicated sub-segment of customers with assets exceeding PLN 10 million - "Family Fortunes". BNP Paribas Wealth Management offers an individual approach to each customer and additionally a holistic and relational approach, the so-called "family approach". Wealth Management advisors support clients in all banking aspects: individual, corporate and family.

BNP Paribas Wealth Management benefits from over 100 years of experience, market position and best practices of the BNP Paribas Group, which is number 1 in the field of Wealth Management in the Euro Zone with forty years of experience in servicing wealthy customers.

In BNP Paribas Wealth Management services are provided by an experienced and qualified team - all advisors are EFPA certified at EFA and the highest - EFP levels. Clients are guaranteed the highest level of discretion, e.g. through the Wealth Management client file confidentiality service.

As part of day-to-day banking, Wealth Management offers an exclusive MasterCard World Elite credit card, with the highest insurance package of PLN 30 million, the Fast Track service, which allows customers to use the fast track security check at Warsaw Chopin Airport and access to over 1000 VIP lounges at airports around the world.

BNP Paribas Wealth Management's approach to private banking was distinguished in Q1 2020 in the individual assessment of the customers themselves. BNP Paribas Wealth Management is a laureate of Forbes' rating - 5 stars for the best private banking on the Polish market.

Wealth Management has also been appreciated - for the high quality of its services and product offer - by financial market experts and clients in prestigious international rankings of the financial sector: Euromoney 2019 and World Finance Magazine 2019. At the same time, BNP Paribas Wealth Management was recognised in the Euromoney 2019 competition as the best private bank in Poland also in the following four categories:

- succession Planning Advice and Trusts – the best private bank in the field of wealth management,
- high Net Worth Clients (USD 5 million - USD 30 million) – best private bank for a HNWI (HighNetWorth Individuals) customer,
- super Affluent Clients (USD 1 million - USD 5 million) – best private bank for Super Affluent customers,
- philanthropic Advice – the best private bank in philanthropic consultancy.

Due to the situation caused by the COVID-19 pandemic, the main problems of Wealth Management clients - a majority of whom are entrepreneurs - focused on the difficult situation of their businesses and the possibility to benefit from support under the so-called Anti-Crisis Shields. After the entry into force of the so-called anti-crisis packages within the Wealth Management, a Competence Centre for clients of this segment was established, where free consultations provided by a Wealth Management expert are offered in order to clarify doubts related to anti-crisis support for companies - in the scope of the PFR Financial Shield and other support instruments, e.g. from the Industrial Development Agency or BGK.

The BNP Paribas Group's global and strong position on the international and Polish markets guarantees security and stability for customers. BNP Paribas Wealth Management was one of the first on the Polish market to apply a work organisation that allows to fully maintain the availability of advisors and to provide support for customers in the period of turbulence on capital markets. Remote processes were implemented and extended immediately to maintain continuity of service and business. The implementation in Wealth Management of a special solution, the Autenti e-signature service, allows clients to sign documents electronically, without the necessity to visit Wealth Management Centres.

In response to numerous questions about the changing market situation, cyclical webinars conducted by specialists on e.g. the American market or oil-based financial instruments are organized.

In response to numerous questions about the changing market situation, cyclical webinars conducted by specialists on e.g. the American market or oil-based financial instruments are organized.

Business customer offer

As far as the offer addressed to Business Customers is concerned, the Bank provides products which satisfy various customer needs relating to the funding of their operations, transactional banking and depositing funds.

The core offer for **business customers within transactional banking** consists of three product packages: *Konto Otwarte na Biznes* - intended for customers with simplified financial reporting, as well as full financial reporting, if their net sales revenue for the previous financial year did not exceed PLN 4 million; *Konto Otwarte na Biznes Non-profit* - offer addressed to non-profit organizations, e.g. foundations, home owners' associations, property managers and housing cooperatives; *Konto Otwarte na Agrobiznes* - offer addressed to individual farmers.

Depending on the offer, new accounts charge fees in a dynamic way, depending on the amount of inflows to the client's accounts and the average balance maintained on the current account. These products have differentiated charging for deposits, withdrawals and electronic transfers, and the level of commission charged will depend on the number of transactions and the threshold of the amount of inflows to the client's accounts.

In the first half of 2020, the deposit offer for business customers included both savings accounts - Subsidiary Investment Account in PLN and foreign currencies, as well as term deposits, offered in many investment periods and sales channels, including the highly popular Overnight Deposits.

In May 2020, the Bank joined the "OLX 500 starter" - action supporting entrepreneurs launched in April. This was another Bank's initiative to support companies throughout the Covid-19 pandemic. With the support, the companies that have not yet advertised online on OLX - the largest advertising platform in the country – will receive 1000 PLN to spend on this purpose. As a strategic partner of the project, the Bank will finance entrepreneurs on with an additional PLN 500. The Bank has funded 1000 of such packages. As part of the ad package, it is possible to have a website in the olx.pl domain, sell and offer without commission, as well as receive support from the OLX team, advising on efficient and effective registration process and providing support in choosing the best way to add an advertisement.

The loans offered in the business segment to finance daily operations and investment needs are addressed to micro-enterprises, small enterprises (subject to simplified financial reporting requirements), as well as individual farmers and home owners' associations.

The key loan products offered by the Bank are: overdraft facilities (secured and unsecured), revolving/non-revolving working capital loans, cash loans (fixed term), investment loans and consolidation loans. Additionally, business clients (micro-enterprises and individual farmers) were able to use EU loans, subsidised loans, guarantees and currency risk management products.

The Bank also offers products that minimize the risk of agricultural activity: seasonal insurance of agricultural crops. Through a crop insurance contract, the farmer gains insurance protection and financial security. Insurance of at least 50% of arable land is also a condition for obtaining a low-interest disaster loan and full financial assistance in the event of a natural disaster.

In the view of the emerging restrictions related to COVID-19, in order to maintain continuity of the credit process in the segment of micro-enterprises and individual customers, the Bank implemented a simplified procedure for completing documents in the credit process.

In addition, in the process of applying for a mortgage loan, the Bank initiated a new process that includes direct contact of the credit decision maker with the customer; in the process, it is possible to obtain customer's statements via a registered telephone connection. According to NPS surveys the process was positively assessed by customers.

In the first quarter of 2020 The Bank introduced the European Investment Bank's PF4EE program for housing communities. Under the Agreement concluded between the Bank and the European Investment Bank, we received support from the EIB in the form of a portfolio guarantee in the amount of 80% for an investment involving thermomodernisation of buildings leading to an increase in their energy efficiency. The guarantee allowed to increase the maximum amount of financing to PLN 2.6 million and to extend the maximum financing period to 240 months.

Within the financing, a wide offer of with a thermo-modernization premium from Bank Gospodarstwa Krajowego as well as financing of 90% of the costs incurred to prepare the technical documentation allowing for the execution of the thermo-modernization investment are available to customers; the financing is provided as part of the ELENA project based on the European Union Framework Program - Horizon 2020.

In the first half of 2020, the offer of long-term car rental models for micro-enterprises and individual customers in cooperation with Arval Service Lease Polska Sp. z o.o. (an entity of the BNP Paribas Group) was extended more than twice. The sales activities within the CRM campaign based on the existing customers of the Bank were also intensified, which improved the sales results, despite a significant reduction in interest in the offer during the COVID-19 epidemic. At the end of June this year, the average monthly sales values of the long-term rental service, recorded in 2019, were recorded again.

In the second quarter of 2020 the Bank extended the offer for micro-entrepreneurs by a non-renewable FTL loan with BGK de minimis guarantee up to 80% of the loan amount, at the same time introducing a special price offer for all loans covered by de minimis guarantees.

The offer for individual farmers was also extended to include a loan guaranteed of the Agricultural Guarantee Fund, covering up to 80% of the loan amount.

In the first half of 2020 the bank conducted „Biznes Ofensywa” and „Agro Ofensywa” marketing campaigns.

Bank guarantees

In the first half of 2020, the Bank issued 9 bank guarantees at the request of business customers for a total value of PLN 0.8 million.

Commercial volumes

As at 30 June 2020, Retail and Business Banking deposits on a consolidated level amounted to PLN 52,147,523 thousand and were by PLN 1,896,602 thousand, i.e. 4% higher than at the end of 2019. Current accounts increased by PLN 3,402,827 thousand, and volumes in savings accounts by PLN 2,294,590 thousand. The decrease was recorded in terms deposits by PLN 3,853,139 thousand. The percentage share of each of the three basic product categories has changed: share of current accounts and savings accounts increased (by 5 p.p. to 43% and by 3 p.p. to 35% respectively) while term deposits decreased (by 8 p.p. to 21%).

Table 22. Deposits and Loans in Retail and Business Banking¹

in PLN'000	30.06.2020	31.12.2019	change y/y	
			PLN'000	%
Current accounts	22,246,519	18,843,692	3,402,827	18%
Savings accounts	18,246,654	15,952,064	2,294,590	14%
Term deposits	11,118,369	14,971,508	(3,853,139)	(26%)
Overnight deposits	535,981	483,658	52,324	11%
Accounts and Deposits	52,147,523	50,250,921	1,896,602	4%
Consumer loans	8,932,045	9,115,130	(183,085)	(2%)
Investment loans	6,525,836	6,577,174	(51,338)	(1%)
Overdrafts	3,250,930	3,422,192	(171,262)	(5%)
Mortgage loans	20,570,023	18,455,414	2 114, 608	11%
Lease receivables	1,793,637	1,307,745	485,892	37%
Credit cards	1,174,926	1,316,580	(141,654)	(11%)
Other loans	8,873	19,489	(10,616)	(54%)
Net loans and advances	42,256,269	40,213,725	2,042,544	5%

As at 30 June 2020 the value of the loan portfolio in the Retail and Business Banking segment on a consolidated level amounted to PLN 42,256,269 thousand, i.e. by 5% (PLN +2 042 544 thousand) more than at the end of 2019. The increase concerned primarily mortgage loans (+11%, PLN +2,114,608 thousand).

In the analysed period, the volume of FX mortgage loans (withdrawn from the offer in 2008-2009) amounted to PLN 5,007,756 thousand (at the end of 2019 it was PLN 4,891,760 thousand), including loans in CHF which constituted almost 99% of this portfolio.

The visible increase resulted from the weakening of the PLN against CHF (the exchange rate increased from 3.9213 at the end of 2019 to 4.1818 at the end of June 2020). The value of the portfolio in CHF decreased by 4.0% compared to the end of 2019.

¹ The value of deposits and loans in selected segments is based on data from the management information systems as they provide more detailed product information. For the sake of comparability, the data as at 31 December 2019 were presented in accordance with the segmentation for 2020.

The value of deposits excludes balances of some credit institutions which are considered interbank deposits in management reporting, whereas in financial reporting they are recognized as customer deposits. In addition, the balances exclude accrued interest before maturity

Gross profit of Retail and Business Banking segment

In the first half of 2020, the Retail and Business Banking segment recorded a negative gross result of PLN 184,571 thousand (compared to PLN 35,096 thousand profit in the first half of 2019) mainly due to significant increase in the cost of risk resulting, among others, from the negative influence of COVID-19 on the economic situation and an increase in the cost of the BGF resulting from an increase in the base used for calculation and changes in the level of contributions made by the BGF Council compared to 2019.

The income on retail and business banking activity in the first half of 2020 amounted to PLN 1,119,011 thousand and was 1% lower than in the first half of 2019, inter alia, as a result of including in other operating expenses provisions for risk related to proceedings concerning foreign currency mortgage loans in the amount of PLN 26.6 million (CJEU case law). This result accounted for 47.2% of the Group's net banking income in the analyzed period. Personal Finance generated 32.6% of the result on banking activity of the Retail and Business Banking segment.

Table 23. Gross profit of Retail and Business Banking segment²

in PLN '000	6 months		change y/y	
	to 30.06.2020	to 30.06.2020	PLN thousand	%
Interest income	883,049	885,675	(2,626)	(0%)
Fee and commission income	213,972	203,021	10,951	5%
Trading and other income	21,989	45,411	(23,421)	(52%)
Income on banking activity	1,119,011	1,134,107	(15,096)	(1%)
Net impairment losses	(337,476)	(132,251)	(205,225)	155%
Operating expenses and amortisation and depreciation	(651,578)	(628,986)	(22,591)	4%
Expense allocation	(236,533)	(267,178)	30,645	(11%)
Operating result	(106,576)	105,691	(212,267)	(201%)
Tax on financial institutions	(77,995)	(70,595)	(7,400)	10%
Gross profit of the segment	(184,571)	35,096	(219,667)	(626%)

² Information based on the segmentation note included in the Consolidated report of BNP Paribas Bank Polska S.A. Capital Group for the first half of 2020

4.3. Personal Finance

The Personal Finance Segment is responsible for preparing the product offer and managing consumer loans distributed through the Retail and Business Banking branch network and external distribution channels. Its offer includes the following major product groups:

- **cash loans:** distributed mainly through the branch network, the Contact Centre, the Bank's specialized brokerage partners and via the internet, including the Internet Banking System and the Mobile Banking System (the GOMobile smartphone app);
- **instalment purchase loans:** offered to retail customers in stores belonging to the Bank's commercial partners, with whom the Bank has cooperation agreements in place. This includes traditional stores, internet stores and stores on the Allegro e-commerce platform;
- **car loans:** for new and used vehicles, initiated primarily by second-hand car dealerships and authorised car dealerships;
- **operating and finance leases:** also in cooperation with BNP Paribas Leasing Services Sp. z o.o., offered mainly by second-hand car dealerships and authorised car dealerships;
- **lease advance** – offered in cooperation with BNP Paribas Leasing Services Sp. z o.o., mainly by second-hand car dealerships and authorised car dealerships;
- **long-term vehicle rental** in cooperation with Arval Service Lease Polska Sp. z o.o. offered by selected authorised car dealers;
- **credit cards:** offered to customers by the Bank's branch network as well as the Bank's credit card desks located in shopping centres and commercial partners with whom the Bank has cooperation agreements in place.

It also assumes responsibility for the following key processes:

- authorisation of consumer loan, mortgage loan and micro-enterprise loan applications, as well as loan approval based on specific criteria;
- debt collection (from retail customers and micro-enterprises);
- telephone customer service via the Contact Centre (including loan sales for retail customers over the phone) and marketing campaigns (including CRM/cross-selling).

Main achievements in the first half of 2020

- Implementation of the cooperation program with Ford: offer for retail customers and micro enterprises
- Implementation of remote application process for car loans
- Introduction of a remote process of applying for and concluding cash loan agreements via a recorded phone call
- Introduction of a new Visa Platinum credit card
- Launch of a remote credit card sales process for customers with access to GOonline internet banking
- Cooperation with a new trading partner - Decathlon - in the field of credit card and instalment loan sales
- Implementation of „paperless” process of concluding the card contract
- Effective implementation of remote work in the Contact Center area while maintaining a high level of key KPIs
- Efficient handling of credit moratoria (in the first half of 2020, over 80,000 processed applications)

Product offer

Cash loans

In the first half of 2020, the Bank introduced in the cash loan area:

- new, simplified and shortened sales process for customers with regular inflows on their accounts,
- remote process of applying for and concluding agreements during a recorded telephone call, available in the Contact Center, and then in bank branches as well as in the Virtual Branch of the Bank,
- extended process of automatic credit initiation, which reduced the time of the whole process by over 40%,
- wider availability of the cash loan in the GOonline internet banking system and GOMobile mobile banking system,
- promotion offers supported by large-scale marketing campaigns:
 - as part of the TV campaign "Appreciate, don't judge" - promotion of credit without commission,
 - as part of the radio and Internet campaign - promotion of a consolidation credit without commission and with a reduced interest rate.

Instalment loans

Instalment loans are offered to retail customers for purchases of goods or services that are not connected to the customer's business activity or profession.

Currently, the Bank offers instalment loans through more than 10,000 retail partners (online and in traditional stores) that provide funding for purchases. The terms of instalment loans are linked to the loan offer provided by the Bank's commercial partners at a given time.

Customers can sign paperless contracts (implemented in cooperation with the Autenti company). It is available in all of the Bank's partner stores which offer purchase financing in cooperation with the Bank and is currently the leading form of concluding agreements by individual clients.

Since 2018, the Bank has been expanding the group of its business partners of companies offering photovoltaic installations and other sources of renewable energy (RES) to individual customers. In 2020 The Bank became the leader in this market segment (banks financing RES in the B2B2C model) by financing in July 2020 a photovoltaic installation. Currently, the Bank's financing of RES in B2B2C model includes:

- Active cooperation with more than 300 partners involved in the sale and installation of photovoltaic installations;
- PLN 364.6 million loans granted in the photovoltaic for prosuments program (as at 30 June 2020);
- European Investment Bank guarantees on the loan portfolio

In the first half of 2020 The Bank continued its cooperation with Allegro, the largest on-line transaction platform in Poland, offering its customers the "Allegro Renewable Limit" platform, which allows financing purchases. Since the beginning of cooperation with Allegro, over 330 thousand customers have decided to use such a limit.

In May 2020 the Bank started cooperation with a new partner - DECATHLON chain of sports shops (market leader with 60 stationary shops and a dynamically developing online shop). As part of the cooperation, the Bank offers the chain's customers a personalised credit card, which enables them to make purchases in installments and installment loans within the available limit. Since the beginning of the cooperation, the Bank has financed over 6,000 credit agreements with this partner.

Car loans, leasing advances

In the first half of 2020 The Bank continued its cooperation with Opel, Kia and Hyundai. At the same time, in February this year the Bank became the exclusive supplier of credit products, which are offered under the Ford Credit brand for retail customers of Ford's dealer network.

In the first half of 2020, the Bank introduced the following products and processes:

- One Day Visit offer for Kia, Opel, Ford, Hyundai dealerships, allowing to drive out of the dealer's showroom on the same day and sometimes to establish 30 day collateral;
- HRV credit (High Residual Value, high residual value vehicle finance) for the Ford brand with a high balloon rate and a dealer repurchase guarantee under the Ford Opcje name;
- Credit with obligatory CPI (Credit Protection Insurance) for dealers and commissions;

- a 50/50 promotional credit for Opel and KIA;
- a promotional loan with a reduced interest rate for Kia;
- a 3-month and 6-month grace period loan to Hyundai, Kia, Opel, Ford;
- the possibility of obtaining the company's registered data by selecting the customer's VAT ID when entering the credit application;
- the process of filing a credit application over the phone during a recorded telephone conversation for Dealers and Brokers;
- the process of remote signing of a credit application with an advanced electronic signature in cooperation with Autenti.

Leasing

In addition to car loans, the Bank's Personal Finance offers operational and financial leasing (including financial VAT Margin). Leasing is offered through a leasing company - BNP Paribas Leasing Services - for passenger cars, lorries up to 8 tons, buses, agricultural tractors, scooters, motorcycles, quads and campers.

In the first half of 2020 the following were introduced into the car leasing offer:

- promotional offer with importer's subsidy for KIA dealers - Leasing 101%;
- promotional offer with importer's subsidy for Opel dealers - Leasing 102%;
- operating and finance lease offer for Ford;
- HRV (High Residual Value) leasing - Leasing Easy Move On for Hyundai and Ford Leasing Options for Ford;
- the "paperless" process for individual business activities using the Autenti electronic signature;
- a customer portal providing the customer with access to electronic invoices, a preview of the schedule, billing and the possibility to submit applications concerning the contracts held;
- changes in risk policy: increase in funding amounts in a simplified procedure, possibility of funding for suspended sole proprietorships under certain conditions;
- the possibility to offer and sell motor insurance on the PF network through a WTW Service agent acting on behalf of individual insurance companies.

Long term vehicle rental

In the second half of 2019 the Bank continued cooperation with Arval Service Lease Polska Sp. z o.o. as part of TCM product sales (long-term rental). New solutions were introduced:

- Modification of the sales platform in order to adapt it to the cooperation with car dealers and brokers;
- launching sales of a new TCI product - long-term rental for individual customers;
- a long-term rental sale was introduced for: (i) Kia dealers - long-term rental of TCI; (ii) Hyundai dealers - long-term rental of TCI and TCM and (iii) employees - long-term rental of TCI and TCM;
- process of remote signing of documents with advanced electronic signature in cooperation with Autenti.

Credit cards

In the first half of 2020, in the credit card offer following were introduced:

- a new credit card Visa Platinum with a package of additional benefits, such as:
 - no commission for currency conversion,
 - free foreign travel insurance with assistance and concierge package,
 - 4 free entries to airport lounges per calendar year, as part of the Dragon Pass service,
 - access to the mamBonus loyalty program;
- the process of selling the MasterCard Standard and MasterCard Gold credit cards to customers who already have another product in the GOonline online banking system, performed online, including the contract signing stage;
- in GOonline online banking following were made available:
 - Allegro revolving limit repayment process for customers with a personal account,
 - presentation of information about active or inactive mobile payment service.

4.4. Operations of the Brokerage Office of BNP Paribas Bank Polska S.A.

The operations of the Brokerage Office of Bank BNP Paribas Bank Polska focus on the provision of services to retail customers, thus complements the offer of investment products provided by the Bank. Additionally, the Brokerage Office provides services to selected institutional customers such as open pension funds, investment fund management companies and other asset managers.

Additional activities of the Brokerage Office include portfolio management and investment consulting. Investment consulting is provided to Premium Banking and Private Banking customers.

The Brokerage Office offers a wide range of investment funds managed by recognised Polish and foreign investment fund management companies. As at HY 2020, the Brokerage Office sold units in almost 700 funds managed by 22 investment fund management companies. As at the end of June 2020, the value of investment fund management company assets distributed by BNP Paribas Bank Polska amounted to PLN 3.7 billion.

Total fee and commission income of the Brokerage Office in the analysed period amounted to PLN 44.2 million compared to PLN 32.9 million in HY 2019 (34% increase). An important part of the income generated by the Brokerage Office were primary market sales of investment certificates, based on the valuation of stock market indices or specific listed companies.

Table 24. Share of the Bank's Brokerage Office in WSE trading volume

		30.06.2020		30.06.2019	
		volume	share	volume	share
Shares	PLN million	1,599.9	0.6%	931.1	0.5%
Bonds	PLN million	51.2	3.7%	37.8	2.7%
Contracts	number	91,447	0.9%	102,896	1.7%
Investment certificates	PLN million	0.9	1.6%	0.8	1.3%
Options	number	8,778	2.4%	5,597	1.5%
Structured products	PLN million	283.7	9.4%	9.1	0.5%

4.5. SME Banking

Segmentation

The Small and Medium Enterprises Banking Area (SME) comprises three main customer sub-segments:

- Agro Customers with full financial reporting, with prior year's net income between PLN 4 and PLN 40 million and credit exposure not exceeding PLN 12 million. This segment also includes agricultural producer groups and organizational units of the State Forests, regardless of income and credit exposure;
- Non-Agro Customers - a sub-segment for entities with full financial reporting, with prior year's net income between PLN 4 and PLN 40 million and credit exposure not exceeding PLN 12 million, as well as public finance entities with a budget of up to PLN 100 million;
- Farmers (i.e. economic entities devoted to agricultural production) with full financial reporting, prior year's net income between PLN 0 and PLN 60 million, and credit exposure not exceeding PLN 25 million; as well as individual farmers in the case of whom the Bank's exposure is between PLN 4 million and PLN 25 million or between PLN 3 million and PLN 4 million if the collateral in arable land covers less than 50% of credit exposure.

Distribution channels

Within the sales network in the SME Banking there are 8 SME Banking Regions with 50 SME Business Centres located on 37 local markets with the biggest potential.

The SME customer service model at the Bank is a relational model. A key element of service at BNP is the individual assistance of a consultant, responsible for the entirety of the client's relationship with the Bank. Furthermore, SME customers are served by dedicated teams of product specialists offering a high standard of sales support and product advice, based on knowledge and experience including cash management, treasury, leasing, factoring and trade finance.

SME customers benefit from ongoing operational service in the network of retail branches, electronic banking channels offered by the Bank, and can also count on telephone operational and information support from the Business Service Zone.

Main achievements in the first half of 2020

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
GROWTH	<ul style="list-style-type: none"> • Increase in the gross result y/y of the SME Banking area due to lower risk costs and banking tax; • Increase in cross-selling: increase in cash management commissions and income from foreign exchange transactions; • Increasing the number of meetings (including on-line contacts) with current and potential customers.
SIMPLICITY	<ul style="list-style-type: none"> • Normal business and operational activities with extensive use of a secure remote working formula, online and mobile banking channels and remote customer service tools; • Transparent product package offer for SME customers.
QUALITY	<ul style="list-style-type: none"> • Further improvement of SME customer service processes in Customer Service: service in the Business Service Zone - dedicated, professional advisors, a wide range of customer support and after-sales service, a wide range of training, an incentive system based, among others, on the criterion of customer service quality, development of tools supporting the Business Service Zone.
DIGITALISATION	<ul style="list-style-type: none"> • New version of the GOMobile Biznes mobile application; • Wide package of changes in electronic banking BiznesPI@net: further development of the self-service zone: providing functionality for remote addition of new system users by the administrator on the client's side, providing access to numerous electronic product applications, implementing the "white list of VAT payers" functionality; • Implementation of a fully remote customer onboarding process based on the electronic signature, without the necessity to visit the Bank and use paper documents; • Introducing the possibility of signing most documents as part of the after-sales service with an electronic signature.

