

# The Management Board's Report on the activities of BNP Paribas Bank Polska S.A. Group in 2020

(including Report of the Management Board on the activities  
of BNP Paribas Bank Polska S.A. in 2020)



**BNP PARIBAS**



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## Letter from the Chairman of the Supervisory Board of BNP Paribas Bank Polska S.A.



Dear All,

BNP Paribas Bank Polska entered 2020 with optimism. Nevertheless, the coronavirus pandemic has posed utterly unexpected challenges for all of us. For individual institutions, for the banking sector, for the entire economy and society. Full-fledged mobilisation, responsibility, mutual concern and solidarity were the only possible response to these surprising, extreme conditions.

Thanks to the admirable involvement of our employees, BNP Paribas Bank Polska was able to very quickly reorganise, while continuing to provide uninterrupted access to services and ensuring the safety of our Customers and the team. We passed the exam as a financial partner by offering individual Customers and businesses a range of support mechanisms, such as moratorium periods on loans or participation in the support system organised by the state. The bank provided guarantees of the Polish development bank BGK to enterprises and very rapidly adapted its IT systems in order to offer access to solutions from the Polish Development Fund's Financial Shield. We also engaged in a range of social initiatives in support of the medical community, students and other groups in need.

In this difficult time, we did not put aside our on-going investments in modern technological solutions. To the contrary, this work accelerated. We used our creative potential not only to simplify services at our bank but also to ensure that they are safer. This past year saw the most dynamic digitalisation in our history.

The bank is supporting the economy by financing strategic investments and corporate projects, as confirmed by last year's activity in the Corporate and Institutional Banking Area. Financing the energy transition also has an important place. The value of the so-called 'green loans' issued by the bank last year was at the level of PLN 1.0 billion. This was made possible by, among other things, our expanding relationship with the European Investment Bank.

Sensitivity to environmental problems and the corporate and social responsibility of Bank BNP Paribas showed through in the appointment in the autumn of last year of the Sustainable Development Council. Its members – representatives of the bank's key areas – will oversee the achievement of objectives pertaining to care for the environment, social responsibility and corporate governance. Sustainability also entails the development of a diverse organisation that empowers its employees to develop their potential. This is the theme of the initiative "Women Changing BNP Paribas," which was inaugurated by our female colleagues last year and is intended to support the development of women in business.

Our efforts last year are reflected in our financial results, which set us apart from the competition and validate the bank's response to last year's challenges. While we hope that this year will be better than the previous one, we can be certain that the world will not cease surprising us. With that said, our experience shows that we are ready to convert challenges into success.

Sincerely,

**Józef Wancer**

Chairman of the Supervisory Board, BNP Paribas Bank Polska



## Letter from the CEO of BNP Paribas Bank Polska S.A.



Dear Shareholders, Customers and Employees of BNP Paribas Bank Polska Group,

we bid farewell to a year of challenges that we had not expected and had not predicted even in pessimistic scenarios. An adverse economic situation and difficulties facing the banking sector were, and continue to be, merely a background for the real drama related to uncertainty about health and life. Thanks to the consistency, hard work and talent of our team, we ensured the safety of our Customers and employees, while striving to achieve our targets. Despite all of the restrictions, the Bank's Group generated PLN 733 million in net profit in 2020, up by 19.3% from the previous year. Given the pandemic and the current macroeconomic situation, I am treating these results as a huge success for us. From the beginning of the pandemic, we actively searched for solutions that could respond to entirely new challenges. First, we took care of elementary safety of our employees and Customers. We introduced split teams, and 95% of the workforce was immediately adapted for remote work. At our branches, we deployed appropriate protective measures and paid attention to social distancing. In effect, 99.4% of Bank BNP Paribas' branches were and are open to Customers.

We considerably accelerated the digitalisation of our services, going beyond the ordinary and setting completely new standards. From May 2020, everyone can schedule a meeting with an adviser at a branch, to talk about investments or mortgage loans, through the Booksy application, previously associated with beauty and hairdressing services. In collaboration with Autenti, we implemented solutions that make it possible to sign documents without having to exchange paper copies between the bank and the Customer. In combination with the option to open an account using a video verification, we get a modern vision of banking, but one that is no longer out of reach. It became reality thanks to our innovativeness and hard work.