Product offer

- **transactional products** as part of the customer's account or package, including: cashless domestic and cross-border transactions, cash transactions (including closed ones), cash transactions - deposits and withdrawals in Bank branches, payments at Poczta Polska, deposits and withdrawals at counters and in deposit machines, domestic transfers (including transfers in the Elixir, Sorbnet and Express Elixir systems), foreign transfers (including SEPA transfers, SEPA D0, TARGET), debit cards (PLN, EUR, multi-currency), credit, charge, identification of incoming payments, Host 2 Host - integration of the financial and accounting system with the internet banking system, automatic transfers of funds between various accounts, product packages - Turbo Box, FX Box, Open Box and Multi Box;
- **Internet and mobile banking**: BiznesPI@net, Mobile BiznePI@net, GOMobile Biznes, FX PI@net, BNP Paribas Connect Host to Host - integration of the financial and accounting system with the Internet banking system, MultiCash;
- **deposit products** for the customer's investment of surplus cash (e.g. standard deposits, negotiated deposits with maturity and interest rate agreed on an individual basis, deposits made through the online banking system as well as deposit accounts for flexible surplus cash management);
- **loan products** providing funding for the day-to-day running of a business as well as for the implementation of investment and development projects, refinancing expenditure that has already been incurred or loans granted by other banks (overdrafts, revolving and non-revolving working capital loans and investment loans);
- **trade finance products**, export and import documentary letters of credit, documentary collection, letter of credit discounts, as well as issuing guarantees and processing external guarantees. The Bank offers fast and comprehensive services based on dedicated IT solutions;
- **financial market transactions for purposes of currency, interest rate and commodity price risk management** (e.g. FX Spot, FX Forward, FX options, IRS, interest rate options, commodity swap, commodity options);
- **factoring services** dedicated to manufacturing, sales and service companies entering into deferred payment sales transactions offered in cooperation with BNP Paribas Faktoring Sp. z o.o.;
- **leasing services**, including: the lease of machines and equipment, process lines, vehicles, real property (offered in cooperation with BNP Paribas Leasing Solutions Sp. z o.o.).

Business line development in the first half of 2020

The Small and Medium-sized Enterprises Banking Area started 2020 with fully integrated teams and systems and an ambitious plan to focus on business development. In the first part of the half-year, the SME area focused on increasing the activity of the sales network, which resulted in increasing the number of meetings with customers by 11% and doubling the number of contacts with potential customers of the Bank (data compared to the same quarter of the last year).

The situation changed in mid-March when the restrictions introduced in response to the COVID-19 pandemic made a change of priorities necessary. To adapt to the new reality, the area of SME banking focused on 4 elements:

Customer and employee safety

The sales teams adapted to the working conditions during the epidemic:

- split-team/remote work,
- tools: access, devices,
- implementation of qualified and electronic signature functionality (Autenti) - electronic signing of contracts with the customer.

Remote access to the Bank

- implementation of a new on-boarding process for customers. The new tool provides a digital process of opening a new customer's file, their accounts and related products, in a fully secure and integrated way,
- further development of the BiznesPI@net electronic banking functionality, including, among others, launching the module of product applications and after-sales instructions, digital signing of contracts,
- ensuring full availability for customers in the Business Service Zone as the customer activity in this channel increased significantly.

Customer support

- involvement in government aid programs addressed to Polish enterprises - (i) PFR shield, under which 4.2 thousand SME clients received a total subsidy of almost PLN 2.3 billion via the Bank, (ii) provision of BGK's de minimis guarantee to secure a loan up to 80%, (iii) credit moratoria - possibility to defer payment of principal or capital-interest instalments on all credit products, as well as on products offered by the remaining BNP Group companies in Poland (leasing, factoring);
- continuation of the Foreign Trade Program - this time in the form of a webinar, the Bank promoted the German and Far East markets. The conference was attended by 323 SME clients.

Cross-sell

- focus on customer cross-selling in the area of cash management and foreign exchange transactions,
- increase in deposits and core deposits with simultaneous actions aimed at optimizing the Bank's margin.

In addition to the above activities, in the first half of 2020, efforts were continued in the field of digitisation and process optimisation, especially in the credit and after-sales processes.

Bank guarantees and letters of credit

As regards guarantees and letters of credit, the Bank offers an efficient and comprehensive service based on dedicated IT solutions.

In the first half of 2020 the Bank in response to SME clients' needs:

- issued 334 bank guarantees for a total of PLN 62.4 million,
- opened 66 import letters of credit for a total amount of PLN 12.3 million and handled 45 export letters of credit with a total value of PLN 45.8 million issued by third banks for the benefit of customer.

Commercial volumes

As at 30 June 2020, deposits from customers of SME Banking on a consolidated basis amounted to PLN 12,855,694 thousand and were by PLN 2,400,306 thousand, i.e. by 23% higher than at the end of 2019. The most significant change in the portfolio structure as compared to the end of 2019 was an increase in the share of current accounts (by 14 p.p., up to 87%) with a simultaneous decrease in the share of overnight deposits (by 8 p.p., down to 1%), term deposits (by 3 p.p., down to 10%) and savings accounts (by 3 p.p., down to 1%).

Table 25. SME loans and deposits³

in PLN '000	30.06.2020	31.12.2019	change y/y	
			PLN'000	%
Current accounts	11,235,448	7,696,177	3,539,271	46%
Savings accounts	176,738	438,094	(261,356)	(60%)
Term deposits	1,252,823	1,308,463	(55,640)	(4%)
Overnight deposits	190,685	1,012,655	(821,970)	(81%)
Accounts and Deposits	12,855,694	10,455,388	2,400,306	23%
Investment loans	4,928,393	5,198,315	(269,922)	(5%)
Overdrafts	1,994,578	2,608,743	(614,166)	(24%)
Lease receivables	587,254	606,050	(18,796)	(3%)
Factoring	900	1,095	(195)	(18%)
Other loans	1,526	1,561	(35)	(2%)
Net loans and advances	7,512,649	8,415,764	(903,114)	(11%)

³ See footnote p.65

As at 30 June 2020, the net value of the portfolio of loans and credits of the SME Banking segment, on a consolidated basis amounted to PLN 7,512,649 thousand, i.e. by PLN 903,114 thousand, (11%) less than at the end of 2019. The biggest drop in value was recorded for overdrafts.

Gross profit of SME Banking segment

In the first half of 2020, the SME Banking segment generated a gross profit of PLN 27,023 thousand (compared to PLN 19,794 thousand in the first half of 2019).

The improvement was driven by lower cost of risk than in the corresponding period of the previous year and lower banking tax assigned to the segment.

The income on banking activity of the SME segment in the first half of 2020 amounted to PLN 226,750 thousand and were lower by 7% in comparison to the first half of 2019. This result constitutes 9.6% of the Group's total income on banking activity in the analyzed period.

Table 26. Gross profit of SME Banking segment ⁴

in PLN'000	6 months ended 30.06.2020	6 months ended 30.06.2019	change y/y	
			PLN'000	%
Interest income	139,784	153,201	(13,417)	(9%)
Fee and commission income	50,744	63,918	(13,174)	(21%)
Trading and other income	36,222	27,362	8,860	32%
Income on banking activity	226,750	244,482	(17,732)	(7%)
Impairment losses	(28,447)	(48,759)	20,312	(42%)
Operating expenses and amortisation and depreciation	(80,134)	(82,977)	2,843	(3%)
Expense allocation	(74,145)	(69,331)	(4,814)	7%
Operating result	44,025	43,415	609	1%
Tax on financial institutions	(17,002)	(23,621)	6,619	(28%)
Gross profit of the segment	27,023	19,794	7,229	37%

⁴ See footnote p.66

4.6. Corporate Banking

Segmentation

Corporate Banking offers a wide variety of financial services to large and medium-sized enterprises as well as to local government entities with an annual turnover equal to or exceeding PLN 40 million, or in the case of whom the Bank's exposure is equal to or greater than PLN 12 million, as well as to entities operating as part of multinational capital groups.

Corporate Banking customers are classified into 4 key groups:

- Polish corporations with an annual income between PLN 40 million and PLN 600 million (or between PLN 60 million and PLN 600 million in the case of business entities related to agricultural production) or with a credit exposure greater than or equal to PLN 12 million (or PLN 25 million for business entities related to agricultural production);
- international customers (companies operating in international capital groups);
- large Polish corporations (listed, with annual turnover of more than PLN 600 million and an investment banking potential);
- public sector and financial institutions.

Additionally, an Agro sub-segment and a Non-agro sub-segment function within the aforesaid groups.

Distribution channels

Corporate Banking conducts operations based on stable customer relations, special emphasis is placed on the high standard and quality of provided services, as well as on the competence of the sales network and product specialists.

Corporate Banking services are provided by 9 Regional Corporate Banking Centres located in: Warsaw (two), Łódź, Gdańsk, Poznań, Wrocław, Katowice, Kraków and Lublin. As part of the Regional Corporate Banking Centres, there are 25 Corporate Banking Centres located in the largest business centres in Poland, thus ensuring a wide geographical and sector coverage. Within these branches, consultants provide services to corporate clients locally. After-sales services for the clients of the Corporate Banking segment are also carried out via the Enterprise Service Telephone Center and online banking system.

Main achievements in the first half of 2020

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
GROWTH	<p>Continuation of business strategy based on transactional development and growth of product cross-selling:</p> <ul style="list-style-type: none"> • total revenue growth y/y despite an unprecedented economic freeze in Q2 2020 related to the COVID-19 pandemic • increase in revenue from cash management and financial markets transactions
SIMPLICITY	<ul style="list-style-type: none"> • Normal business and operational activities with extensive use of a secure remote working formula, online and mobile banking channels and remote customer service tools
QUALITY	<ul style="list-style-type: none"> • Cooperation based on relations with clients - Advisors and Product Specialists available locally. • Further development of customer service processes in a dedicated unit of the Business Service Centre - a wide range of training courses, an incentive system based, among others, on the criterion of customer service quality, development of tools supporting the Business Service Centre. • Further development of the Trade Finance Business Desk - a dedicated team handling trade finance transactions on an ongoing basis.

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
DIGITALISATION	<ul style="list-style-type: none"> • Development of Internet banking Business PI@net: <ul style="list-style-type: none"> • development of the self-service zone: possibility of adding new system users remotely by the administrator (on the customer side), several electronic product applications have been implemented, • implementation of the "white list of VAT payers" functionality • Further digitalisation of processes in the area of commercial transaction handling - implementation of a guarantee text generator. • Implementation of a fully remote customer onboarding process based on the electronic signature, without the necessity for the customer to visit the Bank and using paper documents. • Implementation of electronic signature functionality to sign most documents.

Product offer

Corporate customers may use numerous financing and transactional banking products relying on the expert support of the BNP Paribas Group.

The basic products and services offered to corporate customers are:

- **cash management** - current, payroll, fiduciary, escrow accounts, cash management (deposits and withdrawals in a closed form), payments (domestic, foreign, mass), Cash Pool, balance consolidation, debit, charge, credit and micropayment cards;
- **placement of surpluses** - investment account, progressive account, term deposits, including negotiated ones;
- **financing - current operations** (revolving credits, multi-purpose credit line), investment financing (investment loans, loans from the funds of the European Investment Bank, Green Energy investment loans), financing for agro sector companies (including, among others, purchase credits, preferential credits);
- **trade service and financing** - bank guarantees, e-Guarantees, documentary credits, documentary collection, export financing; export and import documentary credits, discounting of credits, debt financing and nostro and loro guarantees, VAT refund financing;
- **Internet and mobile banking** - BiznesPI@net, Mobile BiznesPI@net, GOMobile Biznes, FX PI@net, BNP Paribas Connect Host to Host, MultiCash, Connexis - a global e-banking solution within the BNP Paribas Group;
- **mid-caps structured finance** – financing acquisitions, high capital expenditure as well as structured bilateral or syndicated loans of PLN 20-200 million;
- **real estate financing** – financing office, retail and warehouse space;
- **investment banking services** – provided by specialists, including merger and acquisition advisory support, project funding, capital markets and debt securities;
- **financial market products** – including spot and forward transactions made by the Bank's dealers or via the FX PI@net and Dealer electronic currency platforms;
- **factoring** – offered in cooperation with BNP Paribas Faktoring Sp. z o.o.;
- **leasing services** – i.a. leasing of machinery and equipment, technological lines, means of transport, real estate offered in cooperation with BNP Paribas Leasing Solutions;
- **public sector services** – organising the issue of municipal bonds, forfeiting and dedicated cash management solutions.

Business line development in the first half of 2020

In the first quarter of 2020 the Bank's Corporate Banking business was concentrated mainly on dynamic business development. The development strategy was implemented, which assumes:

- acquisition and prompt acquisition of new customers, as a basis for further development of cooperation,
- development of customer transactionality and increase in the number of products used by customers (cross-sell of individual product lines),
- acquiring and servicing companies with international operations,
- building the position of a leading bank in foreign trade and specialized finance (trade finance / specialized finance, global trade solutions).

The first quarter of 2020 in the Corporate Banking area ended with excellent sales results and a high 12% y/y growth rate of income.

In March of this year, due to the spread of the COVID-19 epidemic, the Bank focused on the rapid implementation of a number of measures to ensure the operational efficiency and safety of customers and employees in this situation. These actions included, among others:

- a smooth transition to remote work for most employees,
- introduction of split-teams in Corporate Banking Centres,
- development of the self-service zone in BiznesPI@net Internet banking,
- development of remote channels for accepting / signing documentation,
- customer support with frequent contact and dedicated online information programs on changes in the law and the possibility for the Bank's customers to take advantage of government assistance programs.

In the second quarter, the Bank's activity focused primarily on supporting customers within the framework of government aid programs addressed to Polish enterprises:

- **PFR Financial Shield** (under the Anti-Crisis Shield 2.0): non-refundable subsidy up to 75%, program value amounting to PLN 100 billion, possibility to apply for financing through BiznesPI@net online banking. In total, this form of support was used by nearly 900 clients of the Corporate Banking segment, all of whom received a subsidy of over PLN 1.3 billion (data as of 15 July 2020);
- **BGK Liquidity Guarantee Fund**, which provides guarantees for medium and large companies affected by the COVID-19 pandemic.

In addition, the Group offered its customers the so-called credit moratoria - a possibility to defer payment of principal or capital-interest instalments on all credit products, as well as on products offered by other BNP Group companies operating in Poland, offering leasing and factoring products.

Further digitalisation and process optimisation activities were also continued:

- within the Business PI@net system, the functionality of remote addition of new system users by the administrator, on the client's side, and several electronic product applications were introduced;
- a fully remote customer onboarding process based on the electronic signature was implemented. The process does not require a face-to-face meeting with a Bank employee or the use of paper documents. The above solution is our response to the clients' expectations related to the pandemic. We believe that the solution is consistent with our motto "Bank of Green Changes";
- the possibility of signing most of the documents with an electronic signature has been introduced, including using the Autenti platform;
- the automation of after-sales processes was gradually implemented and tools supporting employees were developed.

The Bank also continued, in a new, remote formula, a series of popular information-educational and business conferences aimed at supporting small and medium-sized enterprises and corporations in their foreign expansion - the so-called **Foreign Trade Program (PHZ)**. The main theme of PHZ is to share knowledge about foreign markets and their specifics as well as to support Polish entrepreneurs and present positive examples of foreign expansion into new markets. The meetings within the framework of PHZ in 2020 covered the German market and the Far East markets. The meetings, conducted in the formula of a webinar, were met with great interest of customers.

Bank guarantees and letters of credit

The Bank offers fast and comprehensive services related to guarantees and letters of credit, based on dedicated IT solutions.

In HY 2020, at the request of Corporate Banking customers, the Bank:

- issued 2,866 bank guarantees, with a total value of PLN 1,250.3 million,
- opened 616 import letters of credit with a total value of PLN 269.8 million and handled 194 export letters of credit with a total value of PLN 227.1 million issued by other banks for those customers.

Commercial volumes

As at 30 June 2020, deposits from Corporate Banking customers amounted to PLN 28,629,173 thousand and were higher by PLN 3,552,058 thousand (by 14%) than at the end of 2019. The share of current accounts in the portfolio structure increased (by 25 p.p., up to 84%), while the share of term deposits and overnight deposits decreased compared to December 2019 (by 5 p.p., down to 15% and by 20 p.p., down to 2% respectively).

The net value of the Corporate Banking segment's net loan and advances portfolio amounted to PLN 24,029,993 thousand as at 30 June 2020, i.e. 4% above the end of 2019 on a consolidated basis.

Table 27. Deposits and loans – Corporate Banking⁵

in PLN'000	30.06.2020	31.12.2019	change y/y	
			PLN'000	%
Current accounts	23,934,483	14,708,158	9 226,325	63%
Saving accounts	10,007	40,131	(30,123)	(75%)
Term deposits	4,187,557	4,816,244	(628,687)	(13%)
Overnight deposits	497,126	5,512,583	(5,015,457)	(91%)
Accounts and deposits	28,629,173	25,077,115	3,552,058	14%
Deposits and Accounts	13,943,970	12,512,879	1,431,091	11%
Investment loans	7,764,740	7,928,093	(163,354)	(2%)
Lease receivables	1,953,222	2,436,026	(482,804)	(20%)
Factoring	367,078	189,394	177,684	94%
Other loans	984	2 831	(1,847)	(65%)
Net loans and advances	24,029,993	23,069,224	960,770	4%

⁵ See footnote p. 65

Gross profit of Corporate Banking segment

In the first half of 2020, the Corporate Banking segment generated a gross profit of PLN 231,045 thousand (compared to PLN 254,241 thousand in the first half of 2019, down by 9%).

The income on corporate banking activity in the first half of 2020 amounted to PLN 524,408 thousand and was higher by PLN 4,857 thousand or 1% than in the first half of 2019. This result accounted for 22.1% of the Group's result on banking activity in the analyzed period.

Table 28. Gross profit of Corporate Banking segment⁶

in PLN'000	6 months ended 30.06.2020	6 months ended 30.06.2019	change y/y	
			PLN'000	%
Interest income	284,318	292,555	(8,237)	(3%)
Fee and commission income	128,711	124,340	4,371	4%
Trading and other income	111,380	102,656	8,724	8%
Income on banking activity	524,408	519,551	4,857	1%
Impairment losses	(30,816)	(35,207)	4,391	(12%)
Operating expenses and amortisation and depreciation	(156,265)	(153,541)	(2,724)	2%
Expense allocation	(60,700)	(35,951)	(24,749)	69%
Operating result	276,627	294,851	(18,225)	(6%)
Tax on financial institutions	(45,582)	(40,611)	(4,971)	12%
Gross profit of the segment	231,045	254,241	(23,195)	(9%)

4.7. Agro area

Product offer for the Agro subsegment

The Bank has a comprehensive offer for the food and agro segment, including accounts, deposits, loans and farmers insurance (both voluntary and statutory).

As regards loans, the Bank offers a wide variety of working capital and investment loans to farmers and Agro enterprises. Such products as the Agro Ekspres overdrafts collateralised with mortgage, and the Agro Progres investment loan for financing agricultural holdings as well as subsidised loans are particularly popular among the Bank's customers.

Preferential loans are mostly utilised for the purchase of agricultural land, for the construction and modernisation of buildings, as well as the purchase of machinery and equipment and the establishment of perennial crops. This offer is dedicated not only to farmers, but also to companies from the agri-food processing sector.

Apart from its own offering, the Bank provides additional services addressed to farmers, developed in cooperation with third parties.

Insurance

Crop insurance - summary of the spring 2020 season.

In the spring 2020 season, the Bank sold obligatory crop insurance under the Agreement with Concordia Polska Towarzystwo Ubezpieczeń S.A. amounting to PLN 8.8 million, which means an increase by 11% compared to the previous

⁶ See footnote p. 65

year. In the current year, the subsidy to the contribution for farmers from the state budget amounts up to 65%. In the second half of March 2020 (the beginning of the season), insurance sales were lower than in the previous two years due to limited contacts between advisers and clients related to the COVID-19 epidemic. The increase in sales took place in April, as a result of the introduction of a remote process of concluding insurance contracts.

Insurance of winter cereals against drought risk

In the period from 10 February to 13 March 2020, winter grain insurance against drought was introduced to the Bank's offer. The conclusion of the drought policy concerned only selected policies issued in the autumn 2019 season. The risk of drought is covered by state budget subsidies in 65%.

FGR guarantee as a new form of collateral for loans to farmers and Agro customers

Pursuant to the agreement concluded between BNP Paribas Bank Polska and Bank Gospodarstwa Krajowego (BGK), the offer for farmers and customers of the Agro segment (agri-food processors) was extended by a new form of collateral - a guarantee granted by BGK from the Agricultural Guarantee Fund (FGR).

It is completely cost-free for the customer. The amount of the transaction secured by the FGR guarantee is assigned a zero risk weight, and thus is more profitable for the Bank.

The guarantee will apply to the investment loan granted to farmers in the form of the Agro Progres product, an investment loan granted to Agro customers and a non-revolving working capital loan linked to the investment made by these customers.

The advantage for the customer is that the guarantee can be the sole collateral for: an investment loan for the purchase of a base herd, for the purchase and installation of photovoltaic units or for the financing of irrigation installations on farms, or a revolving loan to finance the first production cycle.

In addition, in circumstances where the FGR guarantee provides additional security for the repayment of a loan, an extension of the duration of the loan or a lower own contribution is possible in certain cases.

EIB revolving loan - a loan with EU support under the LIFE Program

BNP Paribas Bank Polska actively undertakes initiatives supporting sustainable development and protection of natural resources, therefore it has established cooperation with the European Investment Bank (EIB) with respect to the use of PF4EE (Private Financing for Energy Efficiency). According to this agreement, the Bank may offer customers, including farmers, financing of photovoltaic installations on attractive terms.

The benefits of the cooperation are: no commission on the EIB guarantee, no own contribution required, interest rate reduced by 0.20 p.p. compared to the annual interest rate the Bank would charge on this loan without EIB financial support.

Agro Offensive

From 15 January to 31 May 2019, the annual Agro Offensive sales campaign - this year under the motto "Financing increases the role" („Finansowanie zwiększa rolę”) - dedicated to Agro farmers and entrepreneurs was conducted. The campaign was dedicated to both Micro-enterprises and SME customers.

The goal of the campaign was to attract new customers and increase the sales of loan and leasing products in the segment. The special offer concerned the following loans: : Agro Ekspres, Agro Rzeczówka light, Unia+ and Preferential catastrophe loan K02 Line.

A special offer for new clients has been prepared for a current account under the Konto Otwarte na Agrobiznes account - PLN 0 fee, effective for 6 months from the date of signing the agreement. Within the cooperation with BNP Paribas Leasing Solutions, attractive price terms and conditions for a lease and leasing loan were offered.

This year's Agro Offensive was supported by dedicated marketing materials, a campaign in traditional media (e.g. newspapers, ATMs) as well as online and in social media.

Sales support

In the first half of 2020, members of Agro Expert Teams engaged in a number of pro-sales tasks and tasks aimed to improve the quality of the existing portfolio (actions to reduce NPL). They held 321 meetings with current and potential customers of the Bank, over 180 expert opinions were prepared, mostly for new transactions and as part of reviews of the functioning Agro portfolio (verification of the condition of farms and recommendations as to optimal paths of cooperation).

During the analysed period, Agro Experts conducted over 70 group and individual training courses for the Bank's employees, with particular emphasis on the newly employed staff. They also took part in over 20 Agro events at the national and regional levels, fulfilling the mission of building the Bank's reputation in this environment.

The Agro Experts Department, especially in the second quarter of this year, executed special tasks necessary to make decisions in a crisis situation in the Agro segment, including:

- preparation of materials on the current and prospective impact of the COVID-19 epidemic on the Agro sector and consumers of this sector; preparation of an expert ranking of the condition of selected types of Agro production in the context of the threat posed to the market by COVID-19, in order to indicate potentially safe (or not recommended) directions of financing in the SME segment,
- monitoring and reporting on a monthly basis of the hydrological situation in the country - determining the causes and current effects of water shortage on crops, forecasting yields in 2020 and its impact on the portfolio of Agro customers.

As part of the activities aimed at reduction of the NPL indicator, following were developed together with the Risk Division:

- support tools for customer assessment within the improvement of the industry matrix, using benchmarks and vectors determining advantages and weaknesses affecting business profitability for poultry producers (to be used in credit assessment),
- the principles of the review for all poultry producers (over 850 credit customers in the portfolio with assigned to PKD 01.47.Z).

As part of the ongoing work for the Sales Network, following guidelines have been prepared: 1. concerning the use of information databases on potential customers and 2. for advisors in the field of matching credit products depending on the type and needs to the customer as well as the unified rules of using external documents in the credit process in the Microenterprises segment.

It should also be pointed out that despite remote work, since mid-March 2020 the employees of the Agro Experts' Department performed all the tasks assigned to them successfully, including inspections requested by the Risk Division and the Restructuring and Collection Department.

Customer facilities associated with the COVID-19 pandemic:

- the possibility of using credit moratoria:
 - for non-renewable products, deferral of repayment for a maximum of 6 months - for capital instalments and 3 months - for interest and capital payments,
 - for renewable products (overdraft, credit card) - renewal in a simplified procedure for up to 6 months;
- simplifying the credit process and the credit application;
- simplified rules of signing credit documentation - possibility to remotely apply for a deferral of repayment via the Internet form available on the Bank's website, without any additional fees and without the need to provide additional documents;
- possibility of transferring most of the documents to/from the Bank in an electronic version;
- replacing information obtained during visits to customers' farms with data gathered via telephone conversations.

Agronomist.pl

Agronomist.pl - multifunctional industry portal for the agri-food sector. Last year - as the first bank in the world - we provided farmers and processors with a platform that integrates innovative tools to improve business in the agri-food sector. On its first anniversary, i.e. on 1 April this year, a new version of the user interface and new thematic sections were introduced:

- section "Green Changes" - a series of expert articles on sustainable development issues, including climate protection, renewable energy sources and corporate social responsibility
- a section for women "Agro na Obcasach" - strengthening the educational function of the portal in the area of female entrepreneurship in rural areas,
- tool for comparing prices on marketplaces and buying stations,

All the changes that were introduced at Agronomist.pl are aimed at further, consistent implementation of the Bank's strategy to support the development of the agro-processing sector in Poland and actions to promote female entrepreneurship.

At the end of June 2020, there were 3,000 registered users on the platform, and in the first half of this year over 120,000 entries were recorded. The percentage of new users was 86.82% and the percentage of returning users amounted to 13.18%.

4.8. Corporate and Investment Banking

Corporate and Institutional Banking (CIB) supports sales of products of the BNP Paribas Group dedicated to the largest Polish enterprises, including service of strategic customers, the Financial Markets Line and Custody Services Department, whose offer is addressed to banks, insurance companies, pension and investment funds, as well as the State Treasury. CIB delivers the BNP Paribas Group's comprehensive financial and risk management solutions to its customers in Poland, including:

- financing daily operations and investments carried out by enterprises;
- advisory services related to mergers and acquisitions, privatization and restructuring, transactions on debt and equity capital markets and operations on the currency and money market;
- structured finance: financing acquisitions and investment projects;
- cash flow and liquidity management, working capital optimization;
- financial and commodity risk management (risk related to price fluctuation on commodity markets).

CIB offers world-class quality expertise to customers by combining the knowledge of the Polish market with experience gained on international markets as well as top-class industry experts' competence. CIB supports the development of Polish enterprises and the implementation of projects of strategic importance to Poland, through the financing of industrial, commercial and technological infrastructure as well as strategic mergers and acquisitions.

Corporate and Institutional banking focuses on four key areas:

- transactions on the Polish and international FX and interest rate markets. This involves management of market risk in the trading book, quotations of FX market and interest rate market instruments (together with transactions on the derivatives market), setting the table of foreign exchange rates effective at the Bank as well as structuring and managing the risk involved in the structured products offered by the Bank;
- direct sales of financial market products enabling currency, interest rate and commodity price risk management, to customers;
- arrangement of debt security issues for corporate customers.

Main areas of activity of the **Financial Markets Division** implemented in the first half of 2020:

- further intensive development of the FX PI@net platform, which is an electronic tool used by many business and individual customers to exchange currencies and hedge the risk of exchange rate changes;
- improving the quality of service to corporate customers by FX dealers and dedicated product professionals.

Main areas of activity of the **Custody Services Department** in the first half of 2020:

- Development of asset valuation procedures in cooperation with clients, adjusted to the dynamics of economic changes caused by the COVID-19 pandemic;
- work on further automation of asset storage and valuation processes, including investments in IT systems;
- introduction of numerous control procedures (including a decommissioning plan) for decommissioned funds.

4.9. Other banking activity

Other Operations of the Group are carried out mainly through the ALM Treasury Line, the main objective of which is ensuring an appropriate and stable level of funding to guarantee security of the Bank's activities and compliance with the standards defined in the applicable laws, as well as reducing sensitivity of the Bank's net interest income to changes in market interest rates.

The ALM Line combines the features of a business line with those of a competency centre responsible for the management of interest rate risk, current and structural liquidity of the Bank, structural currency risk, as well as determining and managing internal transfer prices for all products offered by the Bank. The ALM Line focuses on both prudential (compliance with external and internal regulations) and optimization aspects (financing cost management and generating profit through management of the Bank's balance sheet items).

Its operations are carried out through two profit centres, i.e. ALM Treasury and Corporate Center.

One of the key risk management mechanisms in place at the Bank is a systemic transfer of structural risks (liquidity, banking book interest rate and currency risk) from all business lines to the ALM line, which manages those risks centrally. Risk is transferred mainly through the transfer pricing system, which reflects the business financing strategy adopted by the Bank.

Key obligations entrusted with ALM Treasury comprise ensuring a balanced liquidity position accompanied with optimized costs of funding the Bank's operations and an appropriate structure of assets and liabilities, including sensitivity to interest rate changes. Other units within this function focus on management of an internal transfer pricing system, balance sheet analysis, modelling and measuring liquidity and interest rate risk for the Banking Book, managing issues of debts securities, arranging long-term credit facilities, obtaining new sources of financing, cooperation with business lines supporting sustainable development, coordinating the securitization of non-banking customer portfolio and organizing the work of the Asset-Liability Committee (ALCO).

4.10. Cooperation with financial institutions

As at 30 June 2020, the Bank was a correspondent bank of ca. 1000 other banks and held 56 nostro accounts for 25 major currencies in other banks.

In the discussed period, the Bank held 24 loro accounts denominated in PLN for foreign and local banks. The loro accounts in the Bank's accounting records represent an external source of cost-free working capital used in the Bank's operations. These accounts are used mainly for purposes of customer and bank-to-bank transfers.

In the first half of 2020, the Bank continued its cooperation with other domestic and international financial institutions, including investment funds, insurance companies, pension fund companies, brokers and banks, which enabled the conclusion of a wide range of treasury and deposit transactions. A number of contracts were concluded with new and existing contractors from these segments and actions were taken towards the signing of new contracts, in line with ISDA and Polish Bank Association recommendations.

4.11. HR management

Headcount

At the end of June 2020, the Capital Group of BNP Paribas Bank Polska S.A. had 9,611 FTEs (including employees on maternity leave, childcare leave and longer sick leave) as compared to 10,673 FTEs at the end of June 2019 (decrease by 1,062 FTEs). The decrease in employment YoY was mainly due to the optimization performed after merger of the Bank with the core banking activities of Raiffeisen Bank Polska (Core RBPL) on 31 October 2018.

The table below presents the Capital Group's employment structure in FTEs.

Table 29. Headcount in the Capital Group of the Bank

FTEs	30.06.2020	31.12.2019	30.06.2019
Capital Group of the Bank	9,611	10,219	10,673
Total Bank, including:	9,321	9,899	10,278
Head Office	4,840	5,101	5,260
Branches	4,341	4,654	4,872
Mobile Relationship Managers	85	87	91
Brokerage Office	48	50	48
Trade Unions	7	7	7
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	34	29	29
BNP Paribas Group Service Center S.A.	180	228	289
Campus Leszno Sp. z o.o.	11	8	8
BFN ACTUS Sp. z o.o.	-	-	-
BNP Paribas Leasing Services Sp. z o.o.	6	6	1
BNP Paribas Financial Services Sp. z o.o.*	-	-	24
BNP Paribas Solutions Sp. z o.o.	59	49	44

* 31.12.2019 – merger of subsidiaries of the Bank, i.e. BNP Paribas Group Service Center S.A. oraz BNP Paribas Financial Services Sp. z o.o.

Employment restructuring

In 2019, the process of HR management changes at the Bank in connection with the acquisition of Core RBPL was established. Ensuring effective customer service, which would meet the clients' needs, required the implementation of a new organizational structure and an adjustment of employment levels. The employment optimization process was launched. In accordance with an agreement signed with the trade unions operating at the Bank collective redundancies are in progress. The dismissal process is planned for two years (2019-2020). In addition, the Parties to the Agreement have agreed that collective redundancies will cover no more than 2,200 employees.

In order to alleviate the social consequences of collective redundancies, the Bank introduced the Voluntary Leave Program and, in agreement with trade unions, decided to pay additional compensation and other elements of social protection, in addition to statutory bonuses for redundant employees.

Steps have also been taken to adapt processes, procedures and internal regulations that would enable effective and transparent HR management in the entire Bank.

Employee remuneration policy

The Bank has implemented a reasonable, balanced and controllable remuneration policy and ensures its compliance with the strategy, the acceptable risk level as well as the standards and key values of the Bank. The remuneration policy reflects the Bank's customer orientation in addition to the Bank's long term interest as well as socially acceptable remuneration practices. It is in conformity with the applicable laws and regulations.

The Bank has adopted a Remuneration Policy for persons having material impact on the risk profile of BGŻ BNP Paribas S.A. which was developed in line with guidelines included in Resolution No. 258/2011 of the PFSA and the requirements of CRD IV and which was approved by the Supervisory Board on 9 September 2016. In December 2017, the provisions of the abovementioned Policy were updated in connection with the entry into force of the Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed conditions for estimation of internal capital in banks (Journal of Laws of 2017, item 637).

In December 2019 another update of policy took place and was related to the change of the limit of the amount to which the deferral period does not apply and the payment in the form of a financial instrument (share) for the deferred portion of the variable remuneration.

The Bank has established an HR and Remuneration Committee, which supports the Supervisory Board in the fulfilment of its supervisory duties in the respect of human resource management, by monitoring and overseeing the key processes, specifically succession plans, professional development of employees and remuneration policies. The Committee prepares opinions and recommendations for the Supervisory Board, with respect to the terms of employment of Members of the Bank's Management Board, including the variable remuneration determined and granted to such Members.

Incentive schemes

The incentive schemes (bonus schemes) are designed to support the Bank's strategy by rewarding employees for achieving their objectives. The bonus schemes are based on the MbO (Management by Objectives) formula, which means that an employee's individual bonus depends on his/her goal achievement level, both quantitative and qualitative. Furthermore, a combination of individual and collective goals gives the employee a picture of his/her expected performance, considering the Bank's risk profile and actions in the interest of the customer.

The Bank has implemented:

- bonus schemes for direct sales staff, which were brought into line with the tasks assigned to each business line of the Bank as well as to existing regulations;
- bonus scheme defining the rules for granting and payment of variable remuneration, including bonuses, to managers exerting a considerable influence on the risk profile of the Bank;
- bonus schemes for specific employee groups, other than direct salesforce.

The bonus scheme rules do not apply to the employees' share in the share capital of the Bank.

Training and development

In the first half of 2020, training was carried out in close cooperation with the Bank's business lines.

The total number of training participants was over 63.5 thousand, including 58 thousand participants of e-learning courses, 200 participants of external training, 3.3 thousand participants of internal online training (Skype, Webex), 2 thousand participants of internal training in training rooms.

Due to the coronavirus pandemic the majority of trainings carried out in the first half of 2020 was held online or in a form of webinars/virtual classes. Since the beginning of the epidemic all training activities conducted by the Bank's internal trainers have been transformed and are offered in a remote form, giving the Bank's employees a constant possibility of development.

Major training initiatives in the first half 2020

- courses raising the level of product knowledge, dedicated to product offering and use of the operating systems for employees of the sales network
- introductory training for the newly employed
- courses for managers increasing their team-leadership competencies and skills related to building authority, motivating and providing feedback

- soft skills courses for the Bank's employees
- webinars supporting managers and employees in goal setting and providing regular feedback basing on goals and individual development plans
- mandatory courses resulting from legal regulations – ex. MiFID2, act on insurance distribution
- e-learning courses regarding actual global situation (the coronavirus epidemic – knowledge pill) and supporting employees in the new reality (organising effective remote work)
- webinars supporting employees and managers in functioning during the COVID-19: dispersed team management, dealing with difficult emotions, effective remote communication
- courses supporting the development of a risk culture at the Bank, especially in the areas of operational risk and compliance
- management and soft skills courses carried out on request of selected Teams

Development programs implemented in the first half of 2020

- *Leaders for Tomorrow initiative* – a development program of the Capital Group of BNP Paribas aimed at the development of leadership skills. Participants can make the most of development sessions conducted online.
- *Digital Ambassadors Program* - the aim of the program is to build a digital culture at the Bank by equipping employees with digital competences. The key role in this process is performed by the Digital Ambassadors whose task is to: acquire knowledge and skills in the field of both functioning and newly implemented tools, promotion of social tools and digital solutions supporting remote work and business efficiency, transferring knowledge to colleagues, participation in testing and implementing new solutions, promoting new work techniques, gathering and transferring information on the needs of employees to IT, as well as tracking market innovations in order to implement them at the Bank.
- *Inner Labour Market* – continuation of the initiative launched in 2014, which aims to strengthen the professional mobility of employees within the organization.
- *Mobility Center* - a project aimed at actively supporting employees affected by the process of collective redundancies in navigating the labour market, with particular emphasis on the internal market.
- *Feedback culture building program* - two key aspects from amongst the seven foundations of the Bank's organizational culture were selected: cooperation and trust (pulse check). The program aims at developing values based on mutual respect for D&I (diversity and inclusion), as well as care for open, transparent communication and regular feedback.

Internship and partnership programs – cooperation with universities

- *Ambassadorskie Duety* (“Ambassador Duo”) is a program directed at students. Participation in the program lasts one year and involves the implementation of various initiatives promoting the Bank at a university. Participation in the program provides additional training, scholarships and a prize for the best Duo. The program is directed to those who show energy, a willingness to act and who have many ideas for promoting the Bank in their university environment. The bank acquaints its ambassadors with the secrets of the Bank's operations, employer branding, as well as recruitment, social media policy, or personal branding. Ambassadors represent BNP Paribas at their universities. Their tasks include: organising stands and promotional events, competitions and workshops for other students, doing research on the Bank's image among their colleagues.
- *BNP Paribas Green Zone on Library for Owls* - on January 21-25 2020, a promotional stand of the BNP Paribas Bank appeared at the University of Warsaw Library. It was connected with the University of Warsaw Library (BUW) initiative, which allows students who are preparing for exams to use the library's collections until five in the morning. Students who visited the stand could meet the Ambassador Duo and learn more about internships and jobs at the Bank, as well as rest in the relaxation area and enjoy coffee, puzzles or table football.
- *Days of Development with BNP Paribas* – Between 2 and 4 June 2020 BNP Paribas Bank Polska, together with the participants of the Ambassador Duos program, organised a series of webinars, which attracted nearly 600 students. Development Days with BNP Paribas is an initiative that enabled the Bank to reach a wide group of students from 10 universities throughout Poland. Thanks to the involvement of employees from various areas of the Bank, the students had an opportunity to gain knowledge on e.g. recruitment, time management, CSR and sustainable development or data science. Apart from the Bank's experts, knowledge was also shared by the special guests of the event, bloggers: Janina Bąk, author of the blog Janina Daily and Kasia Wągrowaska, author of the blog I Limit myself - From Excess to Moderation.

Participants appreciated the interactive form of webinars – the possibility to communicate with the speakers, participate in surveys and short exercises. The average assessment of the initiative was 4.7 in a 5-level scale.

- *Dual Studies* - dual studies in Financial Risk Management are offered at the University of Economics in Poznań. These are two-year MA studies run by both Bank experts and lecturers from the University. Currently, in the second edition of the program, 18 students are enrolled.
- *“Focus on Development” - Summer Program* - a summer internship program with remuneration, addressed to students of the 2nd and higher years. In the program of the internship we focus on promoting the Bank and try to break stereotypes about working in the banking industry. The student will have an opportunity to learn about the functioning of various units in the organization. Additionally, webinars on business topics (run by Bank's practitioners) are prepared, as well as meetings and development workshops on how to build a personal brand or how to manage time. The program is scheduled to be implemented in 35 units of the Bank in August and September
- *Internship programs #StażJuzCzas* – they are addressed to students of the third and fourth year. The aim of the program is to prepare students to join the organisation. The opportunity to participate in projects that end with a result defined at the beginning gives a unique opportunity to gain business experience. It also helps to understand the relationships, structures and principles accompanying functioning in a large organization. This year we are launching two projects. The first one concerns the creation of a voice assistant, while the second one involves the construction of an application for estimating infrastructure costs. We will invite 6 trainees to cooperation.

4.12. Information technology and cybersecurity

The biggest challenge in the area of IT and cybersecurity in the first half of 2020 was the implementation of the Bank Transformation objectives with simultaneous coordination of work and constant changes related to the coronavirus (COVID-19) pandemic. Thanks to efficient and quick action, the planned work was carried out. At the same time, thanks to the area of IT and cybersecurity, remote work was made available to all employees of the Bank, ensuring its full safety and ensuring the requirements of regulators. Together with the IT business, it adapted systems for customers in connection with the Government Emergency Shield PFR and the provision of the Bank's products, with particular emphasis on remote access.

IT projects carried out focused mainly on three areas:

- 1) Projects for business lines - support for achieving their sales goals as part of the second stage of Bank Transformation;
- 2) Projects related to day-to-day operations, including increasing the agility of the organisation and adaptation to the dynamically changing Cyber Security and infrastructure conditions
- 3) Projects aimed at finalising the integration of the banks – as processes of securitising data and resources

Key IT projects within particular areas in the first half of 2020

I. Business lines projects

Retail Banking and Personal Finance

- Migration of customers and their products to unify the system for customers from the existing PI@net electronic banking system to the modern GOonline platform.
- Further development of the GOMobile mobile application, addition of the following features: the possibility of automatic download of an individual tax account as the first bank in Poland, publication of the Prze-Prosty Credit Calculator for calculation of one's creditworthiness and offer analysis, a function verifying whether a contractor is on the white list of VAT payers, remote access to FX PI@net, enabling the conclusion of FX transactions, access to remote handling of instructions for the Allegro renewable Limit, additional possibility to open accounts, including foreign ones, in the process of related sales, generating a statement for credit insurance and adding another operator – Blue Media for the PayByLink online payments.
- Development of GOMobile's friendly mobile banking environment, thanks to the remote opening of an account using a selfie, payment for public parking and bus tickets and increased intuitiveness in the management of products.
- Increased functionality of the Bank's employee platform for customer service - GOone by launching a digital onboarding process in the branches with the use of QR code generation, integration with OCR and a platform for secure electronic signature - Autenti, increased credit card limit and additional events in the history of cooperation with the customer.
- Use of the application for setting appointments- Books in 100 selected branches - the first in the world in the banking sector.
- Implementation of mechanisms facilitating transaction handling - paperless in the branch payment handling application - SmartCash.
- Expansion of the offer for the micro and agro sector - possibility of refinancing a loan from another bank and new loan insurance for micro and agro in R@tatu.
- Continued development of cooperation with car dealers - new offer for a car loan for FORD.
- New processes for complementary sales available: overdraft facility, structured deposit, signing an agreement for an investment fund.

Corporate and SME Banking

- Quick response to the crisis related to COVID-19 - BNP Paribas Bank Polska, as a partner of the PFR program, made it possible to submit applications for financing through Internet banking.
- Introduction of improvements in GOBiznes PI@net: a new tool to check contractors - a white list of VAT payers and modifications in mass payments and the onboarding process.
- Expansion of GOMobile Biznes mobile application with new services for customers: launch of split and SEPA payments and new solutions for identity verification using fingerprint and face recognition.
- Enabling access to local Polish debit products through global channels (Connexis, SWIFT NET).
- Implementation of a new onboarding process and the first after-sales process in CAPSEL - open debit cards for SME and Corporate customer segments.

Corporate and Institutional Banking

- Development of the GOFx trading platform, including: remote onboarding for retail clients and for the micro-enterprise segment, tenor for fx swap and fx forward currency transactions, mandatory disposal reports for the Polish Financial Supervision Authority and 56 additional currency pairs for Spot transactions.
- Implementation of the compliance module to verify the limit of statutory funds in the system in the area of custody activities.

II. Projects related to the Bank's daily operations

Cross-cutting projects for business lines and regulatory projects

- Continue to work on increasing the agility of the organisation: launching the agile approach in new projects and current activities.
- Implementation of e-signature for individual and corporate customers.
- Updating of the documentation storage system - Docuware.
- Continuous development of the functionality of the system for managing relations with clients-CRM, including making a reporting module available.
- Implementation of improvements in day-end processes and solutions to implement changes in repositories without technical breaks in the main banking system - EQ.

Infrastructure projects

- Enabling an easy transition to a remote form of work in the situation caused by COVID-19 thanks to the provision of equipment (more than 600 laptops with additional equipment were given to employees), implementation of RemotePC access, optimisation of solutions for effective work (extension of the VPN solution enabling 10,000 simultaneous sessions) and constant IT support.
- Intensive work related to the subject of the cloud: increasing employees' awareness and knowledge through training sessions within Cloud University, purchase of IBM Public Cloud subscription, selection of over 30 potential applications for migration to the cloud.
- Improving standards and efficiency of work environments: migration of employee operating systems from Windows7 to Windows10, migration of mailboxes to Exchange 2016, distribution of phones for Retail Banking employees, equipping branch networks with modern tablets.
- Closing one of the server rooms - data migration, withdrawal of applications and hardware.
- Update of the ServiceNow platform supporting IT and business processes in the Bank.

Cyber-security projects

- Coordination of the Bank Security Committee's crisis management activities during the COVID-19 pandemic and ensuring maximum protection for employees and customers.
- Introduction of technical hardening checklists for server environments (Windows, Linux, Oracle, MS SQL).
- Implementation of Sonatype IQ system for security validation of open-source libraries, commercialisation and integration of repositories;
- Modification of CyberArk system to support privileged accounts in Linux.
- Implementation of the Gigamon system for filtering network traffic for security analysis.
- Implementation of SealPath i.e. an application to protect and encrypt documents sent electronically.
- Replacement of the outdated Microsoft TMG by Forcepoint Proxy, i.e. firewall, which can check network traffic (including content of websites, secure content of websites and e-mails) and identify malware.
- Continued commitment to conceptual activities of anti-fraud behavioural analysis and voice recognition systems (Nethone and Phonexia).
- Physical security/antiterrorism training for Bank employees in the Head Office provided by ex-soldiers of the GROM special/military unit.
- Trainings related to security in the cloud.
- Continuation of the campaign addressed to the Bank's employees concerning phishing, i.e. a fraud method in which a criminal impersonates another person or institution in order to defraud confidential information (e.g. login data, credit card data), infect the computer with harmful software, or induce the victim to take specific actions.

III. Post-integration activities

- Continuation of works related to the integration of Banks as part of the post-integration phase in respect of securitising data from exRBPL systems:
 - Selection of the target architecture and starting the process of withdrawal of selected systems
 - Termination of data archiving for withdrawn applications (75Tb of data)

4.13. Operations and business support area

MAIN ACTIVITIES WITHIN OPERATIONS AND BUSINESS SUPPORT AREA IN FIRST HALF OF 2020

COVID-19	<p>A model of remote work for employees of the entire Operations and Business Support Area has been implemented.</p> <p>Branches and headquarters buildings were adapted to work in pandemic conditions. Intensive disinfection works (ozonization) of office space were carried out. The entire Bank was supplied with the necessary health and safety measures (about 1 million masks; 2.5 million gloves; 21 thousand litres of disinfectants; 1.5 thousand protective glass panes). Participation in the implementation of projects: PFR program (customer support shield), AUTENTI (a new model of e-signatures enabling remote cooperation with contractors) and a service enabling the use of virus tests.</p>
Operations Transformation Project	<p>The project of migration and centralization of functions and operational processes has been completed.</p> <p>Other processes subject to transformation, i.e.: handling of bank guarantees, domestic and foreign payments, posting of individual customer and small enterprise loans, card operations, handling of the KYC process, BFG/MITIP/BIK reporting, handling of NOSTRO/LORO accounts and partner settlements were transferred to the Head Office located in Ruda Śląska.</p> <p>Some of the specialist functions, such as handling interbank financial markets transactions, process management, operational reporting, as well as units dealing with robotization, automation and business support were left in Warsaw and Kraków.</p>
Branches and HQ Transformation Project	<p>21 retail and business banking branches were closed and 21 were opened in a new format with a modern and automated customer service.</p> <p>The revitalization of the Head Office in Ruda Śląska started.</p> <p>New offices were opened in Katowice for PF Operations and corporate business services - a total of 380 positions, about 3 200 square metres of space.</p>
Optimization projects	<p>29 new robots (RPA) have been deployed to assist employees in 87 processes in the areas of operations, PF, complaints, administration and risk.</p> <p>Projects were launched to automate operational processes in the areas of retail and corporate loans, payments, KYC, financial markets. These include the Enterprise Workload Manager (EWM) tool for managing internal queues and efficiency of operations. This tool will increase productivity and transparency of work - including the implementation of a bonus system based on actual efficiency. Further work is aimed at spreading the tool to other businesses.</p> <p>The analysis of requirements for the implementation of a new accounting tool supporting cost settlements in the area of own economy has also been completed.</p> <p>The process of purchasing multi-year licenses (Symantec, BluePrisme, Dell/EMC) and the first chatbot (EVA) supporting purchasing processes in the whole Bank was implemented.</p>

4.14. Bank's Transformation Program

The Transformation Program 2.0 launched in 2020 focuses on 5 key domains gathered in 7 programs and 60 initiatives covering all areas of the Bank:

- 1) Distribution model,
- 2) Top Customer Journey and customer interface,
- 3) E-transformation - improving operational excellence,
- 4) New ways of working,
- 5) Data management.