We were not indifferent to the problems of our Customers and the economy as a whole. During the pandemic's first wave – already in March, even before statutory proposals materialised, as part of the initiative of the Polish banking sector, Bank BNP Paribas offered the possibility to suspend the repayment of principal and interest. Our Customers were able to submit applications for subsidies from the Polish Development Fund (PFR) through the online banking system and had access to two guarantee programs on preferential terms – the de minimis program and the Liquidity Guarantee Fund – provided by the Polish development bank BGK. I have no doubt that we passed the test of solidarity very well in these difficult times.

Uninterrupted financing of flagship investments in the country was of great importance to us. Instead of freezing it, we expanded our Customer portfolio and completed further projects. I say this with great satisfaction – most of the investments that we finance have a positive economic, social and environmental impact.

The emergence of new challenges did not distract us from other topics of fundamental meaning for our planet. We continue to advocate green initiatives and remain the Bank for a Changing World. To further enhance our actions aimed at implementing the Sustainable Development Goals, we established a special unit – the Sustainable Development Council. Its aim is to define our ESG strategy and ensure that its objectives are embedded in our competences and in our product and service offering. In 2021, we will emphasise our social engagement even more. We have many objectives ahead – and we can only achieve them by uniting in common action. I deeply believe that in this way we, as a society, will be able to face global challenges and, as a bank, we will be able to deliver new ambitious ventures.

Sincerely,

**Przemek Gdański**

President of the Management Board, BNP Paribas Bank Polska



# 1. BNP Paribas Bank Polska S.A. Group



## 1.1. Brief overview of the Capital Group

BNP Paribas Bank Polska S.A. (hereinafter referred to as the "Bank") is a universal bank with a comprehensive product offer for Polish and international corporations, 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 and consumer segments, as well as in the sector of large companies and international corporations.

The mission of the Bank is to responsibly deliver innovative financial solutions which enable the customers change their world and which support

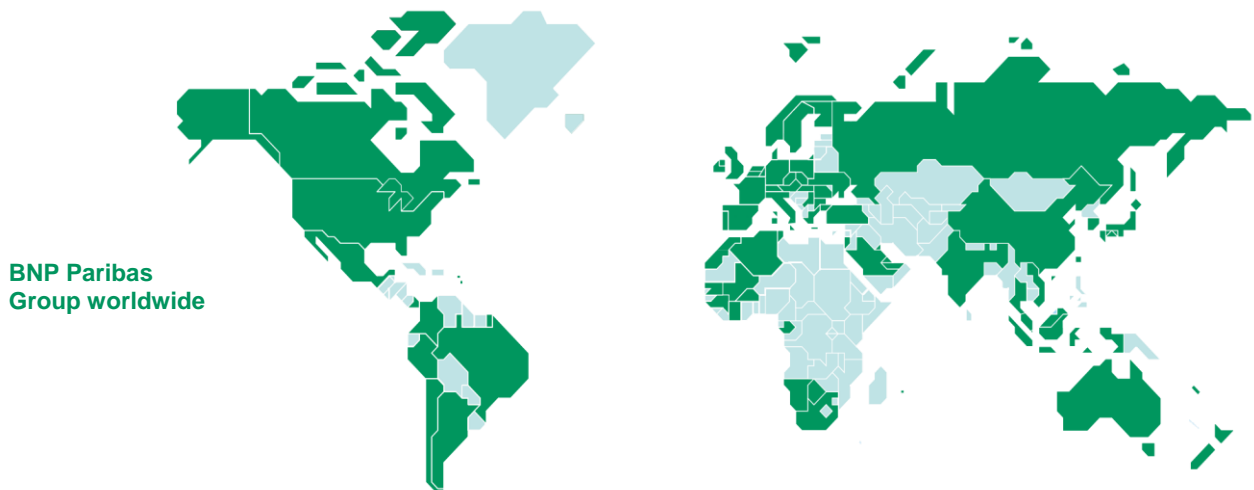
local economy. The Bank and its subsidiaries form the BNP Paribas Bank Polska SA Group. (hereinafter referred to as the "Group"), which is the sixth largest group in Poland in terms of the balance sheet total. The Group employs over 9.5 thousand people.

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

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

The Bank operates within the leading international banking group BNP Paribas, which is present in 71 countries and employs almost 200 thousand people, of which almost 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.