Due to the COVID-19 crisis, the Bank had to review its priorities in order to adapt quickly to new needs both within the organisation (remote working) and vis-à-vis clients, in particular with regard to credit moratoria, the government's anti-crisis shield, opening online accounts for individuals using video verification technology (supported by Aflavox and Autenti solutions). The implementation of the electronic signature, which ultimately covered all bank-client relationships, paperless leasing for car lessors, and the electronic signature trading offer for small and medium-sized companies - all using technology provided by Autenti - has been accelerated. The Bank also established cooperation with Booksy by providing customers with access to an application designed to book meetings online at branches and accelerated all projects aimed at digitizing processes.

Main achievements in selected areas of Transformation Program in the first half of 2020

AREA	KEY ACTIVITIES	MAIN ACHIEVEMENTS AND EVENTS
Distribution model	<p>Implementation of a truly multi-channel distribution model to improve customer service quality, including further transformation of the branch network.</p> <p>Product and process evolution of GOone and OSS (Omni Channel Self Service) - introduction of modern digital tools such as chatbot, contact hub, voice biometry, etc.</p>	<ul style="list-style-type: none"> • Further process improvements in the branches: a new process of electronic onboarding for customers and the implementation of a solution for cash transactions - both processes do not require paper documentation and are supported by Autenti; • Establishment of cooperation with Booksy (branch meeting management); • Development of a comprehensive remote sales process for virtual and traditional branches; • Implementation of additional non-cash branches (96 such branches have been deployed as at the end of July).
Top Customer Journey and client interface	<p>Creating a modern, digital ecosystem of services:</p> <ul style="list-style-type: none"> • Digital onboarding - replacing the manual process based on paper documentation with a fully digital, customer-friendly and time-saving process. The transformation aims to increase customer satisfaction and data quality. • Self-service zone - a wide ecosystem of applications / solutions enabling processing of different customer needs in the most interactive and automated way. The Bank's objective 	<p><u>Digital onboarding</u></p> <ul style="list-style-type: none"> • SME and Corporate Banking: implementation of digital customer onboarding without paperwork. The current process is fully digital with advanced automation of products and services, customer-friendly, and is done using an electronic signature. • Retail Banking: <ul style="list-style-type: none"> – implementation of a new account opening process with video verification (GOmobile); – a new process of electronic, paperless onboarding for customers in branches

AREA	KEY ACTIVITIES	MAIN ACHIEVEMENTS AND EVENTS
	<p>is to create the best electronic platform on the market.</p>	<p><u>Self-service zone</u></p> <ul style="list-style-type: none"> • SME and Corporate Banking <ul style="list-style-type: none"> – providing customers with various functionalities within the BiznesPI@net application (e.g. delivering statements, issuing guarantees or letters of credit, Customer Service Centre, cash delivery, Financial Shield Service. Currently, 100% of L/C orders are digitally processed in the application, 87% of applications for guarantees and applications under the Financial Shield Program; – enabling electronic signing of contracts. <p>Mobile and e-banking</p> <ul style="list-style-type: none"> • SME and Corporate Banking: the first mobile application on the Polish market for corporate clients offering fingerprint and face recognition authentication. • Retail Banking: switch off the PI@net application and migrate all retail customers of the Bank to GOonline application.
<p>E-transformation</p>	<p>Redesigning, simplifying and automating selected processes in order to increase their efficiency and customer friendliness. Increasing the number of robots used to automate tasks within operational processes.</p>	<ul style="list-style-type: none"> • Development of business process robotization - at the end of June, 29 robots were implemented in the Bank and 87 processes were automated; • Launching a dedicated program for process optimization, under which the first credit process improvements for SME and Corporate Banking were implemented.
<p>New ways of working</p>	<p>Re-define our corporate culture, introduce an agile way of working and focus on social engagement - transforming our product and service portfolio in line with corporate social responsibility.</p>	<ul style="list-style-type: none"> • Since the beginning of the pandemic, the Bank has focused on implementing facilities for customers and employees in accordance with the corporate social responsibility strategy, described in more detail in the section 2.6 and 8 of the Report
<p>Data Management</p>	<p>Improving data architecture, updating CRM solutions, increasing the use of artificial intelligence and advanced analytical methods, extending the use of API in cooperation with partners.</p>	<ul style="list-style-type: none"> • API Store - approval of TPP certificate by KNF; • Data Factory: implementation of a performance improvement solution, new management reporting.

5. DESCRIPTION OF THE ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. GROUP IN THE FIRST HALF OF 2020

5.1. BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.

BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A. ("BNPP TFI", "the Company") has been carrying out business in the financial services industry since 1992. Before that date, it was active on the Polish capital market as a brokerage house. BNPP TFI operates based on the authorization of the Polish Financial Supervision Authority regarding investment fund establishment and management, as well as intermediation in sale and redemption of units and shares in foreign funds.

In the first half of 2020, the following significant events occurred in relation to the company's operation:

- March 2020 – awards given by the industry website Analizy Online for subfunds managed by the company: (i) for BNP Paribas Obligacji – a prestigious Alfa 2019 award in the category of the best Polish long-term debt securities fund, (ii) for BNP Paribas Konserwatywnego Oszczędzania – a distinction in the category of Polish debt securities fund;
- participation in the next stage of implementation of the Employee Capital Plans program for companies with at least 50 employees. Due to the SARS-CoV-2 epidemic the deadline for completing the program in these companies has been extended to October/November this year;
 - Due to the low interest of its customers, the company decided to liquidate:
 - Avantage FIZ fund, which was deleted from the fund register on 23 June 2020
 - BNP Paribas Zdywersyfikowanych Aktywów subfund belonging to BNP Paribas Parasol SFIO. The liquidation of the subfund was opened on 16 June 2020.

As at 30 June 2020, the Company managed the following funds:

- **BNP Paribas FIO** (until 15 January 2020 the fund existed as BGŻ BNP Paribas FIO) - it started its operations in March 2016. It comprises 7 sub-funds with a diversified investment policy, which enable customers to invest in various classes of assets, both on the local and global market. BGŻ BNP Paribas FIO also offers an Individual Retirement Account: BNP Paribas - IKE and an Individual Pension Insurance Account: BNP Paribas - IKZE. As at the end of June 2020, assets under management totalled approx. PLN 2,141 million.
- **BNP Paribas Parasol SFIO** (until 29 September 2019 the fund existed as BGŻ SFIO) – it was taken over by the company from Ipopema TFI in January 2016, once a relevant authorization had been granted by the Office of Competition and Consumer Protection. It comprises four subfunds (one of them is being liquidated). As at the end of June 2020, assets under management totalled approx. PLN 317.3 million.
- **BNPP FIO** (until 29 September 2019 the fund existed as BNP Paribas FIO) - it entered the Polish market in 2005. It comprises three sub-funds investing mainly in the Polish market. As at the end of June 2020, assets under management totalled PLN 42.8 million.
- **BNP Paribas Premium SFIO** (until 3 February 2020 the fund existed as Spektrum SFIO) - created in July 2014, with four separated sub-funds. Fund management was acquired as a result of the merger with Riviera TFI. The value of assets at the end of June 2020 amounted to PLN 85.4 million.
- **FWR Selektyny FIZ** - created in May 2014, fund management was acquired as a result of the merger with Riviera TFI. FWR Selektyny FIZ is a portfolio of absolute return funds, including foreign ones, supported by investments in typically equity funds and by alternative assets funds (e.g. receivables, real estate). The value of the fund's assets at the end of June 2020 was PLN 4.3 million
- **BNP Paribas PPK SFIO** with eight sub-funds (defined date funds) intended for clients Employee Capital Plans. The value of assets at the end of June 2020 amounted to PLN 27.1 million.

BNPP TFI has partnered with the Bank to distribute units in the funds that it offers under an agreement concluded with the Brokerage Office of the Bank.

Table 30. Basic financial data of BNP Paribas TFI S.A.

in PLN'000	30.06.2020	31.12.2019	31.12.2018
Balance sheet total	36,408	38,719	18,992
Long-term investments	41	327	608
Equity	30,016	29,114	12,961
including: net financial result	950	102	2,622

The share capital of BNPP TFI amounts to PLN 16,692,912.00 and is divided into 695,538 shares with the par value of PLN 24.00 each. As at 30 June 2020, its equity totalled PLN 30 million and was sufficient to ensure security of the entity's daily operations.

As at 30 June 2020, assets under management of BNPP TFI totalled PLN 2,618 million (compared to PLN 3,185 million at the end of 2019), which means that the value of assets decreased by 18%. The decrease in the value of assets was influenced by the situation related to SARS-CoV-2 epidemic. The epidemic has had a negative impact on financial markets, where there was a lot of anxiety. Almost all of asset classes experienced a significant loss. This situation has also caused the reduction of the value of participation units of the funds managed by the Company and urged customers to withdraw their savings from funds and convert them into cash. The value of redemptions of fund units recorded by the investment fund market was one of the highest in history

Despite the difficult situation related to SARS-CoV-2 epidemic, BNPP TFI recorded positive financial result in the amount of PLN 0.1 million in the first half of 2020.

5.2. BNP Paribas Leasing Services Spółka z o.o.

BNP Paribas Leasing Services Sp. z o.o. (the "Company") in cooperation with the Bank, offers its clients a wide range of leasing products. The Company provides services to the Bank's clients from the following segments: micro-entrepreneurs, Personal Finance, SME and corporate clients. Since 2018, based on the decision of Bank's Management Board, the Company has taken over the role of the sole entity in the Bank's Group which provides leasing services for customers of aforementioned segments, dynamically increasing the scale of its activity each year.

Initially, the impact of the epidemic was mainly of organisational importance, as the Company's management was forced to take quick remedial actions related to the restrictions on the employees' relocating and the general order to stay at home. All processes have been stabilised in the new work mode, without any negative impact on operational continuity.

Events related to the COVID-19 epidemic affected, however, the dynamics of new sales in the first half of 2020. In this period the Company signed almost 6.5 thousand of new agreements with a total value of PLN 782,879 thousand, which meant a decrease by 30% compared to the same period in 2019.

In the month of March-May the possibility of prolonging instalments for up to 6 months was introduced for current customers. The Company, together with the Bank, applied the EBA Guidelines in this matter. According to the data as of 30 June 2020, the extensions amounted to 16% of the portfolio's balance sheet exposure.

Despite the situation related to the pandemic, the value of the Company's assets in the end of the first half of 2020 increased by 3.9% compared to December 2019 and further growth of the balance sheet value is expected by the end of the year. It is a natural consequence of the Company's growth, temporarily slowed down by events of recent months.

Table 31. Basic financial data of BNP Paribas Leasing Services Spółka z o.o.

in PLN'000	30.06.2020	31.12.2019	31.12.2018
Balance sheet total	3,535,994	3,439,131	2,413,330
Long-term investments	3,335,213	3,193,594	1,833,087
Equity	3,323	(2,752)	7,244
including: net financial result	6,075	(9,996)	(14,490)

* *receivables due to granted financing*

Despite lower than expected value of new agreements and slightly lower income in the first half of 2020, the Company recorded a net profit of PLN 6,075 thousand, thus restoring the positive equity balance. This was made possible by significant improvements of economic efficiency related to the scale effect and entering the stage of stabilisation of balance sheet size in the conducted activity. The good quality of the asset portfolio also contributed to the improvement of the result.

Due to low level of equity resulting from cumulated losses from previous years, on 17 March 2020 the General Meeting of Shareholders adopted a resolution regarding further existence of the Company – BNP Paribas Bank Polska S.A., as the sole shareholder of the Company, undertook to provide financial support that would enable the Company to continue to run its business without any significant changes compared to the current scale of activity in a foreseeable future which is at least 12 months. The Company's Management Board was obliged to monitor the situation in the environment and take actions aiming at maintaining the economic efficiency of the business.

5.3. BNP Paribas Group Service Center S.A.

The scope of the business activity of BNP Paribas Group Service Center S.A. („BNPP GSC”) includes:

- **Financial intermediation services** for Bank BNP Paribas Bank Polska S.A., consisting in:
 - providing of information regarding the terms of loan agreements to applicants;
 - supporting the Bank's customers in completion of loan applications;
 - accepting the documents required by the Bank and filed by customers, verifying them in terms of correctness and completeness and submitting them to the Bank;
 - registering documents in the Bank's operating system;
 - informing customers of the credit decisions issued by the Bank;
- **services auxiliary to insurance brokerage**, consisting in administration and performance of group insurance contracts made by the Bank;
- **agency services** for insurance services;
- **providing IT services** for the development of applications as well as for banking and financial systems for entities from the BNP Paribas Group;
- **leasing** the AVAYA telecom platform to the Bank;
- comprehensive **management of loyalty programs** for parties connected with the Bank;
- providing marketing services for employees of the Bank's partners.

As part of the implementation of the integration process and due to the similar nature of activity, on 31 December 2019 (date of entry in the National Court Register), BNP Paribas Group Service Center S.A. merged with BNP Paribas Financial Services Sp. z o.o., where BNPP GSC acted as the acquirer.

Table 32. Basic financial data of BNP Paribas Group Service Center S.A.

in PLN'000	30.06.2020	31.12.2019*	31.12.2018
Balance sheet total	36,416	45,171	29,354
Long-term investments	25,506	35,641	22,536
Equity	30,502	38,926	23,701
including: net financial result	4,606	13,032	12,621

* including the effects of the merger with BNP Paribas Financial Services Sp. z o.o.

5.4. BNP Paribas Solutions Spółka z o.o.

BNP Paribas Solutions Sp. z o.o. (the „Company”) has been operating since 9 July 2014 (date of entry into the National Court Register). It became a Part of the BNP Paribas Bank Polska S.A. Group as a result of the acquisition of the Core Business of Raiffeisen Bank Polska S.A. on 31 October 2018.

BNP Paribas Solutions Sp. z o.o. has the status of a National Payment Institution (based on the authorization of the Polish Financial Supervision Authority of 22 September 2015), which authorizes to keep payment registers and carry out interbank transfers by customers.

The Company's business is focused on two areas of activity:

- running a currency exchange and fast transfers platform under the Rkantor.com brand (in the fourth quarter of 2020 the platform is planned to be closed),
- activities related to software development and consultancy in the following fields: IT, data processing, website management (hosting), as well as activities supporting financial services (excluding insurance and pension funds), insurance agents and brokers activities.

In accordance with the resolution of the Extraordinary General Meeting of Shareholders, the Company's share capital in June 2020 was increased by PLN 1.50 million through creating 3,000 new shares. The Company's share capital currently amounts to 4.05 million and is divided into 8,100 equal and indivisible shares with a nominal value of PLN 500 each.

Due to the COVID-19 coronavirus, the Company has been operating in remote mode since 12 March 2020. This situation has no impact on the quality of services provided or on the Company's financial results.

The Company continues to develop its IT services activity, the following examples of current projects for the Bank can be mentioned:

- development of CRM applications and applications for servicing syndicated loans (LEAF);
- development of an Internet trading platform for currency exchange (Nowa FX PI@net);
- development of the MIFID survey for customers of all business lines of the Bank (SONDA).

Table 33. Basic financial data of BNP Paribas Solutions Sp. z o.o.

in PLN'000	30.06.2020	31.12.2019	31.12.2018
Balance sheet total	81,762	74,419	76,442
Long-term investments	77,689	69,701	74,211
Equity	1,346	2,989	3,638
including: net financial result	(3,143)	(660)	(772)

5.5. Bankowy Fundusz Nieruchomościowy Actus Spółka z o.o.

Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. („the entity”) was established in 1999 to carry out the following:

- purchase and sale of real property as well as limited property rights;
- construction projects on own and third-party real property;
- lease and rental of real property as well as lease of space.

As at 30 June 2020, the entity’s investment portfolio comprised undeveloped land in Wrocław-Marszowice, with the area of 46.7977 ha. In accordance with the Local Development Plan, the real property will be used for residential building purposes.

The entity’s objective is to sell the property on favourable terms.

Table 34. Basic financial data of BFN Actus Spółka z o.o.

in PLN'000	30.06.2020*	31.12.2019	31.12.2018
Balance sheet total	56,777	56,827	56,129
Long-term investments	56,577	56,577	55,868
Equity	48,208	48,252	47,688
including: net financial result	(30)	564	1,113

* - non-audited data

5.6. Campus Leszno Spółka z o.o.

Campus Leszno Sp. z o.o. (the “Company”) was established on 28 June 2018 by a company agreement in the form of a notarial deed and entered into the Register of Entrepreneurs of the National Court Register.

The Company was separated from the Bank’s structures, where it formerly functioned as the Training and Conference Center (CSK Leszno). The Company’s activity still consists in providing training and recreational services as well as providing a training, hotel and catering base. The Company’s operations include entertainment and recreational activities, activities related to the organization of fairs, exhibitions and congresses, and other business services.

5.7. BGZ Poland ABS1 Designated Activity Company

BGZ Poland ABS1 Designated Activity Company (“SPV”) is based in Ireland, 3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin. It is special purpose company with which the Bank carried out a securitization transaction for a part of the loan portfolio. The Group has no equity involvement in this unit nor is it affiliated with it organizationally. The subject of the company’s activities is limited in the manner described in Article 92a Paragraph 4 of the Banking Law. The sole activity of this entity is the acquisition of receivables and the issuance of securities.

Pursuant to the agreements concluded on 11 December 2017 (as amended), the Bank transferred receivables from the portfolio of loans and cash advances and car loans granted in the Polish currency to SPV. Subsequently, SPV issued securities and took out a loan, secured with the above-mentioned receivables. From January 2020 the transaction is subject to depreciation.

SPV is consolidated for the purpose of preparing the consolidated financial statements of the BNP Paribas Bank Polska S.A. Group.

6. KEY RISKS MANAGEMENT

The risk management system is an integrated set of rules, mechanisms and tools (including, inter alia, policies and procedures) relating to risk processes. Risk management is part of the Bank's overall management system. The role of the risk management system is to continuously identify, measure or estimate and monitor the level of risk incurred by the Bank.

The Bank has developed comprehensive rules of risk identification and assessment in response to the requirements of the review and supervisory assessment process. The rules are aimed at identification and assessment of all risks to which the Bank is or may be exposed, taking into account regulatory requirements, best practices and use of existing risk management processes tested by the Bank. The Bank takes into account the specific nature, scale and degree of complexity of business activity and related risk, ensuring that all significant risks in the Bank's activity are measured and mitigated. The Bank strives to identify and assess risks resulting from the internal and external environment that could have a significant impact on the Bank's financial stability. The risk identification process is carried out at the Bank on an annual basis and is an element of the internal capital adequacy assessment process.

The Bank distinguishes the following types of risks in its business activity, which were assessed as material::

- credit risk (including concentration risk);
- counterparty risk;
- market risk;
- interest rate risk in the banking book;
- liquidity risk;
- operational risk (including legal risk, compliance risk, business continuity risk and IT risk);
- business risk (including financial result risk and strategic risk);
- reputation risk;
- model risk;
- insolvency risk (including leverage risk).

For the identified risk types, the Bank defines the level of risk appetite. The risk appetite, within the limits set by risk tolerance, defines the way the Bank uses its capacity to take risk by defining for each risk type the degree of risk exposure that a given area may take. All methods and procedures are subject to periodical reviews for their adequacy and reliability. The Bank applies validation tests, stress tests, as well as scenario and historical (back testing) analysis, based on both theoretical changes in market, business parameters and customer behaviour, as well as changes that actually took place in the market in the past.

The Bank monitors specific types of risks by means of a formal system of limits and reports, implemented as part of, among others, dedicated risk management policies, accepted at the level of the Management Board. The system of limits is set in such a way as to ensure that:

- the Bank satisfies supervisory standards;
- the desired risk profile defined in the Bank's strategy is maintained;
- the limits do not exceed the risk level acceptable to the BNP Paribas Group.

If a limit is exceeded, the unit responsible for maintaining the reported values below the limit is obliged to employ measures enabling reduction of the risk value in accordance with the procedures in place at the Bank. The information system used for purposes of risk management ensures collection of data concerning operations and transactions, along with their effect on the Bank's risk profile.

The risk management policy of the Bank is aimed at ensuring that the employees in charge of risk management process supervision and handling have extensive practical experience and theoretical knowledge about the tasks performed, in addition to high morale. The procedures in place at the Bank enable control over correctness of realisation of their tasks.

The Bank's policy is based on the principle that the functions of business (direct entry into transactions), operations (transaction booking and clearing) and control functions (risk measurement and monitoring) forming part of the currency, interest rate and liquidity risk management process are fulfilled by separate, organisationally independent units. The scope of their responsibilities is clearly defined to determine their role and accountability in the risk management process. This enabled separation of business, control, risk reporting and operational functions in order to guarantee appropriate quality of

risk control and operational processes in addition to ensuring that the results of control indicating that the risk level is too high generate appropriate response of the Bank's management.

The Bank has adopted risk control and management policies that determine the measures to be employed in crisis situations. The principles of crisis identification, the scope of measures to be employed as well as responsibilities necessary to mitigate the related risk and to implement corrective actions, were also defined.

The risk management system of the Bank comprises mainly the Supervisory Board, the Management Board, dedicated committees (Audit Committee and Risk Committee at the level of the Supervisory Board, ALCO, Risk Management Committee, Retail Banking Risk Committee, Personal Finance Risk Committee, Credit Committee, Problematic Loan Committee, Products Approval, Services, Transaction and Businesses Committee, as well as Internal Control Coordination Committee), Risk Area department, Compliance Division as well as Security and Continuity of Business Management Department.

The key role in the risk management system at the Bank is fulfilled by the Management Board, which defines the risk management strategy, risk appetite, and adopts the risk management policies as well as defines material risk limit policy and risk control procedures. The risk management principles are derived from the document *Risk Management Strategy in BNP Paribas Bank Polska S.A.* defined by the Management Board and approved by the Supervisory Board.

6.1. Credit risk

Credit risk is the risk of the Bank incurring a loss on account of a failure to meet its obligations by the deadline specified in the agreement as a result of deterioration or loss of creditworthiness by the customer.

The Bank's credit risk management system has been defined in the *Credit Policy of BNP Paribas Bank Polska S.A.* adopted by the Management Board. Detailed financing principles and criteria applicable to the product offering of each business line, types of available loans, objectives, financing terms and limits have been defined in the credit policies of each business line. It is the Bank's intention, in accordance with the criteria established in the credit policy, to cooperate with customers enjoying good reputation and a good economic and financial condition.

Additionally, the aforementioned credit policies specify detailed principles applicable to risk identification, measurement and acceptance, collateral securing repayment of the loan as well as customer monitoring during the term of the loan agreement.

The organisation of the credit risk management process aligned with the business line structure in the Bank. A central role in the credit risk management system is performed by the Risk Division, which is an organisationally separate unit managed by a Member of the Management Board acting in the capacity of the Chief Risk Officer. Credit risk management activities are supported by the Risk Management Committee as well as the Retail Banking/Personal Finance Risk Committees.

The credit risk of the customers is assessed using rating and scoring classification systems in addition to the risk classification standards defined in IFRS.

Credit decisions are made in accordance with the decision-making model approved by the Management Board of the Bank and aligned with the standards imposed by the BNP Paribas Group. The decision-making model takes into account the structure of the business lines, determines the number of decision levels, the scope of their competence as well as the principles, criteria and conditions to be satisfied in the credit decision-making process. The value thresholds for the decision-making competence depend on such criteria as the customer segment, risk profile and the borrowing period. At each competence level, credit decisions are taken by two employees (four-eye principle), namely a representative of the business line and a representative of the organisational unit responsible for customer and transaction risk assessment performed independently of the business line. For customers whose credit risk assessment is performed in accordance with simplified risk assessment principles or models, including scoring models approved by the Risk Management Committee or the Retail Banking/Personal Finance Risk Committees, credit decisions may be taken by one representative of the business line.

The Bank follows the following credit risk management principles:

- each credit transaction requires comprehensive credit risk assessment expressed in internal rating or scoring,
- thorough and diligent financial analysis serves as the basis for regarding the customer's financial information and collateral-related data as reliable; prudential analyses performed by the Bank always take into account a necessary margin of safety,
- as a rule, financing is provided to the customers based on their ability to generate cash flows that ensure repayment the liabilities to the Bank,
- the credit risk assessment is additionally verified by credit risk assessment personnel, independent of the business personnel,

- the pricing terms of a credit transaction cover the risk involved in such a transaction,
- credit risk is diversified in such dimensions as geographical regions, industries, products and customers,
- credit decisions may only be taken by authorised employees,
- the customer and the transactions made with the customer are monitored transparently from the perspective of the customer, in a manner that strengthens the relationship between the Bank and the customer.

Credit risk management in the Bank's subsidiaries

The principles of the Bank's supervision over the credit risk generated by the activity of subsidiaries is specified in the *Credit Policy of BNP Paribas Bank Polska S.A.*

The Bank recommends, reviews and accepts policies, principles and methodologies applied by its subsidiaries in terms of credit risk management.

In the Bank and its subsidiaries, parallel credit risk management methods are applied, including:

- a rating system for Corporate Banking customers and Small and Medium Enterprises Banking;
- risk classification system according to IFRS standards;
- assessment of the creditworthiness of the Bank's joint clients and companies;
- a model for making credit decisions;
- the Bank's internal limits system for concentration risk, including limits on the subsidiaries' portfolios of receivables.

Restructuring and debt collection

In the first half of 2020, the Bank recovered a total of PLN 316.8 million of receivables, of which:

- PLN 135.9 million – as a result of debt collection activities (corporate entities – PLN 18.1 million, SME – PLN 14.2 million, micro-enterprises – PLN 40.5 million, individual customers – PLN 48.2 million, mortgage loans – PLN 14.9 million);
- PLN 180.9 million – as a result of portfolio restructuring (corporate entities – PLN 85.3 million, SME – PLN 95.6 million).

Concentration risk and country risk – additionally distinguished within the Bank's credit risk

Concentration risk is an inherent risk taken by the Bank within the framework of its statutory activity and is subject to a specific management process and rules.

The Management Board assesses the adopted concentration risk management policy in terms of the way it is applied, in particular as regards its effectiveness and adequacy of rules implementation in the context of current and planned activities and taking into account the risk management strategy. In the event of significant changes in the Bank's operating environment or risk management strategy, the review of the adequacy of the concentration risk management process is carried out immediately after the occurrence of such circumstances. Proper assessment of the concentration risk incurred by the Bank significantly depends on correct and complete identification of key risk factors that affect the concentration risk level. In justified cases, the Bank identifies the concentration risk in the process of planning a new business, including the introduction and development of new products, services and presence on the markets, and significant changes to the existing products, services and changes on the markets.

Diversification of the credit portfolio is one of the most important tools for credit risk management. Excessive credit concentration is undesirable for the Bank, as it increases risk. Potential losses related to a significant threat – thus, the degree of concentration should be monitored, controlled and reported to the Bank's management. The basic tools of concentration risk mitigation are mechanisms of identification and measurement of concentration risk and limits of exposures in particular segments of the Bank's portfolio and in subsidiaries. These tools enable diversification of the credit portfolio and reduction of negative effects related to unfavourable changes in particular areas of the economy.

The Bank considers a situation in which the share of a given concentration area (dimension) in the Bank's total assets is equal to or exceeds 10% or 5% of the Bank's planned net financial result for a given financial year. In such a situation, a given area (dimension) of concentration is subject to analysis, reporting and management within the concentration risk management process.

One of the potential sources of credit risk is a high concentration of the Bank's credit exposures in particular entities or groups of entities related by capital and organisation. In order to limit it, Regulation (EU) No. 575/2013 defines the maximum exposure limit for the Bank. Pursuant to Article 395 of Regulation (EU) No. 575/2013: An institution shall not incur an exposure, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to a client or group of connected clients the value of which exceeds 25% of its eligible capital. Where that client is an institution or where a group of connected clients includes one or more institutions, that value shall not exceed 25% of the institution's eligible capital or EUR 150 million, whichever the higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to all connected clients that are not institutions does not exceed 25% of the institution's eligible capital.

The Bank monitors concentration limits in accordance with Article 387 of the EU Regulation No. 575/2013. As at the end of 2019, the limits specified in Article 395 of the EU Regulation No. 575/2013 were not exceeded. As at the end of the first half of 2020, the Bank's exposure to financing customers / groups of customers with capital or organisational links does not exceed the exposure concentration limit. The total of exposures equal to or exceeding 10% of the Bank's own funds represented 20%.

The concentration risk tolerance is defined in the Bank through a system of internal limits, which take into account both the directions and dynamics of business development assumed by the Bank, the acceptable level of credit risk and liquidity, as well as external macroeconomic and sectoral conditions and prospects. Internal limits for credit concentration risk are set for, i.a.:

- selected economic sectors/ industries,
- exposures denominated in foreign currency,
- customer segment (the Bank's internal segmentation),
- loans secured by a given type of collateral,
- geographical regions,
- the average probability of default,
- exposures with a specific rating (the Bank's internal rating scale),
- exposures with a specific debt-to-income ratio,
- exposures with a specific loan-to-value ratio.

Actions reducing the Bank's exposure to concentration risk may include systemic actions and case-by-case actions related to a single / specific decision or transaction. Systemic actions limiting the concentration risk include:

- limiting the scope of lending to specific types of customers by modifying the credit policy,
- reducing the concentration risk limits,
- diversification of asset types at the level of the Bank's statement of financial position,
- changing the business strategy in such a way that it prevents excessive concentration,
- diversification in the types of collateral received.

Case-by-case actions (related to a single / specific decision or transaction) limiting the concentration risk include:

- limiting new transactions with a given customer or group of connected customers,
- sale of selected assets / loan portfolios,
- securitisation of assets,
- establishment of new collateral (e.g. credit derivatives, guarantees, subparticipation, insurance contracts) for existing or new credit exposures.

The Bank's industry concentration analysis covers all the Bank's credit exposures to institutional customers. The Bank defines industries based on the Polish Classification of Activities (PKD 2007 code). The structure of the Bank's exposure to industries analysed at the end of June 2020, similarly as at the end of June 2019, is characterised by concentration towards such industries as: Agriculture, Forestry, Hunting and Fishing, Production of Groceries, Beverages and Tobacco Products. As at the end of June 2020, they accounted for 32% of the Bank's exposure towards institutional clients, while in the analogous period-end of the previous year they constituted 35% of the Bank's exposure.

As at the end of first half of 2020, the largest share of non-performing loans was observed in the following industries: Hotels and Restaurants; Entertainment and Recreation activities (24.7%), Civil and Water Engineering Objects and Specialised construction (18.3%) and Publishing and printing; Media production (16.3%).

Country risk comprises all risks related to conclusion of financial agreements with foreign parties, where it is possible that economic, social or political events will have an adverse effect on creditworthiness of the Bank's obligors in a given country or where intervention of a foreign government could prevent the obligor (which could also be the government itself) from discharging its liabilities.

During the first half of 2020, the Bank continued its conservative policy concerning country risk. Country limits have been reviewed periodically and the limit level modified to match precisely the anticipated business needs and risk appetite of the Bank.

As at the end of June 2020, transactions related to foreign credit activity of the Bank represented 41% of the Bank's exposure toward countries, treasury transactions (including deposits and derivatives) represented 36%, while the remaining part, i.e. 23%, was related to international trade transactions (letters of credit and guarantees). France accounted for 43% of the exposure, the Netherlands for 9%, Belgium and Czech Republic for 7% each, Switzerland and Luxembourg for 6% each. The remaining exposures were concentrated in the UK, Germany, Austria and Turkey.

6.2. Counterparty risk

Counterparty risk is the credit risk concerning the counterparty, with whom the transactions are concluded, and in case of which the amount of liability may change in time depending on market parameters. Thus, counterparty risk is related to transactions involving instruments the value of which may change in time depending on such factors as interest rates or foreign exchange rates. The varying exposure may affect the customer's solvency and is of crucial importance to the customer's ability to settle liabilities when the transaction matures. The exposure is determined by the Bank on the basis of the current contract valuation as well as the potential future changes in the exposure, depending on the transaction type, customer type and settlement dates.

As at the end of June 2020, the counterparty risk was calculated for the following types of transactions in the Bank's trading book: foreign exchange transactions, interest rate swap transactions, FX options, interest rate options and commodity derivatives.

Counterparty credit risk for transactions which generate counterparty risk is assessed using the same methodology as the one applied to loans. This means that in the credit process these transactions are subject to limits, the value of which results directly from the assessment of customer creditworthiness performed in the same way as in the process of credit product offering. However, the assessment also takes into account the specific nature of transactions, in particular their varying value in time or direct dependence on market parameters.

The principles applicable to foreign exchange transactions, derivative transactions as well as credit limit granting, use and monitoring for transactions subject to counterparty risk limits have been regulated in dedicated procedures. According to the policy adopted by the Bank, all transactions are entered into considering individual limits and knowledge of the customer. The Bank has defined groups of products offered to customers depending on their knowledge and experience. The Bank has transparent principles for collateralising the counterparty risk exposures.

6.3. Market risk (including: interest rate risk in the trading book and currency risk)

Interest rate risk in the trading book is the risk of adverse changes in the Bank's financial result or equity, driven by any of the following factors:

- differences in the repricing dates of the Bank's assets and the liabilities used for purposes of their financing (mismatch risk);
- difference in reference rates used for purposes of determining the interest rate for items with the same repricing dates (basis risk);
- changes in market interest rates which affect the fair value of the Bank's open positions (interest rate volatility risk); or
- customers exercising options embedded in banking products, which may be exercised as a result of changes in the market interest rates (customer's option risk).

Following the global crisis situation caused by COVID-19, the Bank initially recorded minor losses on interest rate positions in the trading book caused by a sudden reduction of interest rates by the National Bank of Poland. These losses were partially compensated for by profits realised on the currency (FX) risk as a result of significantly increased customer activity due to sudden weakening of the PLN. As a result, the Bank significantly reduced its open interest rate positions and this trend was visible up to the end of the first half of 2020.

Exposure to interest rate risk was the main source of risk in the trading book (the prevailing exposure are interest rate swaps). The Bank assesses the level of this risk as moderate.

Currency risk is the risk of adverse changes in the Bank's financial result, driven by changes in market foreign exchange rates.

The Bank engages in activities resulting in the creation of foreign currency positions sensitive to exchange rate fluctuations. At the same time, it strives to limit its exposure to foreign currency risk related to offering its customers products in foreign currencies. The Bank undertakes limited activity on the foreign exchange market in order to generate financial results from short-term arbitrage positions.

The Bank's exposure to market currency risk is limited by a system of limits. In accordance with the Bank's policy, the level of market currency risk is managed by the Financial Markets Line by managing the intraday and end-of-day currency position. In order to manage the currency position in an effective and precise manner, an information system is used, providing up-to-date information about:

- currency position,
- the global currency position,
- Value at Risk (VaR) levels,
- the daily result on currency position management.

The values of the currency position in specific currencies, global currency position and VaR are limited and reported by the Financial Risk and Counterparty Risk Division.

For measuring foreign exchange risk, the Bank uses the Value at Risk (VaR) method. It represents a change in the market value of an asset or portfolio of assets with specific assumptions regarding market parameters, over a specified period of time and with a specified probability. It is assumed that VaR for the purpose of currency risk monitoring is determined with 99% confidence level. The calculation of VaR for currency risk takes into account the one-day holding period of currency positions. The VaR methodology is subject to quarterly quality assessment by conducting a test involving comparison of the forecast values and values determined on the basis of actual foreign exchange rate changes, assuming that a given currency position is maintained (historical verification or so-called "back testing"). The comparison period is the last 250 business days.

Exposures to foreign currency risk had a negligible impact on the Group's market risk because end of day positions in individual currencies were limited to minimum levels.

6.4. Interest rate risk in the banking book

The core business of the Bank, i.e. lending and deposit-taking, results in the occurrence of open interest rate risk positions, which are transferred from the business lines to a portfolio managed by ALM Treasury using a transfer pricing system.

When determining the interest rate risk profile, the Bank takes into account not only contractual parameters, but also the actual characteristics of the products resulting from customer behaviour and built-in options, applying models e.g. for current accounts, savings accounts, fixed rate loans, credit cards.

Modelling the behaviour of products divided into business lines allows to select their stable and unstable part, reacting in different ways to changes in interest rates.

The following basic types of interest rate risk analyses (for the overall portfolio and divided by currencies) are defined in the policy on interest rate risk adopted by the Bank:

- a mismatch between the repricing dates of assets and liabilities ("gapping"), for the banking book;
- sensitivity of interest income to defined – expected and crisis (stressed) – scenarios for shifting interest rate curves, assuming various interest rate curve scenario (EaR);
- the amount of interest income under defined scenarios for the change of interest rate curves (NII);
- sensitivity due to different reference rates (basic risk);

- average investment length of capital and non-interest bearing current accounts (structural elements);
- sensitivity of fair value to a parallel shift of interest rate curves by 1 basis point, and to a shift of interest rate curves by 1 basis point at a selected nodal point of the curve;
- sensitivity of fair value measured as the nominal value of the annual transaction (item) with identical sensitivity – One Year Equivalent (OYE);
- change in fair value of capital with defined scenarios for changing interest rate curves.

The aforementioned analyses are the essential component of the system used for mitigating the interest rate risk in the banking book. The analyses are performed for the relevant portfolios on a daily, monthly or quarterly basis, depending on the type of analysis and the portfolio. Additionally, the Bank conducts sensitivity analyses for its banking book, where the changes in interest rates are more considerable than those typically observed (stress tests).

The table below presents the cumulative interest rate gap for the banking portfolio as at 30 June 2020. Utilisation of set limits is below the maximum values.

Table 35. Interest rate gap (in PLN million)

Term	Gap
1M	(9,901)
3M	9,749
6M	4,182
1Y	(259)
2Y	(6,003)
3Y	(6,622)
5Y	(8,220)
10Y	2,384

The average length of capital investment and non-interest bearing current accounts as at 30 June 2020 was exceeding 5 years.

The sensitivity of interest income at interest rate curves shifts by + 50bp as at 30 June 2020 is presented in the table below:

Table 36. Sensitivity of interest income (in PLN million)

1st year	2nd year	3rd year
35.7	36.9	48.6

The supervisory test of the Bank's equity economic sensitivity (change in the fair value of the Bank's assets and liabilities, excluding own funds, under the assumed changes in interest rate curves) is presented in the table below (in terms of amounts and percentages):

Table 37. Supervisory test of the Bank's equity economic sensitivity

Scenario	PLN million	% of own funds
+200bp	-258.5	-2.87%
-200bp	+159.0	+1.77%

6.5. Liquidity risk

Liquidity risk is defined as the risk of the Bank losing the ability to meet its financial obligations, where liquidity is defined as the ability to:

- finance assets and meet the Bank's obligations on a timely basis in the course of its daily operations or in other conditions, without the necessity to incur loss, whereas, as maintenance of liquidity is the Bank's top priority, optimization of liquidity costs is considered in the last place;
- obtain alternative funds and supplementary funds to those held at present if they are withdrawn early and/or not renewed, so as to meet the current or potential demand for funds from the current depositors, ensure sufficient resources for purposes of lending and discharging other potential obligations related to processing derivative transactions or collateral put up by the Bank;
- generate a positive balance of cash flows over a specified time horizon, regardless of macroeconomic developments, achievement of business plans and changes in the regulatory environment.

The Bank operates in a free-market environment and is a financial markets participant, specifically in the retail, corporate and interbank markets, which offers a wide range of opportunities to control the liquidity level, but, at the same time, makes the Bank sensitive to crises in each of these environments. There is an automated risk monitoring system in the Bank which enables the Bank to obtain information on the current level of future liquidity risk on a daily basis and on-line information on the level of the daily liquidity risk.

The following types of liquidity are distinguished by the Bank:

- immediate liquidity (intraday) – during the present day,
- future liquidity – beyond the present day, additionally divided into:
 - current liquidity – within 7 days;
 - short-term liquidity – more than 7 days to 1 month;
 - medium- and long-term liquidity – over 1 month.

Liquidity risk is defined as the risk of the Bank losing its ability to:

- meet its payment obligations on a timely basis;
- secure alternative funds and supplementary funds to those currently held;
- generate a positive balance of cash flows within a defined time horizon.

The Bank's policy on liquidity risk management focuses on:

- sustainable, organic growth of the balance sheet (an increase in the value of assets has to be linked with a corresponding rise in the level of financing with the use of stable equity and liabilities) as well as off-balance sheet transactions and liabilities;
- limitation of the Bank's dependence on changes in external conditions and ensuring that in a local crisis, global crisis or a crisis directly affecting the Bank, the Bank will be able to quickly meet its obligations without reducing the range of its services or initiating changes in its core business profile. If a crisis situation lasts longer, the Bank's policy focuses on maintenance of liquidity with possible changes in growth directions and introduction of costly business profile change processes;
- active limitation of the probability of adverse events which may affect the Bank's liquidity. In particular, this concerns events which may affect reputation risk. In such case, the Bank will undertake actions aimed at restoring confidence of both customers and financial institutions as soon as possible;
- ensuring high quality of liquidity management standards. Actions aimed at improving the quality of liquidity management at the Bank are its top priority.

Customers' deposits supplemented by medium- and long-term lines of credit and equity are the major sources of funding used by the Bank. Medium- and long-term lines of credit, including subordinated loans and the funds obtained in the process of loan portfolio securitization, are provided mainly by the BNP Paribas Group, but also by the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) Bank and other financial institutions. The policy adopted by the Bank allows the use of other funding sources, such as: issuing own debt securities or entering into structured transactions.

At the end of June 2020, the Bank financed a portfolio of mortgage loans in CHF with funds in EUR and USD by concluding medium- and long-term foreign exchange transactions.

Loan financing structure

The Bank limits the risk of financing, which is associated with the risk of having insufficient stable sources of financing in the medium- and long-term and with the necessity to incur an unacceptable level of losses.

The Bank's loans are financed mainly with the use of customers' current and term deposits and it is the Bank's intention to maintain a stable relationship between these items and the funds deposited in the accounts of non-banking institutions, which is presented in the table below:

Table 38. Structure of loan portfolio financing

in PLN million	30.06.2020
Net loans and advances	76,054
Total sources of funding	107,147
Customer deposits, including:	93,742
- retail customers	42,715
- corporate	47,664
- non-banking financial institutions	2,169
- public sector institutions	1,195
Liabilities to banks	4,892
Debt securities issued	1,704

As at 30 June 2020, compared to December 2019, the amount of wholesale funding received from the BNP Paribas Group remained at the same level. The Bank finances its foreign currency loans with deposits accepted from customers using, if necessary, foreign exchange transactions. In case of a necessity, the Bank may use funds from medium and long-term loans from the BNP Paribas Group, which provides stable financing to cover currency shortages in EUR, USD or CHF.

As at 30 June 2020, the structure of open long-term lines of credit was as follows:

Table 39. Structure of loans from the BNP Paribas Group

in PLN million	30.06.2020
CHF	150
EUR	200
PLN	533

Table 40. Structure of loans from the EBRD, EIB and CEB

in PLN million	30.06.2020
PLN	190

The net liquidity coverage ratio (LCR) at the end of June 2020 equaled 181%, which constitutes an increase of 19 p.p. as compared to the end of 2019 (162%).

In addition, in the process of securitisation of the loan portfolio, the Bank received financing of the total amount of PLN 1,797 million.

6.6. Operational risk

The Bank defines operational risk in accordance with the requirements of the Polish Financial Supervision Authority included in Recommendation M as the possibility of incurring a loss or an unjustified cost through the fault of inappropriate or unreliable internal processes, people, technical systems or as a result of external factors. It incorporates legal risk, but does not include strategic risk. Operational risk is inherent in any type of banking operations.

Operational risk management system

The Bank maintains and develops an operational risk management system that comprehensively integrates the management of individual types of operational risk in all areas of the Bank's operations. The objective of the operational risk management system is to ensure the safety of the Bank's operations by implementing effective mechanisms for identification, assessment and quantification, monitoring, control, reporting and taking actions aimed at reducing operational risk. Such measures take into account the structures, processes, resources and scopes of responsibilities for the aforementioned processes at various organisational levels within the Bank.

The operational risk management strategy is described in the *“Operational Risk Management Strategy of BNP Paribas Bank Polska S.A.”*, approved by the Management Board of the Bank and endorsed by the Supervisory Board. *“The Operational Risk Policy BNP Paribas Bank Polska S.A.”*, adopted by the Management Board of the Bank, includes the organisational framework and standards for operational risk management. These documents address all areas of the Bank's operations as well as define the Bank's objectives and methods achieving them with regard to the quality of operational risk management and compliance with legal requirements set out in the recommendations and resolutions issued by local banking supervision authorities.

The Bank's operational risk management objectives include, in particular, compliance with high operational risk management standards that guarantee security of customer deposits, the Bank's equity, stability of its financial result as well as maintenance of the operational risk level within the range of the operational risk appetite and tolerance defined by the Bank. While developing the operational risk management system, the Bank complies with the applicable legal requirements, in particular the recommendations and resolutions of the national financial supervision authorities and the standards adopted by the BNP Paribas Group.

In accordance with the *“The Operational Risk Policy BNP Paribas Bank Polska S.A.”*, the Bank's operational risk management instruments include:

- tools used to record operational events, together with the principles of their recording, allocation and reporting;
- operational risk analysis, its monitoring and ongoing control;
- counteracting elevated operational risk levels, including risk transfer;
- calculation of the capital requirement related to operational risk.

Compliance with the operational risk policy is verified by the Bank's Management Board periodically and, if necessary, the required adjustments are made in order to improve the system. To that purpose, the Management Board of the Bank is regularly provided with information concerning the scale and types of operational risk to which the Bank is exposed, its effects and management methods.

Internal environment

The Bank precisely defines the roles and responsibilities in the operational risk management process, considering its organisational structure. The Operational Risk Department is responsible for day-to-day operational risk analysis in addition to development of appropriate risk control and mitigation techniques and their improvement. Development and implementation of the Bank's strategy with respect to insurance as a risk mitigation technique is the responsibility of the Real Estate and Administration Department, while the Security and Continuity of Business Management (CoB) Department focuses on management of continuity of business.

As part of the legal risk management process, the Legal Division monitors, identifies and performs analyses of changes to laws of general application and their effect on the Bank's operations, in addition to court and administrative proceedings which affect the Bank. The Compliance Department is responsible for day-to-day compliance risk analysis as well as development of appropriate risk control techniques and their improvement.

Considering the elevated level of external and internal risks related to fraud and offence against the assets of the Bank and its customers, the Bank has extended the scope of and improved its processes aimed at counteracting, detecting and examining such cases, which is the responsibility of the Fraud Management Department.

Risk identification and assessment

The Bank places a strong focus on identification and assessment of the factors that trigger its present exposure to operational risk in relation to banking products. It is the Bank's objective to reduce the operational risk level through improvement of its internal processes as well as mitigating the risk inherent in the process of launching new products and services and outsourcing operations to third parties.

In accordance with the *"The Operational Risk Policy BNP Paribas Bank Polska S.A."*, operational risk analysis is aimed at acquiring an understanding of the interdependence between the risk generating factors and operational event types, and it is performed primarily with the objective to define the operational risk profile.

The operational risk profile is the assessment of materiality of the risk, which is understood as the scale and structure of the operational risk exposure, defining the degree of exposure to the operational risk (operational losses), within the structural dimensions selected by the Bank (key process areas) and the scale dimensions. Periodic assessment and review of the Bank's operational risk profile is based on an analysis of the Bank's current risk parameters, changes and risks occurring in the Bank's environment, implementation of the business strategy, as well as the adequacy of the organisational structure and the effectiveness of the risk management and internal control system.

Keeping a track record of operational events enables efficient operational risk analysis and monitoring. The process of operational event recording is overseen by the Operational Risk Department, which is responsible for verification of the quality and completeness of data concerning operational events recorded in dedicated tools available to all organisational units of the Bank.

Internal control system

The purpose of internal control is effective risk control, including risk prevention or early detection. The role of the internal control system is to achieve general and specific objectives of the internal control system, which should be considered at the design stage of control mechanisms. The principles of the internal control system are described in the *"Policy on internal control at BNP Paribas Bank Polska S.A."*, approved by the Bank's Management Board. This document describes the main principles, organisational framework and standards for the functioning of the control environment in the Bank, complying with the PFSA's requirements provided in Recommendation H. Detailed internal regulations concerning specific areas of the Bank's activity are adapted to the specifics of the Bank's operations. The appropriate organisational units of the Bank, in accordance with the scope of the tasks assigned to them, are responsible for developing detailed regulations relating to the area of internal control.