### BNP Paribas Bank Polska Group in figures

**PLN 120 bn**

assets

**3.9 million**

clients

**459**

branches

**9.5 thousand**

employees



Table 1. Key financial data

in PLN million	2020	2019	2018	2017	2016
<b>Statement of financial position</b>					
Total assets	119,577	109,954	109,023	72,655	72,305
Loans and advances to customers*	75,637	73,811	73,414	52,968	55,076
Total equity	12,031	11,159	10,560	6,559	6,147
Amounts due to customers	90,051	86,135	87,192	56,329	55,155
<b>Statement of profit or loss</b>					
Net profit	733	615	360	280	77
Normalized net profit**	721	950	576	309	224
Net interest income	3,060	3,169	2,107	1,927	1,826
Net fee and commission income	916	820	567	486	493
Net income on banking activity	4,705	4,550	3,289	2,696	2,640
Net result on impairment losses on financial assets and provisions for contingent liabilities	(601)	(442)	(558)	(355)	(399)
General administrative expenses, depreciation and amortization	(2,506)	(2,922)	(2,049)	(1,681)	(1,881)
<b>Financial ratios (%)</b>					
Net ROE	6.34%	5.65%	4.84%	4.40%	1.22%
Net ROA	0.63%	0.57%	0.45%	0.39%	0.11%
Cost / Income	53.26%	64.67%	62.31%	62.35%	71.24%
Normalized net ROE**	6.23%	8.74%	6.51%	4.85%	3.56%
Normalized net ROA**	0.62%	0.88%	0.61%	0.43%	0.33%
Normalized Cost / Income**	53.53%	55.35%	59.90%	61.02%	64.63%
Net interest margin	2.63%	2.92%	2.65%	2.67%	2.66%
Share of impaired receivables (NPL ratio)***	5.37%	5.70%	5.61%	7.40%	7.72%
Cost of risk	(0.78%)	(0.59%)	(0.96%)	(0.61%)	(0.71%)
Total capital ratio	18.65%	15.05%	14.63%	13.75%	14.40%
Tier 1 capital ratio	13.55%	12.80%	12.38%	10.81%	11.06%
<b>Information on shares</b>					
Stock market capitalization (PLN mln)	9,376	10,024	7,150	5,719	4,861
Number of shares (mln)	147	147	147	84	84
Year-end share price (PLN)	64	68	49	68	58
<b>Business information</b>					
Number of Bank Clients (ths), including:	3,938	3,887	3,783	2,743	2,586
Individual Customers	3,639	3,601	3,493	2,546	2,394
Corporate Customers	299	286	290	197	192

\* Net values, including loans measured at amortized cost and at fair value.

\*\* Normalized values calculated excluding integration costs incurred in connection with the implementation of the merger processes in 2016-2020. In 2018 the impact of non-recurring events resulting from the adopted method of accounting for the acquisition of RBPL's Core Business, i.e.: the cost of the allowance for expected credit losses in connection with the acquisition of RBPL's Core Business (ECL) and the gain on the bargain purchase of RBPL's Core Business was additionally excluded.

\*\*\* For a portfolio measured at amortized cost.