The internal control system in the Bank is based on the 3 lines of defence model, which consists of:

- 1st line of defence, which are organisational units from particular areas of banking and support areas,
- 2nd line of defence, which are organisational units responsible for risk management, regardless of the risk management related to the first line of defence, and the compliance unit,
- 3rd line of defence, which is the independent and impartial internal audit unit.

The Bank ensures internal control through independent monitoring of compliance with control mechanisms, including ongoing verification and testing.

Control and monitoring

The Bank periodically monitors the efficiency of the operational risk management system and its appropriateness for its current risk profile. The organisation of the operational risk management system is reviewed as part of periodic control exercised by the Internal Audit Division, which is not directly involved in the operational risk management process but provides professional and independent opinions supporting achievement of the Bank's objectives. The Supervisory Board oversees the control of the operational risk management system and assesses its adequacy and effectiveness.

Operational risk capital requirements

In accordance with the applicable regulations, the Bank determines regulatory capital to cover the operational risk. The Bank uses the standardised approach (STA) for calculation of the capital requirement. Subsidiaries of the Bank, on a consolidated basis, determine the capital requirements according to the basic indicator approach (BIA).

Operational risk management in the Bank's subsidiaries

In accordance with supervisory regulations, the Bank supervises the operational risk related to the operations of its subsidiaries. Supervision is performed in the form of:

- the Bank's participation in developing and modifying operational risk management policies in its subsidiaries;
- providing substantive support in the field of operational risk management methods;
- participation of the Bank's representatives in selected activities in the field of operational risk management in subsidiaries;
- verification of compliance of operational risk management in subsidiaries with the strategy and policy of the Bank and the BNP Paribas Group.

As part of the implemented operational risk strategy and policy, subsidiaries of the Bank introduce, in particular, the principles of operational risk management and create organisational units (independent positions or functions) responsible for operational risk management. At the same time, they cooperate in this respect with the Operational Risk Department, which ensures the implementation of supervisory activities over the operational risk management processes in the Group. Moreover, the Bank's subsidiaries adopted the definitions of risks in line with the definitions applied by the Bank for the needs of operational risk management. In accordance with the requirements of supervisory regulations, the Bank records operational losses of its subsidiaries on the basis of information provided by these entities.

7. INVESTOR INFORMATION

7.1. Shareholder structure

Shareholders

As at 30 June 2020, there were two shareholders with at least 5% of the total number of votes at the General Shareholders' Meeting: BNP Paribas and BNP Paribas Fortis SA/NV, jointly holding 88.76% of votes. The remaining part of the Bank's shares (11.24%) is in free float.

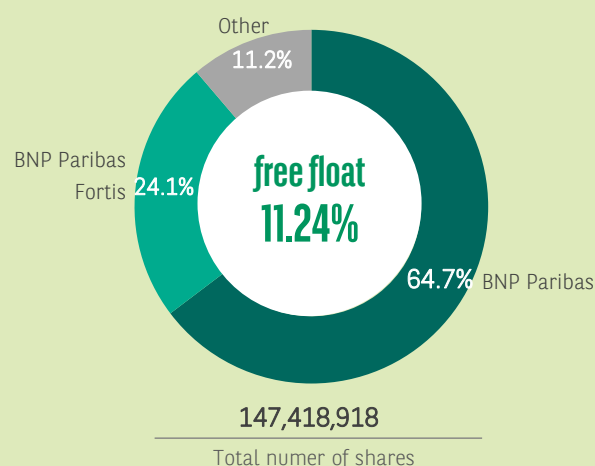
In the first half of 2020, there were no changes in the Bank's shareholder structure.

The Bank's shares have been listed on the Warsaw Stock Exchange since 27 May 2011 (IPO of Bank Gospodarki Żywnościowej S.A.).

The Bank's shares to which ISIN code PLBGZ0000010 has been assigned are listed on the Main Market of Warsaw Stock Exchange (WSE) under the abbreviated name of BNPPPL, marked BNP.

Since 23 September 2019, the shares are included in mWIG40 and mWIG40TR indices.

Chart 14. Shareholder structure as at 30.06.2020 r.



Investor obligation of BNP Paribas concerning the liquidity of the Bank's shares

As declared by BNP Paribas SA – the Bank's major shareholder – to the Polish Financial Supervision Authority in on 14 September 2018, the number of the Bank's shares that are in free float should have been increased to at least 25% plus one share by the end of 2023, at the latest.

BNP Paribas Group

Key shareholder of the Bank is leading international banking group BNP Paribas,

which operates in two key areas:

- Retail Banking and Services, which includes Domestic Markets and International Financial Services; and
- Corporate and Institutional Banking.

The BNP Paribas Group supports its clients (retail customers, local authorities, entrepreneurs, SMEs, corporate customers and institutions) in the implementation of various projects, offering a broad range of financial, investment and savings products along with insurance.

BNP Paribas Group operates on four European domestic markets (Belgium, France, Italy, and Luxembourg) and is a leader as regards consumer loans (BNP Paribas Personal Finance). The BNP Paribas Group develops its model of integrated retail banking in Mediterranean countries, Turkey, Eastern Europe and through a well-developed branch network in western United States. In Corporate and Institutional Banking and International Financial Services, BNP Paribas is also among European leaders, holds a strong position in the Americas and has seen a fast growth in the Asia Pacific region.

Shares and shareholders

As at 30 June 2020, the structure of the shareholders of BNP Paribas Bank Polska S.A., specifying those holding at least 5% of the total number of votes at the General Shareholders' Meeting (GSM), was as follows:

Table 41. Shareholders structure as at 30.06.2020 r.

Shareholder	number of shares	interest in share capital	number of votes at the General Shareholders' Meeting	% share in the total number of votes at the General Shareholders' Meeting
BNP Paribas, in total:	130,850,464	88.76%	130,850,464	88.76%
<i>BNP Paribas directly</i>	95,360,238	64.69%	95,360,238	64.69%
<i>BNP Paribas Fortis SA/NV directly</i>	35,490,226	24.07%	35,490,226	24.07%
Other shareholders	16,568,454	11.24%	16,568,454	11.24%
Total	147,418,918	100.00%	147,418,918	100.00%

In the first half of 2020, there were no changes in the Bank's shareholding structure.

As of 30 June 2020, the Bank's share capital amounted to PLN 147,419 thousand.

The share capital is divided into 147,418,918 shares with the par value of PLN 1.00, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 series shares, 8,000,000 G series shares, 5,002,000 H series shares, 28,099,554 I series shares, 2,500,000 series J shares, 10,800,000 K series shares, and 49,880,600 series L shares.

The Bank's shares are ordinary bearer and registered shares (as at 30 June 2020, there were 67,005,515 registered shares, including 4 shares from B series).

No special control rights are attached to the ordinary bearer shares.

Four B series registered shares in the Bank are preference shares with respect to payment of the full par value per share in the event of the Bank's liquidation, once the creditors' claims have been satisfied, with priority over payments per ordinary shares, which, after the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.

The Bank's Statute does not impose any limitations as to exercising the voting rights or set forth any provisions whereby the equity rights attached to securities would be separated from the holding itself. One right to vote at the General Shareholders' Meeting of the Bank is attached to each share. The Bank's Statute does not impose any limitations as to transferring the title to the securities issued by the Bank.

Shares of BNP Paribas Bank Polska held by the members of the Bank's Supervisory Board and members of the Management Board

As at 30 June 2020 r. and the date of presenting this quarterly report i.e. 13 August 2020 r.:

- Mr Przemysław Gdański – the President of the Management Board - held 500 shares of BNP Paribas Bank Polska and there was no change in this respect from the date of presenting report for the first quarter of 2020, i.e. 13 May 2020
- None of the remaining members of the Management Board or Supervisory Board of the Bank declared holding any shares of BNP Paribas Bank Polska S.A., and there was no change in this respect from the date of presenting report for the first quarter of 2020, i.e. 13 May 2020

7.2. Share prices of BNP Paribas Bank Polska S.A.

During the session on 30 June 2020, the share closing price amounted to PLN 48.30 and was 25.69% lower than on 28 June 2019. In the same period, the WIG Banks index fell by 47.43%. In the Bank's case the main reason was the development of the coronavirus pandemic and visible deterioration in sentiment to bank actions related to it. A significant decrease of share prices occurred in mid-March 2020 (On 10 March 2020 the share price was PLN 60.40, on 20 March 2020 it was PLN 48.00).

Despite a weaker second quarter of 2020, the average share price of the Bank's shares in the 12-month period ending on 30 June 2020 was PLN 62.23 (PLN 58.90 throughout 2019). The average volume of trading in the Bank's shares was 2,608.35 shares per session and the average value of trading in the Bank's shares was PLN 163.38 thousand per session and was noticeably higher than in the entire 2019 (1,860.55 shares and PLN 118.26 thousand respectively). The shares reached their maximum price on 7 January 2020 (PLN 78.60) and the share price stayed around PLN 70 for most of February 2020. Three days after the publication of the annual results for 2019, on 6 March 2020, the share price was PLN 68.00.

The share price was positively influenced by consistent implementation of the strategy and confirmation of the continued growth of the scale of activities and financial results made possible by the successful completion of the integration with the acquired Core Business of Raiffeisen Bank Polska S.A. in November 2019.

The negative impact of the coronavirus pandemic is illustrated by changes of the average daily volume of trading, which fell from the level of 2,973.35 shares and 3,042.31 shares in the third and fourth quarter of 2019 respectively to 2,258.25 shares and 2,079.48 shares in the first and second quarter of 2020. Together with a noticeable decrease of average share price, it was also reflected in changes of the average daily value of trading, which in the two last quarters of 2019 and the two first quarter of 2020 was PLN 205.59 thousand, PLN 191.00 thousand, PLN 145.09 thousand and PLN 104.98 thousand respectively.

In the third and fourth quarter of 2019 and the first quarter of 2020 the share price remained at a relatively high level (the daily average was PLN 68.75, PLN 63.50 and PLN 66.24 respectively). The second quarter of 2020 showed a significant decrease of average share price, to PLN 49.78 with a slight to PLN 50.82 in June 2020. Similarly, in June the average daily trading volume increased to 2,888.18 shares and the value of trading increased to PLN 148.43 thousand. In the last month of the second quarter of the current year, a significant increase of the minimum daily trading volume and the minimum daily number of transactions was observed, which indicates a growing interest in the Bank's shares.

Chart 15. The Bank's share price from 28 June 2019 to 30 June 2020

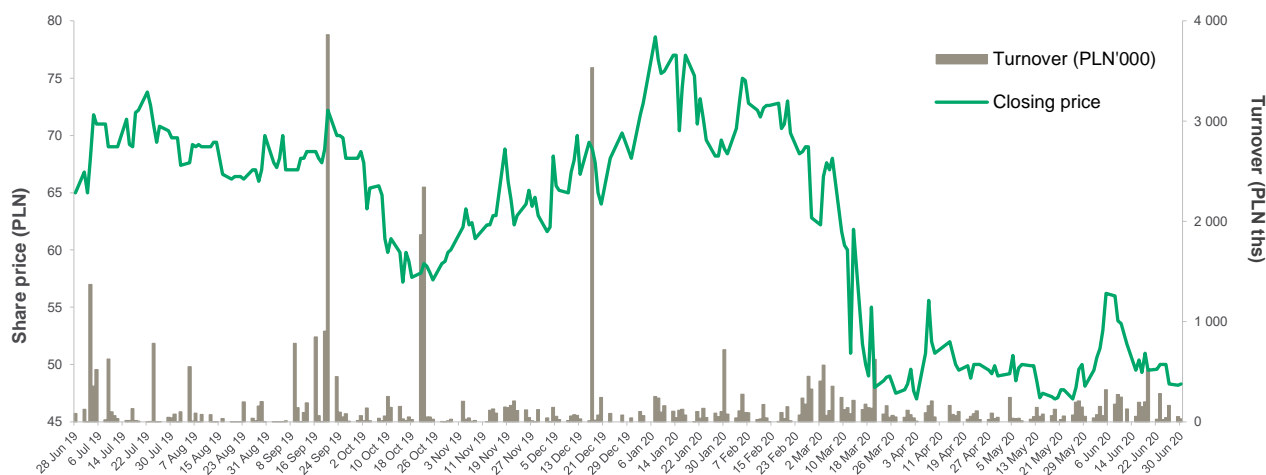
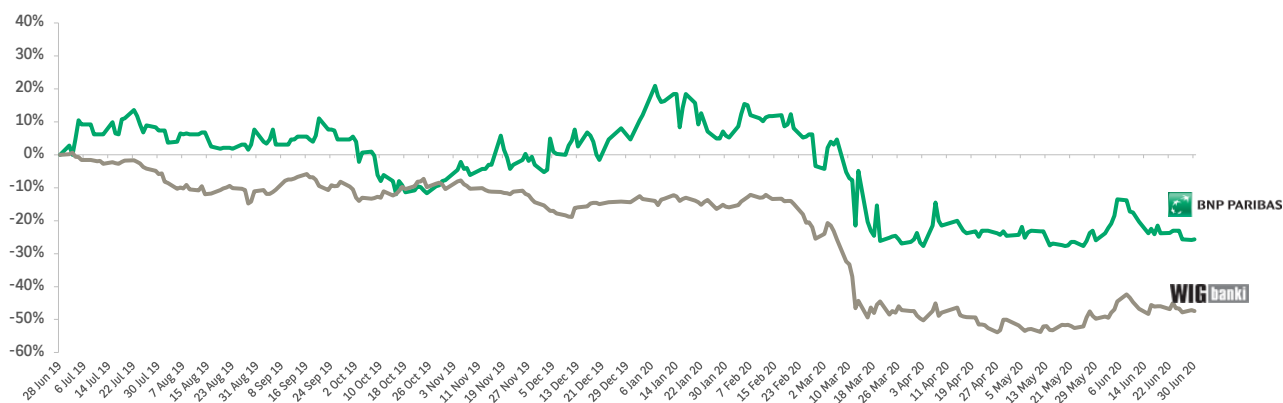


Chart 16. Change in Bank's share price vs. WIG-Banks from 28 June 2019 to 30 June 2020 (28 June 2019 = 100%)



7.3. Statutory bodies of the Bank

Supervisory Board

Table 42. Composition of the Supervisory Board and Supervisory Board Committees as at 30.06.2020

Full name	Office held in the Supervisory Board	Supervisory Board Committees			
		Audit Committee	Risk Committee	Remuneration Committee	Nominations Committee
Józef Wancer	Chairman			Member	Member
Jarosław Bauc	Vice-Chairman, Independent Member	Member			
Jean-Paul Sabet	Vice-Chairman			Chairman	Chairman
Francois Benaroya	Member	Member	Chairman	Member	Member
Stefaan Decraene	Member				
Magdalena Dziewguć	Independent Member				
Sofia Merlo	Member				
Vincent Metz	Member				
Piotr Mietkowski	Member				
Monika Nachyła	Member		Member		
Stéphane Vermeire	Member				
Mariusz Warych	Independent Member	Chairman	Member		

Changes in the Supervisory Board of the Bank in the period between 1 January and 30 June 2020:

- On 19 March 2020, Mr Michel Falvert submitted a resignation from the position of the Member of the Supervisory Board of the Bank with the effect from 19 March 2020
- On 29 June 2020, the Ordinary General Meeting of the Bank appointed Mr Vincent Metz as a Member of the Supervisory Board until the end of the current five-year joint term of office of the Supervisory Board members;
- On 29 June 2020, the Ordinary General Meeting of the Bank appointed Ms Lucyna Stańczak-Wuczyńska as a Member of the Supervisory Board with the effect from 1 December 2020 until the end of the current five-year joint term of office of the Supervisory Board members;
- On 29 June 2020, Ms Monika Nachyła submitted a resignation from the position of the Member of the Supervisory Board of the Bank with the effect from 30 November 2020.

Management Board of the Bank

Table 43. Composition of the Bank's Management Board as at 30.06.2020 and division of functional responsibilities of particular Board members

Full name	Office held in the Management Board of the Bank	Supervised areas
Przemysław Gdański	President of the Management Board	Bank Management, Strategy & Agro Markets Area, including supervising the Internal Audit Line, Compliance Line, Marketing, Communication and Social Involvement Line, Legal Line, Strategy and Market Analysis Line, Agro-business Line, HR Area, Transformation and Integration Area
Jean-Charles Aranda	Vice-President of the Management Board	Finance Area, including supervising the accounting, financial reporting and accounting control departments
André Boulanger	Vice-President of the Management Board	Corporate and Institutional Banking (CIB) Area, including supervising the Custody activities
Przemysław Furlepa	Vice-President of the Management Board	Retail and Business Banking Area and Brokerage House
Wojciech Kemblowski	Vice-President of the Management Board	Risk Area, including supervising the risk that is of material importance for the Bank's activity
Kazimierz Łabno	Vice-President of the Management Board	Operations & Business Support Area
Jaromir Pelczarski	Vice-President of the Management Board	New Technologies and Cybersecurity Area
Volodymyr Radin	Vice-President of the Management Board	Personal Finance Banking Area
Jerzy Śledziwski	Vice-President of the Management Board	SME & Corporate Banking Area

There were no changes in the Bank's Management Board in the period between 1 January and 30 June 2020.

7.4. Ratings

The Bank's ratings have been assigned by Moody's Investors Service Ltd. (the "Agency").

On 5 May 2020 The Agency made an updated assessment of the Bank as a result of which it maintained the long-term deposit rating of the Bank at Baa1 while changing the outlook from positive to stable. The short-term deposit rating was maintained at Prime-2.

Due to the systematic improvement of the Bank's financial the basic BCA (Baseline Credit Assessment) was maintained at ba1 level. The Adjusted Baseline Credit Assessment and Counterparty Risk Assessments were maintained at their current levels (baa3 and A3(cr)/Prime-2(cr) respectively).

A good assessment of the Bank's financial standing results from:

- improving profitability and operations efficiency,
- moderate level of credit risk and strengthening of the equity situation,
- financing assets with funds from the outside of the interbank market,
- high level of liquid assets,
- optimization of funding costs.

Moody's Investors Service	Rating
Long-term deposit ratings (LT Bank Deposits)	Baa1
Short-term deposit ratings (ST Bank Deposits)	Prime-2
Individual assessment (<i>Baseline Credit Assessment, BCA</i>)	ba1
Adjusted individual assessment (<i>Adjusted Baseline Credit Assessment, Adjusted BCA</i>)	Baa3
Counterparty risk assessment in long-term / short-term (<i>Counterparty Risk assessments, CRa</i>)	A3(cr)/Prime-2(cr)
Perspective	stable

The macroeconomic situation in Poland, despite the COVID-19 pandemic, has a positive impact on maintaining Bank's assessment.

7.5. Investor relations

BNP Paribas Bank Polska S.A. pursues a transparent information policy to ensure high communication standards taking into account information needs of capital market participants.

When providing information, the Bank, as a public company and a supervised institution, follows the corporate governance rules, in compliance with the binding provisions of law, and provides capital market participants with equal access to information about the current activity of the company, its activities or its financial results, fulfilling information obligations in a manner that enables a reliable valuation of the Bank's shares.

A dedicated organisational unit in the Bank - the Investor Relations Bureau – is responsible for relations with shareholders, investors and other capital market participants. Relevant information for investors, Bank shareholders and analysts is available on a dedicated Investor Relations website <https://www.bnpparibas.pl/relacje-inwestorskie>.

In 2020 the Bank published a digital version of its annual report for 2019 for the first time. The report under the motto "Bank of Green Changes" is available on the website: <https://raportroczny.bnpparibas.pl/en>.

In 2020, recommendations for BNP Paribas Bank Polska shares were issued by 5 domestic financial institutions. On the date of publication of this report, the Bank had 5 recommendations, of which all "Hold". The median of target prices from the recommendations amounted to PLN 50, i.e. it was higher than the share price as at 30 June 2020 (PLN 48.3) by 3.5%.

8. CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABLE DEVELOPMENT

“In a changing world responsibility matters”

BNP Paribas Bank Polska S.A. follows a principle that a holistic approach based on transparent and ethical dialogue with stakeholders and involvement of employees of all levels are the condition to achieve actual effects. Bank considers the corporate social responsibility and sustainability as long-term financing of the economy and building lasting relationships with clients in accordance with ethical principles, a responsible approach to employee development and involvement, increasing the availability of products and services, openness to clients' needs, initiatives for local communities, limiting negative impact of its operational activities, constant development of products and services addressing the current social and ecological challenges, including energy transition and the promotion of eco-attitudes.

Corporate Social Responsibility (CSR) and Sustainable Development Strategy of BNP Paribas Bank Polska S.A. is consistent with the BNP Paribas Group Strategy. It consists of 12 commitments under 4 pillars of responsibility: economic, workplace, social and environmental responsibility. It is a part of Fast Forward business strategy and constitutes for the key element of the Enthusiasm pillar. Through activities under the CSR&SD Strategy, the Bank supports the implementation of Sustainable Development Goals (SDGs), global challenges for the world announced in 2015 by the UN.

I. ECONOMIC RESPONSIBILITY

The key dimension of responsibility of BNP Paribas Bank Polska S.A. is the support for the development of the economy by responsibly financing projects and supporting sustainable development, of individual clients and enterprises. The Bank understands it as taking care of the highest ethical standards, ESG monitoring, i.e. environmental, social, governance aspects of transactions with all clients with particular consideration of CSR risks in sensitive sectors, as well as offering its customers products and services addressing global challenges and local market conditions and thus to changing customer needs.

At the same time, the Bank monitors CSR risks in sensitive sectors, and financing decisions precede the analysis of the social, economic and environmental impact of the company and project.

The sustainable approach of BNP Paribas Bank Polska S.A. is based on building lasting relations with clients and other stakeholders in accordance with ethical principles. The goal of the Bank is to enhance the positive impact of financed investments and promoting sustainable development.

Supporting customers during the COVID-19 pandemic

BNP Paribas Bank Polska S.A. is a public trust institution. Its role is to provide customers with safe and comfortable access to banking regardless of a situation. During the COVID-19 pandemic the Bank makes every effort to ensure the continuity of the organisation's activity and maximum security of its employees and customers. This is why the Bank has undertaken a variety of measures to improve the functioning of the organisation. By ensuring a stable access to finance, it also takes care of the economy's development and actively engages into actions that support the fight against the pandemic. BNP Paribas Bank Polska S.A. has created an information portal for customers of all segments in order to facilitate the access to safe banking, provide maximum legal and business support and ensure quick access to verified information.

Webinars - The Financial Shield of the Polish Development Fund

Together with the Polish Development Fund, the Bank organised 4 free of charge webinars for customers, regarding the Financial Shield of the Polish Development Fund BNP Paribas Bank Polska S.A. was the first bank on the market, which already on the day of launching the program – 28 April 2020 – held a webinar regarding this form of governmental aid for over 2 thousand participants, wanting to support the entrepreneurs in a substantive matter.

Three further online meetings took place in May and concerned the rules for determining the amount of financing, clearing, redeeming and partial reimbursement of subsidies by micro, small and medium-sized enterprises. General rules of the program for large enterprises and the application process itself in the Biznes PI@net electronic banking system were also discussed.

Webinars concerning legal aspects of aid solutions during the pandemic

BNP Paribas Bank Polska S.A., together with Kancelaria prawna SPCG organised a cycle of webinars regarding legal aspects of relief program Proposed due to the pandemic. During three meeting (on 6, 10 and 21 May) the following topics were discussed:

- Legal solutions in the area of labour law, considering subsidies to employees' salaries,
- The possibility of deferral and exemption from payment of Social Security contributions and relief and exemption from payment of Social Security contributions on the basis of the Act of 2 March 2020 on special solutions related to the prevention, prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them, as well as other applicable regulations,
- General rules of the PFR program for large enterprises.

In the first half of 2020 over 1.6 thousand people participated in webinars.

CSR monitoring of clients and transactions

The Bank is constantly implementing the process of monitoring transactions and financing companies in terms of environmental and social aspects, corporate governance (ESG - environmental, social, governance). To this end, sensitive sectors in which transactions are carefully considered by a team of experts in terms of compliance with the principles of sustainable development have been identified.

The Bank has identified nine sensitive sectors based on environmental, social or corporate governance risk:

coal energy	forest - wood pulp	agri-food
mining	forest - palm oil	fuel - unconventional oil and gas resources
defence and security	nuclear	tobacco

In the first half of 2020, 387 CSR analyses and recommendations were carried out. The Bank continued the exit process from financing entities from the tobacco sector, resulting from the global decision taken in 2017 by the BNP Paribas Group to discontinue financial and investment activities in relation to tobacco manufacturers as well as growers and wholesalers whose main business is tobacco-related. In accordance with its strategy to accelerate the energy transformation, the BNP Paribas Group has announced, it will have reduced its share in the coal energy sector in EU countries by 2030 and worldwide by 2040.

Transparency and dialogue with customers

The Declaration of Responsible Selling

BNP Paribas Bank Polska S.A. wants to have an impact on business in which it operates and so in 2019, together with other financial institutions inaugurated the Declaration of Responsible Selling - self-regulation of the financial industry, and in 2020 it passed the audit, obtaining the title of Project Signatory.