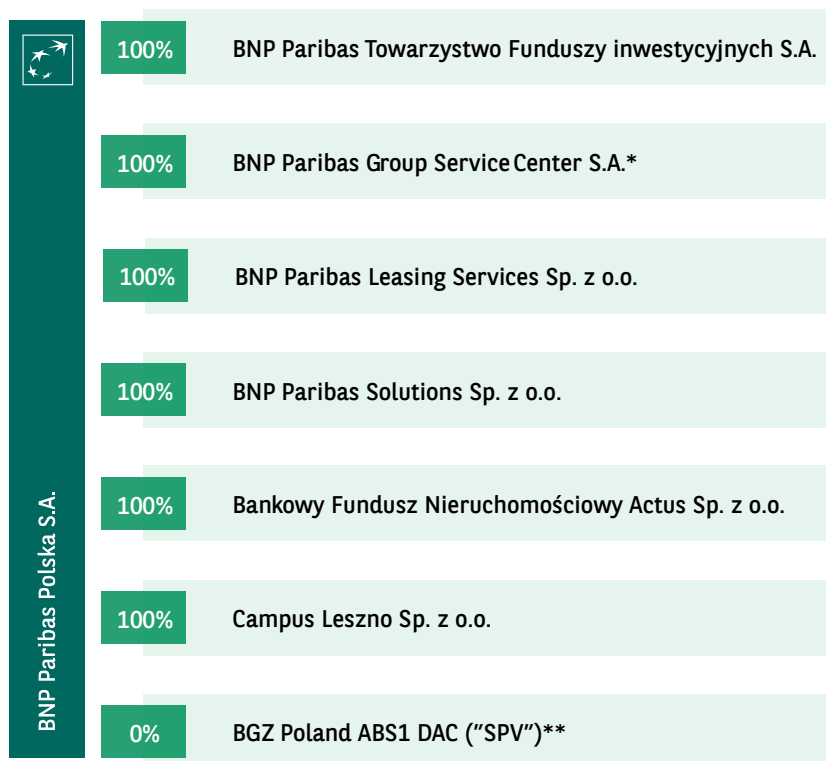


## 1.2. Structure of the Capital Group and consolidated entities

BNP Paribas Bank Polska S.A. – as the parent entity and the following fully consolidated subsidiaries:

### Capital Group

### Structure



*\* On 31.12.2019 BNP Paribas Group Service Center S.A. (Acquiring Company) was merged) with BNP Paribas Financial Services Sp. z o.o. (the acquired company).*

*\*\* BGZ Poland ABS1 DAC ("SPV") – an SPV company with which the Bank performed a securitization 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 under IFRS 10.*

In 2020 there were no changes in the structure of BNP Paribas Bank Polska S.A. Capital Group.

All transactions between the Bank and its related parties resulted from the current operating activity and included mainly loans, deposits, transactions in derivatives as well as income and expenses on advisory services and financial intermediation. Detailed information on transactions with affiliated entities can be found in Note 53 of the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Capital Group for 12 months ended 31 December 2020.

In addition to the companies listed above (which are part of the Group), at the end of 2020 the Bank held equity investments in the infrastructure companies (including among others: Biuro Informacji Kredytowej S.A., Krajowa Izba Rozliczeniowa S.A., VISA Inc., Mastercard Inc., SWIFT) and a portfolio of several companies in which it held minority, non-controlling interests. This portfolio included mainly interests, shares or convertible bonds issued by limited mid-sized companies operating Poland. The value of investments in minority interests and shares is not material from the Group's and Bank's business scale and financial results point of view. The investments are financed from the Group's own resources.

## 1.3. Business model

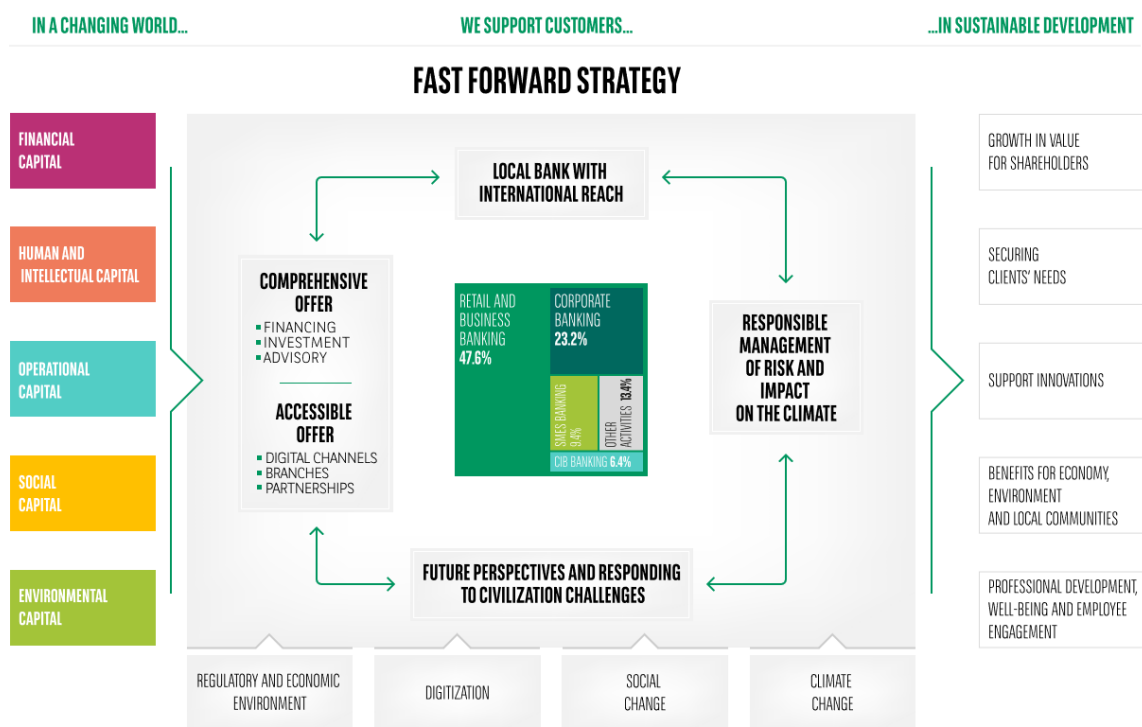
The BNP Paribas Bank Polska Group runs its business based on the following operating segments (the business line's contribution to the Group's banking result is given in %, NBI, for the 12 months of 2020):

- **The Retail and Business Banking** encompasses comprehensive services for individual clients, including private banking clients (Wealth Management) and business clients (microenterprises) – with the largest share in the Group's banking activity 47.6%;





- **Corporate Banking** offers a wide range of financial services provided to large and medium-sized enterprises, local government units and entities belonging to international capital groups (with its share in the Group's banking activity amounting to 23.2%);
- **The Small and Medium Enterprises Banking** includes services for agro and non-agro customers (with 9.4% share in the Group's banking activity)
- **Corporate and Institutional Banking (CIB)** supports the sale of the Group's products to the largest Polish enterprises and provides services to strategic customers (6.4% of the Group's banking activity);
- **Other activities** including the Asset and Liability Management Division and Corporate Centre (13.4% share in the Group's banking activity).



## The foundations of BNP Paribas Bank Polska Group activity are:

### A local bank with global reach

We are a bank with over 100 years of tradition/history on the Polish market. Being a member of the BNP Paribas global financial enables us to use the best international practices to meet the needs of the local market and expectations of the Bank's customers.

### Comprehensive and accessible offer

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

As the 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 people with disabilities.

Our credit products are also available through points in affiliated stores as well as through selected car dealer networks.

Considering technological challenges, we are constantly developing our products and digital service channels: mobile and online banking and new forms of communication using technology.



## Responding to civilisation challenges

We constantly analyse and take into account regulatory and economic aspects, as well as the dynamic development of digitalisation and social and climate changes, which affect the national and global economies. We respond to civilisation challenges by developing and adapting our offer to the changing environment and needs of our Clients.

We continue our organizational transformation efforts to strengthen the Bank's market position. We are strengthening the digital competences of our employees and accelerating the digitalization of internal processes to respond to the rapidly changing market environment

## Responsible risk management and impact on climate

Culture of compliance and careful risk management is the pillar of our business activity in order to provide top quality services to our customers. The Bank has a risk management system, has implemented and applies appropriate policies and procedures to manage and monitor risks. One of the key elements of this system is the ESG risk management, including climate risk. The Group undertakes strategic activities to combat climate change. To reach this target, climate risks have been defined and opportunities identified in the short, medium and long term.

In a changing world - by securing financial needs, providing professional services and innovative solutions, we support Clients in sustainable development, build professional development and employee engagement, generate increased shareholder value and benefits for the economy and local communities.

## How do we create value?

**Financial capital** is the financial value of the Bank and the Capital Group. It comprises funds acquired from customers, shareholders, and profits generated by the Bank and companies belonging to BNP Paribas Bank Polska S.A. Capital Group. As a company listed on the Warsaw Stock Exchange, we aim at a steady growth of shareholder value while respecting the principles of sustainable development.

**Human and intellectual capital** of the Bank and BNP Paribas Bank Polska SA Capital Group are the employees. Thanks to their knowledge, competence and commitment we provide top quality financial services and ensure professional customer service based on stable relations. We create innovative products and services to respond to customers' current and future needs that affect our market position.

**Operating capital** creates value for stakeholders thanks to the activity of BNP Paribas Bank Polska SA Group, which consists of BNP Paribas Bank Polska SA as the parent entity and seven subsidiaries. The operating capital is based on resources and developed infrastructure. We continuously work on development and improvement of the service quality through the branch network, Contact Centre and digital channels. We pay particular attention to increasing the availability of products and services for customers representing groups at risk of social exclusion. At the same time we care for our employees and stakeholders, and minimise the negative impact of our operations on the natural environment.