The Declaration of Responsible Selling is a project initiated by financial institutions, with the Consumer Federation as its host. Its objective is to popularise the best ethical standards in relations between financial institutions and their customers. Further companies have been invited to join the group of Signatories of the Declaration, as long as they pass the audit concerning, among others, principles and rules, construction and offering of their products, as well as transparency in communication with customers. BNP Paribas Bank Polska S.A. gained the right to sign the Declaration of Responsible Selling and use the title of the Signatory as a result of a positive audit.

The audit, during which the institutions was verified for compliance with the Declaration's criteria, was conducted by the KPMG audit firm. During the audit, it was checked, among others, whether the organisation has internal regulations defining the principles and methodology of analysing new products in terms of simplicity, understanding and use of a given solution. It was also assessed what is the share of new products that have been developed in the last 12 months and were examined in this matter. The Bank, as a Declaration Signatory had to confirm that it has written down the guidelines and rules regarding the simplicity of communication with customers and analyses its external documents in terms of their clarity and understanding by customers. The audit also examined products and services for individual clients. The audit included

financial products such as current account, credit cards. Insurance products, together with banking products, investment products (investment and saving) were also assessed.

The main objectives of the Declaration's initiators are increasing the positive impact of the financial industry on its environment and building relations with customers and business in a way that will allow financial institutions to better serve society and economy. Financial products and services, which they provide, are essential for everybody. This is why it is so important that the whole sales process be transparent and enable the clarification of any doubt, include the needs of particularly sensitive/vulnerable groups. Financial institutions should take care of the relations also after the purchase, which includes ensuring the safety of use, dealing promptly with any complaints. It is also in banks' interest to educate the society about finance and banking products. It is also important to prevent unfair practices and react quickly if they are discovered.

Simple language has a great power

In the first half of 2020 BNP Paribas Bank Polska, together with linguistics experts, continued a project of simplifying the language in communication with customers and between the Bank's employees, initiated in 2019. It included, among others: organising workshops on-line for employees and simplifying the language used e.g. in correspondence

Initiatives for innovation

Autenti

On 16 June 2020, BNP Paribas Bank Polska, Alior Bank and PKO Bank Polski jointly invested a sum of PLN 17 million into a Polish fintech – Autenti, offering a platform for digitally/electronically signing agreements and digital document circulation. It is the first joint transaction of this type carried out by banks in Central and Eastern Europe region on equal terms.

Thanks to the cooperation with Autenti, the Bank has implemented e-signatures solution on the self-service Autenti platform, which enables customer to digitally sign documents without the necessity of physical exchange between the bank and its customers. Thanks to the new platform, the Bank can send electronic documents and the customers can sign them via Internet, using a smartphone, a tablet or a computer and without the necessity of having an account on the platform. The e-signature streamlines the circulation of documents, saves time and provides convenience of doing business from anywhere in the world.

The Bank, through the Autenti platform, was the first on the market to provide a comprehensive service enabling remote of agreements remotely with both electronic and qualified electronic signatures.

EVA Chatbot

BNP Paribas Bank Polska has made it possible for its employees to use a self-learning program providing expert knowledge on purchasing processes. Employees can connect with the EVA chatbox via Skype for Business application. This solution is the Bank's response to the need of quick access to information identified among employees. The solution is provided by SentiOne company, acquired in 2019 during the 16th edition of Office Hours, as part of a proprietary "Innovation Laboratory" program, known on the market as the "Code of Cooperation with Startups".

Positive impact startups

At the beginning of June 2020, the Koźmiński Business Hub (KBH) presented the second edition of the "Positive Impact Startups 2020) report, of which BNP Paribas Bank Polska S.A. has become a partner for the second time. The premiere took place during the "Positive business in Poland. Passion, innovations, responsibility" conference, during which the results of 14th edition of Responsible Firms Ranking, as well as the effects of the partner project of UNEP/GRID Center Warsaw "Climate Leadership powered by UN Environment" were announced. The report is accompanied by a publicly available and regularly updated online database of Polish positive impact startups, i.e. organisations of which the main goal is to have a positive impact on the society and business environment in which they operate - currently it includes nearly 450 companies.

Successive editions of Office Hours

During the so-called Office Hours (the Bank's proprietary approach to cooperation with young technology companies), Bank experts meet with promising start-ups that can provide cutting-edge technological solutions. So far, 17 editions of Office Hours have been held, in which over 600 solutions were analysed.

Customer development support

Foreign Trade Program Online

Foreign Trade Program is a series of conferences aimed at supporting domestic entrepreneurs in their foreign expansion. The initiative is implemented by BNP Paribas Bank Polska S.A. in cooperation with the Export Credit Insurance Corporation, Bisnode business intelligence agency and the Polish Investment and Trade Agency. Media patronage over the event was taken by the Rzeczpospolita daily. This year, the conferences were held in June and, for the first time, online. The first two meetings concerned the German market with the Polish-German Chamber of Industry and Commerce as a partner. The next two meetings concerned the Chinese market.

About 1000 entrepreneurs participated in the meetings.

Agronomist

Agronomist.pl is a platform with knowledge and Bank's innovative tools, which was created in April 2019 for farmers and processors of the food sector. Platform users have access to the latest Food&Agro analyses, price forecasts and information on weather forecast at a given location, farm management system, and even satellite field mapping. Agronomist.pl is a free platform gathering in one place such a wide set of tools for farmers and processing companies.

From 1 April 2020 Agronomist supports its female users in developing their agribusinesses through presenting examples of good practices implemented by entrepreneurial women in the "Agro on heels" section. It is the Bank's response to an increasing role of women in doing business in the agricultural (Food& Agro) sector. The Bank is also a partner for its agricultural (Food& Agro) sector customers regarding their transition to sustainable production. It concerns, in particular, primary agricultural production. Keeping this in mind, the Agronomist has created a "Green Changes" section, which presents information on the rational use of means of production and natural resources, biodiversity, renewable energy sources and tools supporting such business. The Bank has also intensified its cooperation with the Polish Association of Sustainable Agriculture, of which the materials are also published in this section.

The users of this platform have also access to visualised prices of farming products from marketplaces and buying stations, which is supposed to facilitate decisions of a sale or purchase. Some of the functionalities, among others the satellite field mapping and farm management system are only available for the Bank's clients. The Bank is planning to further extend the platform in cooperation with its customers from agricultural (Food& Agro) sector and business partners.

Periodical publications for Food & Agro sector

BNP Paribas Bank Polska issues periodical publications prepared by agri-food sector analysts, presenting short- and medium-term situation in the most important sectors of agro-food industry (grain, dairy, meat, fruit and vegetable) in Poland. These materials, together with selected farming products' price data and forecasts, are presented in an electronic form on the Agronomist platform.

Coalition for BIO

Since the beginning of 2020, BNP Paribas Bank Polska has been a member of the Coalition for the Development of the BIO Food Market. It is a program initiated by institutions integrated around the idea of developing bio market in Poland under the patronage of the Ministry of Agriculture and Rural Development. The goal of the Coalition's actions is to undertake initiatives leading to the construction of bio food market and to implement solutions supporting the development of this market in Poland, as well as to increase the level of consumer knowledge.

Competition - the best thesis on the agro subject

BNP Paribas Bank Polska has been involved in actions supporting agribusiness for years. We look at the development of agricultural science with hope and we perceive the implemented innovations as key to the evolution of sustainable food systems. This is why the Bank organised a competition for the best thesis related to the agro subject for the second time.

The Competition is open to applications for master and bachelor theses, the defence of which took place in 2019 or 2020. The subject of the theses must be related to the development of agribusiness in a broad understanding, i.e. progress, innovativeness and development of farms, rural areas and other activities creating value for rural societies, natural environment, farms, agri-food industry, etc.

For the best theses financial awards of I, II and III degree and a special award (in the field of agriculture and organic food) are provided, with a total value of PLN 8 thousand gross. The details of the Competition are available at www.bnpparibas.pl/agroabsolwent/.

II. RESPONSIBILITY IN THE WORKPLACE

BNP Paribas Bank Polska is aware that responsible employment management is the basis of building a business advantage. The Bank is oriented towards supporting its employees and business through applying using the best methods of work, implementing tools facilitating effective and efficient completion of tasks, building an environment enabling maximum concentration and development. The Bank understands responsibility in the workplace as creating an environment that supports professional development of its employees and their involvement, as well as promoting openness, respect for diversity and human rights.

Supporting employees during COVID-19

Due to the COVID-19 pandemic, the Bank organised a number of actions supporting its employees both in a professional and psychological context. It prepared webinars on remote work, distributed team management and promoted knowledge about COVID-19 and health prevention. To ensure a possibility of continuous growth – all internal training activities were translated into a remote formula (virtual classes). Additionally, activities and inspirations were prepared for parents, allowing to spend time in a creative and developing way with children from different age groups.

Change monitoring

BNP Paribas Bank Polska, as an employer, is responsible for creating a good workplace and a friendly environment, therefore it listens to the voice of its employees, e.g. thanks to a cyclical (at least once per quarter) Pulse Check survey. It allows to monitor the impact of changes, taking place not only within the Bank, but also in the market environment, on the efficiency of work and employees' attitudes. Depending on the needs, the survey is modified and adjusted to current challenges that the Bank is facing. In 2019 it was the integration process, while 2020 is the time of further transformation related to the implementation of the Bank's business strategy and the end of the first quarter of 2020 is the transfer of work to remote channels and adaptation of the organisation's operations to new conditions and requirements related to the pandemic.

Thanks to its condensed formula and cyclical nature, the survey can be conducted in any given moment, gather current information and react, when something happens. Therefore, less than two weeks after the announcement of the ... in Poland, the Bank launched a crisis study "Working at the Bank and COVID-19 - survey of employees' opinions and needs". It focused on the most important aspects from the point of view of employees but also customers, knowing that they face difficult challenges not only professionally but also privately. In this edition of the survey, the Bank focused on the private sphere to find out what employees need in order to feel safe and work effectively. It was particularly important to know their opinion on the actions that the Bank takes and, most importantly, how else the Bank can provide support.

At the beginning of June 2020 another study of this type was conducted – this time the business aspect was merged with the crisis aspect to assess the effectiveness of the actions taken and to check their efficiency and perception by employees. In addition, the Bank gathered the employees' experience of remote work, which gained a new meaning when it became a necessity. Basing on the employees' current observations and their expectations for the future, the Bank wants to define a new model of work, which will allow to work effectively on one hand and comfortably on the other, regardless of whether the employees stay home or return to their offices. The collected answers will have an impact on how the work at BNP Paribas Polska will look in the future.

Supporting employee development

II edition of the Digital Ambassadors program

The goal of the program is to build a digital culture at the Bank. The key role in this process is played by Digital Ambassadors, whose task is to acquire knowledge and skills in the field of functioning and implemented new tools, supporting remote work and business efficiency, transferring knowledge to colleagues, participating in testing and implementing new solutions, promoting new work techniques, collecting and providing IT with information about the needs of employees.

Digital Academy

Digital Academy is a workshop, open to all employees of the Bank, regarding digital transformation (AI, user experience, cybersecurity and big data). The goal of the workshop is increasing the awareness in the matter of digitalisation, digital exclusion prevention, promoting and inspiring innovations.

Personal profiles and development plans on the About Me platform

About Me is the BNP Paribas Group platform for managing work results as well as employees' careers and development. It supports building a personal brand and conscious development of employees through the possibility of creating their own profile available to the entire organisation and the Group. A profile may include information about professional experience of an employee, their strengths and key skills, professional development preferences, setting goals, registering regular feedback from a supervisor and planning personal development. From the beginning of 2020, the Bank promotes and encourages its employees to actively complete their profiles and supports them in preparing individual development plans in this tool.

Corporate wellness - the Well program

In June 2020 BNP Paribas Bank Polska implemented a new program corporate wellness under the motto "Well", which is an element of the "Bank close to the close ones" program and a part of the "Friendly work environment" pillar of the strategy in the area of benefits and well-being BEnEFIT. The program is a response to the needs of the Bank's employees, as well as people close to them. The program will last for 8 months – until January 2021.

The objectives pursued by BNP Paribas Bank Polska S.A. during the implementation of the corporate wellness program "Well":

- implementation of a long-term pro-health policy, especially in the COVID-19 era, which will translate into satisfaction and involvement of employees, as well as maintaining a harmonious work life balance, especially in the home office and with restrictions resulting from epidemics, which will also translate into work efficiency;
- strengthening and expanding wellness activities that are already present in the Bank, i.e.: flu vaccinations in the workplace, preventive screening tests (blood pressure, cholesterol, glucose, adipose tissue, body composition analysis), workplace training on healthy lifestyle (nutrition, weight loss, stress reduction), pro-health competition with the Worksmile application;
- making a change in the company culture, organisation and management style that will ensure high health and performance/efficiency rates,
- enabling contact - currently online - with specialists such as: psychologist, dietician, coach, sports coach, mental speaker.

Total Reward Statement

The objective of the Total Reward Statement project is to present to the employees the total benefits of working for BNP Paribas Bank Polska, not only resulting from the remuneration received. Apart from remuneration, the TRS Comprehensive Reward Statement shows all additional benefits, such as medical care, insurance or the cafeteria system, non-wage benefits, training, development programs, as well as social benefits, subsidies and PPK.

MediSpot - telemedicine

In January 2020 BNP Paribas Bank Polska made available to its employees the possibility to use telemedicine directly at the workplace. As part of the pilot project, MediSpot was installed in one of the head offices – a place where employees can connect with an internist and make an e-consultation at work in comfortable and intimate conditions.

AXA - policy renewal

In the first half 2020, on the policy's anniversary, the Bank's employees had an opportunity to change the existing insurance terms and conditions as well as to buy contributions/packages or close the ones they already owned, without the need to resign from a 100% insurance package sponsored by the Bank.

Two hours for Family/Two hours for a Person

For the third time, BNP Paribas Bank Polska employee joined the social campaign: "Two hours for Family/Two hours for a Person". Thanks to that they could shorten one of their chosen working days by 2 hours between 15 May and 30 June and spend that time with their closest ones.

MyBenefit Cafeteria Platform

Each person employed by BNP Paribas Bank Polska receives a quarterly supplement to an individual account on the MyBenefit Cafeteria Platform of a specified amount, depending on the declared income per family member. On 5 March this year, on the occasion of the Polish National Appreciation Day, all employees received a gift in the form of a point credit on their accounts on the Cafeteria Platform.

For two years on the occasion of Children's Day, children of the Bank's employees (up to 15 years old) receive a gift in the form of a point credit of a certain value on individual accounts of employees (parents).

Employer Branding

Ambassador Duo

Ambassador Duos is a program of cooperation with universities addressed to students. Students cooperate with the Bank for two semesters, conducting a number of promotional activities at the universities. Program participants are entitled to receive a scholarship and attractive prizes await the best duos. The Ambassador Duos Program recruits individuals who are distinguished by their energy, willingness to act and a multitude of ideas for promoting the Bank in their college environment. Equipped with knowledge on the Bank's activity and the subject of employer branding, recruitment, social media or personal brand building - the Ambassadors represent BNP Paribas Bank Polska at their universities. Their tasks include, among others, organisation of stands and events promoting the Bank, competitions and workshops for other students, research on the Bank's image among their colleagues.

BNP Paribas Bank's Green Zone on BUW for Owls

From 21 to 25 January 2020, BNP Paribas Bank Polska promotional stand was hosted by the University of Warsaw Library (BUW), which was related to the BUW for Owls action, when students preparing for the exam can use the library's collections all night long. Visitors of the stand could meet with the Ambassador Duo to learn more about internship and job offers in the Bank, and in the relaxation zone, relax over coffee or solving puzzles.

Days of Development with BNP Paribas

Between 2 and 4 June 2020 BNP Paribas Bank Polska, together with the participants of the Ambassador Duos program, organised a series of webinars, which attracted nearly 600 students. Development Days with BNP Paribas is an initiative that enabled the Bank to reach a wide group of students from 10 universities throughout Poland. Thanks to the involvement of employees from various areas of the Bank, the students had an opportunity to gain knowledge on e.g. recruitment, time management, CSR and sustainable development or data science. Apart from the Bank's experts, knowledge was also shared by the special guests of the event, bloggers: Janina Bąk, author of the blog Janina Daily and Kasia Wągrowka, author of the blog I Limit myself - From Excess to Moderation.

Promoting Diversity

BNP Paribas Bank Polska S.A. - leader of the second edition of the Diversity & Inclusion Rating

BNP Paribas Bank Polska submits its D&I activities to an objective and transparent assessment. The Responsible Business Forum, with the support of Deloitte Polska, has prepared Diversity & Inclusion Rating - a tool created on the basis of Polish and international experience and methodologies to measure the company's progress in the process of building an inclusive organisation. Diversity & Inclusion Rating allows for objective and transparent assessment of diversity management in an organisation. It assesses: management basics, programs and activities, commitment building and result indicators. In 2020, the Bank was among the leaders in diversity management for the second time.

Enhancing the role of women

Women changing BNP Paribas

Women Changing BNP Paribas is a project associating women working at the Bank, whose objective is to build diversity in the organisation with a particular focus on gender equality.

The initiative's structures include women who have overcome their own limitations and want to share their experiences with others. Leaders are responsible for the zones within which particular activities are developed:

- Power zone - activation of women in the sales network,
- The blossoming zone - training, development and mentoring programs,
- Voice zone - equal presentation of women in communication activities and partnership in key projects supporting women,
- Change zone – analysis of the needs and change of rules and procedures currently binding in the organization,
- Openness zone - counteracting discrimination and promoting diversity.

Partnership with the Share The Care Foundation

Within the framework of cooperation with the Share The Care Foundation, the Bank is involved in actions for equality between women and men on the labour market and in society, takes care of work-life-balance and supports socio-cultural changes concerning caring roles. The Bank also took part in the project "Guide to good practice - 50/50 it pays off for everyone. The role of employers in encouraging men to take parental leave".

Social Campaign

As part of the partnership in the Woman Update (Future Collars) social campaign, BNP Paribas Bank Polska S.A. undertakes actions to actively encourage and mobilise women to improve their digital competences and enter the world of new technologies.

Workplace support for caring masculinities project

The Bank took part in a research and development project of the Faculty of Sociology of the Jagiellonian University (Men in Care) for equality between men and women in taking care of dependent persons (such as children, the elderly and people with disabilities) carried out in 7 European Union countries.

Partnership with Vital Voices - promoting female entrepreneurship

BNP Paribas Bank Polska is the main partner of this year's edition of the Open Mentoring Program for women who want to become better leaders, take responsibility and change the world around them. During the program – Mentors (both male and female), i.e. leaders with high authority and successes in business, politics and other fields, share their experiences and help entrepreneurial women spread their wings - Mentees, who learn how to become better leaders in their local environments. Women, with professional experience in management and specialist positions, and involved in pro publico bono work are eligible for the program through a competition. This year's edition is entitled Following Technology and Staying Human.

I am a leader Program

BNP Paribas Bank Polska has become a partner of the third edition of the I am a Leader Program addressed to committed teenagers aged 16 to 19 from Poland who are active in their community. The competition is organised by Vital Voices Poland and the winners will be selected from among the participants, who will take part in trainings on leadership, self-presentation and communication, career design, developing strengths in October this year. Mentors - women who have been successful in business, diplomacy, politics or media will take care of the finalists. The participants will also have a chance for internship in recognized Polish companies and institutions.

Businesswoman of the year competition

BNP Paribas Bank Polska became a partner of the 11th edition of the Businesswoman of the Year competition in the Start-up and Female Champion of Change categories. For the next consecutive year, Bank President Przemek Gdański is a member of the main jury of the competition. In the Competition organised by the Lipstick Written Success Foundation, women who are successful in business, science and culture are awarded. In the Start-up of the Year category, the awards are given to women who set up companies at the initial stage of development, which generate revenues of less than PLN 5 million a year, and in the Female Champion of Change, the leaders working in corporations, holding high positions, which implement actions supporting women and the development of diversity within their organisations. Participation in the competition allows women to develop their business not only on a national but also international scale.

III. SOCIAL RESPONSIBILITY

The Bank's social responsibility means increasing the availability of products and services, openness to customers' needs and taking initiatives beneficial for local communities. BNP Paribas Bank Polska focuses on actions supporting positive social changes, e.g. counteracting social exclusion and supporting education and culture. The Bank's social involvement projects are implemented by the CSR Office in cooperation with the BNP Paribas Foundation. The Bank is proud of the continuously developing social commitment of its employees and numerous programs of the BNP Paribas Foundation offering educational support and enhancing integration and local social capital.

Social involvement of BNP Paribas Bank Polska S.A. in the fight against the coronavirus pandemic – actions taken by the Bank are described in detail in Chapter 2.6. *Impact of the COVID-19 pandemic on the activity of BNP Paribas Bank Polska S.A.* of this Report

Enhancing accessibility

BNP Paribas Bank Polska in cooperation with MIGAM has taken further steps to adapt its branches to serve deaf customers. Since 15 June this year, free assistance of a sign language interpreter is available in the Bank's branches and on the Bank's hotline. Deaf people can use their own phone or a special tablet to connect with a professional interpreter who will introduce the bank's offer using Polish sign language. Service in Polish sign language is another Bank's initiative facilitating "banking" for people with disabilities. All branches are equipped with signature frames and magnifying glasses for the visually impaired. Additionally, in the branches and through the Bank's hotline, it is possible to order templates of agreements for basic products for individual customers in Braille, a printout with a convenient font size, an audio recording as well as a visual recording of the content in Polish sign language. 36 branches of the Bank have the "Object without barriers" certificate granted by the Integration Foundation. There are plans to certify further branches. All the Bank's branches are also OK Senior certified, which means that they are friendly to customers over sixty years of age, who sometimes also need additional assistance.

Initiatives for local communities

Local Ambassadors of the Bank

Local Ambassadors of the Bank is program of BNP Paribas Bank Polska under which the persons involved carry out initiatives important for local communities. The project brings together nearly 100 advisors, branch and region managers who actively operate in their immediate environment. Under the #LAB Program, for the second time the Bank's employees cooperated with young people participating in the *Zwolnieni z teorii olympics*, during which young people gain experience in project management and receive an international project management certificate. With the support of LAB mentoring, young people conducted projects devoted to important environmental and social issues, fighting the exclusion of vulnerable groups, equal opportunities and access to education. On 16 June 2020, the Great Gala of *Zwolnieni z Teorii* was held online, in which the winners of the 6th edition of the program were selected, whose subordinates, as part of their mentoring cooperation, won the Golden Wolf main prize among hundreds of social projects carried out. Among them there were three Local Ambassadors of the Bank.

Strategic partnership with the Noble Gift

In 2020, BNP Paribas Bank Polska continues its cooperation with the WIOSNA (SPRING) association initiated in 2018, under which the Bank is the strategic partner of Noble Gift action. Noble Gift is a nationwide aid action. It is one of the largest social projects in Poland (and at the same time the largest direct aid system in the world), under which 14 562 families received support in 2019 alone. The beneficiaries of the action receive gifts that respond to their real, proven needs. The gifts are not only an immediate help, but also a signal to the family that someone is thinking about it and a motivation to change their situation.

Promoting responsible attitudes

CSR Days 2020

As part of the European Sustainable Development Week, on 1-5 June 2020, the Bank hosted the CSR Days 2020. This year, due to the COVID-19 pandemic, all events were held online – in a 100% digital version. All materials were shared in a form of recordings and placed on mobile platforms.

Particular days were devoted to topics consistent with the responsibility pillars of BNP Paribas Bank Polska. The employees had an opportunity to take part in a number of activities related to social involvement, prevention and care for the natural environment. In total, this year's edition of CSR Days was attended by over 300 people.

BNP Paribas Foundation

The BNP Paribas Foundation has been conducting socially useful activities in the field of education, social solidarity and culture since 2006. These activities are social investments that solve important local problems and support the development of civil society. As part of its statutory objectives, the Foundation runs proprietary programs and supports selected projects and organizations that play an important role in building and maintaining civil society. The Foundation also coordinates

initiatives and actions involving Bank employees in solving important social problems and is responsible for the organisation and monitoring of projects related to volunteer work and employees' social involvement.

Social involvement of the BNP Paribas Bank Polska S.A. employees

Bakcyl Program

During the isolation of the closure caused by the pandemic, Bank volunteers operating under the Bakcyl program - sector initiative coordinated by the Warsaw Banking Institute Foundation, conducted lessons on finance and entrepreneurship for the Bank's employees children. On-line lessons were dedicated to particular age groups and concerned topics related to managing one's own budget, principles of saving, investing, financial markets, and allowing to test and develop one's knowledge.

Competition for volunteer projects

In December 2019, the Foundation launched the 8th edition of the annual Volunteer Projects Competition. Employees in teams of at least 3 people sent 47 ideas to help in local communities. 39 winning teams received funding from the Foundation of up to PLN 4,000 and a substantive, organizational and communication support.

Due to the pandemic, the time for projects' implementation was extended until the end of September this year and changes to the spending of the grant and the allocation of funds to help in the fight against the coronavirus pandemic were made possible.

Social Actions - Akcja Krwinka (Blood Donantion Day)

The 11th edition, coordinated by the BNP Paribas Foundation, was organised on May 21 this year in 3 of the Bank's locations: Warsaw, Cracow and Ruda Śląska. Despite the pandemic, 100 employees joined the campaign, thanks to which 30 litres of blood were collected.

The action was conducted in compliance with all safety requirements, according to the guidelines of the Regional Blood Donation and Blood Care Centres.

Program Wspieram cały rok (I support all year-long program)

As part of the Program, by the employees' decision, since January 2020, the Alivia Oncological Foundation, which was selected the Organisation of the Year 2020, is being supported for the second consecutive year. In the program of voluntary salary deductions, the collected funds can be transferred for two purposes - Organisation of the Year and support for scholarship holders of the Class Scholarship Program. 182 donor employees participated in the program of voluntary salary deductions for social purposes. More than 200 donor employees who have decided to donate a small amount of money every month for important social purposes participated in the Program. Since the beginning of 2020, the "Be like..." campaign, which encourages to join the Program, showing the existing donors, continues to last.

Long-term scholarship programs

Klasa (Class) scholarship program

In February-June 2020, the 18th recruitment to the scholarship program Klasa took place. The aim of the Program is to support talented young people who are in difficult financial situation and come from small towns, by enabling them to study in reputable high schools. The BNP Paribas Foundation has received nearly 60 applications. Since 2003, 770 junior high and elementary school graduates have received support.

Agrotalenty (Agritalents) scholarship program

As part of the Program, the Foundation annually offers scholarships for 40 winners of the Polish Olympiad in Agricultural Knowledge and Skills and 10 of the most talented students of agricultural fields of study. This year's edition was cancelled due to the epidemic. Since 2012, nearly 300 pupils and students have received support.

Philanthropic and scholarship cooperation with the BNP Paribas Group

Wiedza do potegi (Knowledge to the power) tutorial-scholarship program

The BNP Paribas Foundation has been cooperating with the Ocalenie Foundation since 2015, and since 2018, the organizations have been jointly running the „Wiedza do potęgi” (Knowledge to the power) program for refugee youth. The goal of this program is to help them to continue their education in a new place and find their place in the Polish education system. For the implementation of the project in 2019-2020, the BNP Paribas Foundation received a 3-year grant from the BNP Paribas Group. In the 2019/2020 school year 45 children from refugee families received the scholarship.

Dream Up educational program

Dream Up is an educational program of the BNP Paribas Group, currently implemented in 30 countries from all over the world. As part of this project, the BNP Paribas Foundation and the Praga-Południe District Culture Promotion Center organise music classes for children and youth. Their goal is the artistic and personal development of participants and their social integration. In June 2020 the 2019/2020 season ended, in which nearly 60 people regularly participated in the program, creating the Dream Up Praga Orchestra (Praską Orkiestrę Dream Up).

Responsible marketing communication

BNP Paribas Talks podcasts

In April 2020 BNP Paribas Bank Polska was one of the first banks in Poland to be present on Spotify and create a dedicated profile - BNP Paribas Talks. The idea of BNP Paribas Talks is to enable people to contact artists, inspiring people and discuss important issues in a non-obligating convention. Since November 2018, regular meetings with representatives of the world of culture were held in digital branches of BNP Paribas Bank Polska throughout Poland. The Bank did not want the pandemic to interrupt the initiative, so it moved the talks to the Internet. The idea of recording and sharing podcasts was born out of concern for the health and safety of viewers and invited guests. Interviews are published as podcasts on a dedicated profile of BNP Paribas Talks. The themes of the recordings include art, finance, business, ecology and other areas of social life. In a remote formula on Spotify BNP Paribas Talks profile, within a few weeks a dozen or so podcasts gained about 2 thousand listeners. Since April, the Bank has been cooperating with Puls Biznesu and Fintek.pl portal in the matter of podcast recording. So far, guests of the recordings have been, among others, the following: Filip Springer, Adrianna Palka, Maria Andrzejewska, Mariusz Szczygieł and Sylwia Chutnik. The Bank's representatives are also involved in the recordings and share their expert knowledge with the listeners.

The cycle also includes podcasts, which are part of the Green Change Bank program. During the second edition of the program, the podcasts will cover topics related to, among others, responsible purchasing planning, sustainable agriculture, responsible mobility and tourism.

Cooperation with the ABSTRA channel

In April 2020 The Bank started cooperation with Abstra, the largest independent video content producer on Polish YouTube. BNP Paribas Bank Polska became a partner of the popular science channel "To już dzisiaj", run by Rafał Masny, who talks about the most important technological and social changes in Poland and worldwide in an accessible manner. The topics of the channel correspond to the idea of "a bank of a changing world". The bank undertakes numerous educational activities and has a real, positive impact on its environment. Serious and important content on the channel will be enriched with digressions and presented with a lot of humour.

It is yet to be beautiful campaign

The attitudes surrounding the "national lockdown" caused by the COVID-19 pandemic were dominated by fear and anxiety. BNP Paribas Bank Polska recognised that everyone needs good news and people need hope and positive emotions. The campaign started when the first government restrictions were lifted. The idea of the campaign "It Is yet to be beautiful" was to reassure, give faith that it will again be as it was before. The core strength of the spot is Tomasz Lipinski's legendary piece "It Is yet to be beautiful, it Is yet to be normal". The spot was published on YouTube and in social media. The activities were accompanied by an intensive campaign on the Onet website. The axis of the action was a video spot set on the [website](#). All the time, the website published various materials provided by the editors and the Bank's own materials concerning aid activities in the times of the pandemic. Only materials on a positive note, giving hope and encouragement but still true were published. Additionally, the Bank created engaging activities encouraging users to share their thoughts, ideas and opinions on an ongoing basis.

Rozruszajmy Polskę action (Let's get Poland started)

#rozruszajmyPolskę is a joint action of BNP Paribas Bank Polska and Opus B agency. It is aimed at helping small entrepreneurs who are struggling with economic consequences of the pandemic. The time to reactivate smaller businesses, after the period of their complete closure due to the development of the pandemic, can be very difficult. That is why the Bank decided to launch an action to support smaller businesses. The Bank, together with the Opus B team, has jointly created a promotional mechanism that rewards people using services such as catering, beauty, tourism or fitness. Every new customer who opens a Personal Account with a debit card, activates the GOMobile application and will pay with the card at one of the retail and service points can get PLN 50 back from the Bank. The list of entrepreneurs covered by the action is available on the website: rozruszajmy.pl

IV. ENVIRONMENTAL RESPONSIBILITY

BNP Paribas Bank Polska S.A implements minimizing the negative impact on the environment of in three dimensions: limiting the negative impact of operational activity and promoting eco-attitudes among employees, responsible financing of the economy and clients as well as cooperation and involvement in cross-sectoral initiatives.

Pro-ecological products and services

BNP Paribas constantly develops its offer of products and services supporting clients in their transition to low-carbon economy. In 2020 the Bank's offer included:

- **Instalment loan for financing green energy sources** - an offer addressed to retail customers to finance the purchase of: photovoltaic installations, water heaters, heat pumps, recuperators and home wind power plants.
- **Photovoltaics for a farmer** - an offer addressed to farmers in the micro sector to finance the purchase and installation of photovoltaic installations.
- **Loan with BGK bonus** for thermal modernisation of real estate - an offer addressed to Housing Communities designed to improve energy class of multi-family residential buildings.
- **Technological credit** - an offer addressed to SME, which aims at supporting pro-innovative investments, often having a positive impact on the natural environment, includes a possibility to take advantage of a non-refundable technological bonus, which partially repays the loan capital as an incentive to implement more risky innovative investments.
- **Green Energy Loan** - the offer is aimed at supporting investments in renewable energy sources. The loan is designed to finance the construction of wind power plants, hydroelectric power plants, photovoltaic power plants and installations to produce electricity or heat from biomass or biogas.
- **Green investment products** - the Bank offered to participate in a campaign aimed at planting 1 tree for every EUR 1000 spent on socially responsible investments.

Fotowoltaika (Photovoltaic) program for prosumers

In the first half of 2020, under the prosumer photovoltaic program, BNP Paribas Bank Polska financed 4,380 installations for the total amount of PLN 102.2 million, which from the beginning of the program until June 30, 2020 accounted for nearly 15 thousand installations of PLN 364.6 million.

The Bank cooperates with over 300 market leaders in the sale and installation of high quality photovoltaic installations, which have almost 500 outlets.

Polsat's green bonds

BNP Paribas Bank Polska SA acted as a co-organiser and co-host of the green bond issue book of Cyfrowy Polsat. This is the first green corporate bond issue in Poland conducted by a non-financial entity. In February 2020, the bonds were introduced to trading in the Catalyst alternative trading system operated by the Warsaw Stock Exchange.

Cyfrowy Polsat is the first company from the non-financial sector to issue green bonds on the Polish market. The issue received a certificate of compliance with Green Bond Principles 2018 certified by an expert company Sustainalytics.

Supporting the energy transformation

In 2020 BNP Paribas Bank Polska signed agreements on technical assistance for energy efficiency investments in multi-family residential buildings and commercial buildings:

- **17 June 2020** - with a consortium composed of the Foundation for the Efficient Use of Energy (Consortium Leader), ENMS Polska Sp. z o.o., Fundacja Poszanowania Energii (Energy Respect Foundation), Agencja Użytkowania i Poszanowania Energii (Energy Use and Respect Agency) - Andrzej Gołębek, Jerzy Żurawski and Bożena Żurawska, operating as a civil partnership under the name of Dolnośląska Agencja Energii i Środowiska s.c. Jerzy Żurawski, Bożena Żurawska an agreement under which the aforementioned consortium will provide technical assistance services to the Bank's clients interested in carrying out investments improving energy efficiency of multi-family residential buildings. The technical assistance will consist of, among others, preparing technical documentation necessary in the investment process, such as energy audits and construction projects. The cooperation with the consortium established in this respect will allow the Bank to increase the scope of financing for energy efficiency investments in the coming years,
- **29 June 2020** - with the same consortium a similar agreement, under which the consortium will provide technical assistance services to the Bank's customers interested in carrying out investments improving energy efficiency of commercial buildings

Clean Air Program

In recent months, BNP Paribas Bank Polska was one of the commercial banks that participated actively in the working group aimed at including the banking sector into the Clean Air Program and enabling reaching potential beneficiaries with financial support offered by the program.

Green Energy financing

BNP Paribas Bank Polska signed loan agreements with subsidiaries of an independent electricity producer, Qair Polska and its partners. Project finance in the amount of approximately PLN 630 million will help finance existing and newly built wind and photovoltaic farms. The investment is co-financed by the European Bank for Reconstruction and Development (EBRD). As part of a consortium with the EBRD, the Bank is co-funding five Polish special purpose vehicles, owned by two experienced sponsors - the French renewable energy producer and operator Qair and the French infrastructure fund RGreen Invest. The portfolio includes the construction of three wind farms with a total capacity of 68MW, as well as refinancing the acquisition of existing wind farms with a total capacity of 106MW.

Bank of Green Change

Promoting eco-attitudes

In April 2019, BNP Paribas Bank Polska inaugurated the Bank of Green Changes Program, which aggregates all the to date organisation's actions to fight climate change and support the energy transformation. The program consists of an internal educational campaign addressed to employees of all areas of the Bank, real changes in the functioning of the organisation (the so-called eco-improvements) and development of the offer of pro-ecological products and services.

In April 2020, the second edition of the Bank of Green Changes educational program was launched, addressed to the Bank's employees and their loved ones, under the motto "Responsible consumption and sustainable lifestyle". As part of the campaign, employees receive a lot of information on the impact of the pandemic on the natural environment, food production, responsible shopping and eco-mobility. The educational campaign was enriched with the "Green Changes Agronomist" component, thanks to which employees learn more about sustainable agriculture.

Support for Biebrzański National Park

Concern for the natural environment is one of the Bank's key commitments, which is why the BNP Paribas Foundation made a financial donation to save the Biebrzański National Park, where as many as 6,000 hectares of forests could have burned down as a result of the fire in May.

Eco-improvements of the organisation's activity

As part of the Bank of Green Change program, the Bank implemented a number of eco-improvements - initiatives affecting the minimization of the harmfulness of the organization's functioning against nature:

- paper folders have been introduced in the network of branches to reduce the consumption of plastic sleeves for protecting documents;
- switching to e-correspondence to reduce paper consumption;
- improvement in the form of an electronic signature for employees and customers of different segments. Thanks to the cooperation with Autenti, the Bank implemented the e-signature solution on the Autenti self-service platform, which allows to sign documents without the need to physically exchange them between the bank and the customer. Thanks to this platform, the Bank can send documents electronically and customers can sign them over the Internet using a smartphone, tablet or computer and without the need to have an account on the platform. The e-signature improves the circulation of documents, saves time and provides convenience of doing business from anywhere in the world. The Bank, through the Autenti platform, was the first on the market to provide a comprehensive service enabling remote signing of contracts with both electronic and qualified electronic signatures. The plans for the second half of 2020 provide for further development and implementation of further technological solutions supporting paper consumption reduction;
- Promotion and production of sustainable gadgets: reusable lunchboxes, bottles and eco bags. Unused promotional materials and bank equipment are given a second life or are given to social organisations.

CSR PARTNERSHIPS ESTABLISHED IN THE FIRST HALF OF 2020

Climate Leadership	partner of the <i>Climate Leadership</i> program building a community of leaders of real business change for climate neutrality and sustainable development. The aim of the program is to support the systematic implementation of real changes in the market offer of the largest companies as a response to the climate crisis and the related threats
(Green Ribbon #for the planet)	partner of the <i>Green Ribbon Campaign #ForThePlanet</i> , supporting environmental initiatives; the aim of this year's Campaign is to increase public awareness that safety of people is not possible without preserving biodiversity in nature; the action is organized by the UNEP/GRID Center-Warsaw

The full list of partnerships of BNP Paribas Bank Polska S.A. is available at <https://www.bnpparibas.pl/csr/partnerstwa>.

COOPERATION AND COMMITMENT IN CLIMATE INITIATIVES

30 June 2020	Responsible Business Forum - participation in the debate "Climate Neutrality. A realistic goal or a utopian vision?"
23-25 June 2020	19th Banking Forum & 15th Insurance Forum & Cloud Day - participation in the discussion on global environmental policy, its impact on financial institutions and ecological transformation
15-17 June 2020	10th European Financial Congress - participation, among others, in discussions: "Responsible finance - environment, sustainable development and financial stability"; "Air protection, water crisis, green energy - the role of the financial sector in the development of programs and tools supporting sustainable transformation"; "Banking Innovation in the Post-COVID-19 Era".
5 June 2020	Green Ribbon Debate #ForThePlanet - participation in the debate "The wealth of nature - necessity, not luxury"
18-20 May 2020	12th European Economic Congress - participation in the panel "Energy, energetics, market - differently"
first half of 2020	Participation of the Bank's experts in a working group aiming at including the banking sector in the Clean Air Program and enabling reaching potential beneficiaries with financial support Involvement of the Bank's experts in working groups within initiatives and projects: Poland Zero Emission 2050; Green Transformation Council of the Lewiatan Confederation; Sustainable Agriculture Association ASAP; Coalition for Food Market Development BIO; UNGC Network Poland and groups within the Polish Bank Association.

9. OTHER INFORMATION

9.1. Legal cases

As at 30 June 2020, no proceedings had been instituted before courts, arbitration or public administration bodies with respect to the Bank's receivables or liabilities, the value of which would exceed 10% of the Bank's equity.

Court decision regarding calculation of the interchange fee

On 6 October 2015, the Court of Appeals issued a decision regarding calculation of the interchange fee by banks acting in agreement. Thus, the decision of the 1st instance (Regional) Court of 2013 was changed by dismissing the banks' appeals in whole, while upholding the appeal brought by the Office of Competition and Consumer Protection (UOKiK), which had questioned a considerable reduction in the fines by the 1st instance court. This denotes that the penalty imposed under the first decision of the President of UOKiK of 29 December 2006 was upheld. It involved a fine levied on 20 banks, including Bank BGŻ S.A. and Fortis Bank Polska S.A., for practices limiting competition by calculating interchange fees on Visa and MasterCard transactions in Poland in agreement.

The total fine levied on Bank BGŻ BNP Paribas (currently BNP Paribas Bank Polska S.A.) amounted to PLN 12,54 thousand and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9.65 million; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2.89 million. The penalty was paid by the Bank on 19 October 2015. The Bank brought a last resort appeal against the aforesaid court decision on 25 April 2016. By a ruling issued on 25 October 2017, the Supreme Court overturned the verdict of the Warsaw Court of Appeal and referred the case for reconsideration. Acquisition of the core business of Raiffeisen Bank Polska S.A. (RBPL) did not change the situation of the Bank as RBPL was not a party to this claim.

Corporate claims against the Bank (interchange fee)

As at 30 June 2020 the Bank received:

- 32 requests for settlement from companies (marchands), associated with interchange fees paid due to the use of payment cards (of which three businesses applied twice and one applied twice for different payment schemes). The total amount of these claims was PLN 1,028.02 million, including PLN 1,018.05 million where the Bank had joint and several liability with other banks,
- 4 applications for mediation before the arbitration court of the Polish Financial Supervision Authority. The applications were addressed to the Bank by the same entrepreneurs who had previously requested to call for a settlement attempt. The total value of claims resulting from the above-mentioned motions amounts to PLN 40.29 million, PLN 37.79 million of which concerns joint and several liability of the Bank with other banks.

Judgment of the Court of Justice of the European Union in Case C-260/18

On 3 October 2019 the Court of Justice of the European Union (CJEU) ruled that: 1) unfair terms and conditions of contract concerning foreign exchange rate differences cannot be replaced by general provisions of Polish civil law; 2) if, after the removal of the unfair terms, the nature and main subject-matter of those contracts can be altered to the extent that they would no longer be index-linked to a foreign currency while at the same time being subject to an interest rate based on the rate applicable to that currency, European Union law does not preclude the annulment of those contracts. However, the Court has not examined the abusive nature of the indexation clauses at all and allows the national court to fill in the gaps in the contract caused by the removal of a provision of national law which has been found to be abusive. It should be noted that the CJEU judgment concerns indexed loans, while the Bank's portfolio does not include such loans; the Bank and its legal predecessors concluded only denominated loan agreements and foreign currency loan agreements. Therefore, the CJEU judgment is not automatically applicable to disputes brought by the Bank's clients, however, it cannot be ruled out that it will affect the line of the case-law also in the case of other loans, as a consequence of which a full assessment of the effects of the CJEU judgment will be possible only after the line of case-law of Polish courts has been formed. The change of the line of the case-law may potentially have a negative impact on the Bank, however the scale, due to many uncertainties, is currently impossible to estimate precisely.

Proceedings instigated by the Bank's customers being parties to CHF denominated loan agreements

As at 30 June 2020, the Bank was a defendant in 363 (120 new cases in the second quarter of 2020) pending court proceedings (a total of 382 actions against the Bank was brought by the customers, including legitimately concluded cases), in which the Bank's customers demand to declare the mortgage loan contract is invalid in terms of granting a foreign currency loan or denominated to CHF by determining that the Bank granted a loan in PLN without denomination to a foreign currency or settlement of the loan due to invalidity of the agreement or depriving the executory title of enforceability, as well as the spread reimbursement. The Bank is not a party to any collective action that would involve such loan agreements. As at 30 June 2020, the total value of claims pursued in currently pending cases was PLN 120.02 million, and PLN 30.84 million in legitimately concluded and binding cases.

The following judgements were made in 17 proceedings that have been legitimately concluded so far: claims against the Bank were dismissed in 10 proceedings, 2 proceedings were discontinued; in one proceeding the court dismissed the claim; in 3, despite the dismissal of the claim, the court stated in its justification that the agreement was invalid, in one, only the claim for low own contribution insurance was awarded, in the remaining proceedings the court dismissed the claim.

The Bank recognises provisions on an ongoing basis for pending court proceedings concerning denominated or foreign currency loans, taking into account the current status of legitimate judgements in cases against the Bank and the line of the case-law. The Bank also decided to recognise a provision of PLN 14.75 million for portfolio risk related to CHF proceedings in the second quarter of 2020 and PLN 0.49 million provisions for individual cases. As at 30 June 2020, the total value of created provisions for CHF proceedings amounted to PLN 58.68 million. The provision for pending cases is calculated on an individual basis, while for future cases on a portfolio basis. Under the portfolio method, the Bank estimates the number of future claims based on the number of statements collected from the Bank by customers for litigation purposes and the observed change in new proceedings.

At the same time, the Bank points to a significant discrepancy between the actual state of affairs (in particular different terms of the agreements and the scope of information for the customer) and the rulings in Poland in matters relating to indexed, denominated and foreign currency loans, which significantly hinders precise estimation of the risk scale. The Bank monitors the published judgements on an ongoing basis and is going to adjust the level of provisions to the observed direction of the case-law.

9.2. Sponsorships

The primary and direct objective of the sponsorship policy adopted by BNP Paribas Bank Polska is to build and foster brand awareness and enhance a positive image of the Bank. Indirectly, sponsorship initiatives are aimed to strengthen the Bank's relationships with its customers. Due to its profile and growth strategy, the Bank is primarily searching for initiatives that enable it to communicate directly with customers representing its target groups. Thus, the Bank finds solutions which naturally link its products and services with potential customers.

Tennis events

BNP Paribas Bank Polska is part of the BNP Paribas Group which is the biggest sponsor of tennis in the world. Therefore, offers regarding sponsorship of tennis events in Poland are given utmost priority by the Bank. In the first half of 2020 the Bank, together with its professional partner, the Polish Tennis Association, organised training courses for teachers on teaching tennis at PE lessons in primary schools.

For the employees, the Bank cyclically organises team tennis tournaments called WeAreTennis Cup. This year's competition was extended by the Academy of Tennis, in which the employees and their children could take part in tennis training and thus get to know this sport.

Cinema events

Cinema – next to tennis – is one of the most important pillars of the BNP Paribas Group's sponsorship strategy, which is realised under the #WeLoveCinema slogan.

In 2020 the Bank continues its cooperation with the Cinema City network, under which it is the title sponsor of the IMAX® cinema network in Poland and 8 screens in multiplexes of the largest Polish cities.

Cultural events

Under the sponsorship activities, the Bank has again become involved in cooperation with the Wisława Szymborska Foundation, which for many years has been supporting writers who, for random reasons, have found themselves in a difficult financial situation. In the first half of 2020 the Foundation organised a special edition of its Special Aid Fund under the motto: "Just in case. Wisława Szymborska Foundation for the writers". It is intended for writers and translators who have lost their sources of income as a result of the COVID-19 pandemic.

Computer for a Student

Due to the outbreak of the coronavirus pandemic, students across Poland learned remotely for several months. In order to counteract digital exclusion among children and teenagers, the Bank handed over 520 laptops with routers and Internet access to students in need. The computers were transferred through the Impact Foundation. The equipment was delivered to the most disadvantaged children from Trzebinia, Chrzanów, Nysa, Łubniany, Bierutowo and many others.

9.3. Significant events subsequent to the balance sheet date

BNP Paribas Bank Polska Group did not observe any significant events subsequent to the balance sheet date.

9.4. Statements of the Management Board of BNP Paribas Bank Polska S.A.

Fairness and reliability of the presented financial statements

The Management Board of BNP Paribas Bank Polska S.A. hereby declares that to the best of its knowledge:

- Standalone financial statements of BNP Paribas Bank Polska S.A. for the period of 6 months ended 30 June 2020 and Consolidated financial statements of Bank BNP Paribas Bank Polska S.A. for the period of 6 months ended 30 June 2019 and the comparative data was prepared in accordance with the applicable accounting principles, and they reflect in a true, reliable and clear way the financial position as well as the financial result of the Bank and the Bank's Capital Group.
- Management Board Report on the activities of the Capital Group of BNP Paribas Bank Polska S.A. in first half of 2020 contains a true picture of the development and achievements and situation of the Bank's Capital Group, including a description of the basic risks and threats.

Position of the Bank's Management Board on the possibility of meeting previously published forecasts for a given year

The Bank did not publish financial forecasts for 2020.

10. SIGNATURES OF BNP PARIBAS BANK POLSKA S.A. BOARD MEMBERS

12.08.2020	Przemysław Gdański President of the Management Board	<i>signed with a qualified electronic signature</i>
12.08.2020	Jean-Charles Aranda Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
12.08.2020	André Boulanger Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
12.08.2020	Przemysław Furlepa Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
12.08.2020	Wojciech Kembłowski Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
12.08.2020	Kazimierz Łabno Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
12.08.2020	Jaromir Pelczarski Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
12.08.2020	Volodymyr Radin Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
12.08.2020	Jerzy Śledziewski Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>