**Social capital** means relations with stakeholders in our environment: customers, employees, business and institutional partners, local communities and community organizations. As a public trust institution, being part of the socio-economic ecosystem, we are aware of the impact we have on society and our environment. We initiate actions aimed at positive changes in local communities - we support equal opportunities and counteract social exclusion. We develop our offer of responsible products and services with a positive impact, following the principle of sustainable development.

**Environmental capital** is our contribution to combating climate change and supporting energy transition. As a responsible financial institution we offer our clients environmentally friendly products and services to support the transition to a low-carbon economy that respects the environment. In our day-to-day operations, we make every effort to limit the environmental impact of our activities by implementing eco-efficiency measures. We promote responsible and pro-environmental attitudes among our employees, customers and the environment, and work to raise awareness about climate change.



## 1.4. HR management

### Headcount

At the end of December 2020, the Capital Group of BNP Paribas Bank Polska S.A. had 9,019 FTEs (including employees on maternity leave, childcare leave and longer sick leave) as compared to 10,219 FTEs at the end of 2019 (decrease by 1,200 FTEs). The YoY decrease in employment 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 2. Headcount in the Capital Group of the Bank**

FTEs	31.12.2020	31.12.2019
<b>Capital Group of the Bank</b>	<b>9,019</b>	<b>10,219</b>
Total Bank, including:	8,845	9,899
Head Office	4,662	5,101
Branches	4,048	4,654
Mobile Relationship Managers	84	87
Brokerage Office	44	50
Trade Unions	7	7
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	38	29
BNP Paribas Group Service Center S.A.*	72	228
Campus Leszno Sp. z o.o.	10	8
BFN ACTUS Sp. z o.o.	-	-
BNP Paribas Leasing Services Sp. z o.o.	6	6
BNP Paribas Solutions Sp. z o.o.	48	49

\* 31.12.2019 – merger of the following subsidiaries of the Bank: BNP Paribas Group Service Center S.A. and BNP Paribas Financial Services Sp. z o.o

### Restructuring of employment

At the end of 2020 the process of collective redundancies, planned for 2019 – 2020 in relation to the employment optimization after the acquisition of Core RBPL, was finished. During the two years of the process 1,473 employees left the Bank (including 278 employees under the Voluntary Leave Program) and contracts with another 175 employees will be terminated in 2021.

In response to the change of market situation, dynamic technological growth in the banking sector and projects in the area of digitalization implemented by the Bank, a new program of collective redundancies was scheduled for the years 2021-2023, in agreement with Trade Unions. It was agreed that the dismissal process will cover no more than 800 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.

### 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 BNP Paribas Bank Polska 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 there was another policy update related to a change in the limit on the amount to which the deferral period does not apply and a distribution in the form of a financial instrument (shares) for the deferred portion of variable compensation.



The Bank has established a Remuneration Committee and Nominations Committee, which support 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 Committees prepare 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 programs

In 2020, training was carried out in close cooperation with the Bank's business lines. The total number of training participants was over 125.9 thousand, including 112.8 thousand participants of e-learning courses, 632 participants of external training, 9.4 thousand participants of internal online training (Skype, Webex), 3 thousand participants of internal training in training rooms.

Due to the coronavirus pandemic the majority of trainings carried out in 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 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
- courses developing key competences of the future
- 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 – e.g. related to the 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.
- *Well Leading* – a development program dedicated to managers and aimed at shaping consistent attitudes and behaviours of leaders. The program focuses on developing competences: strategic thinking, change management, motivating and inspiring.
- *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. Employees have access to job offers in the Bank and the Group's companies.
- *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.
- *Development Festival* - a local version of International Mobility Days, an annual program held simultaneously in several dozen countries of the BNP Paribas Group. Thanks to this initiative the employees have an opportunity to learn about the development training offer tailored to their needs in the on-line format. During the Development Festival there were organized, among others, inspirational lectures, workshops and webinars on personal and professional development, as well as meetings with Managers, HR Business Partners and recruiters;
- *About Me* - BNP Paribas Group's platform for performance, career and employee development management. It supports personal brand building and conscious employee development through the possibility of creating one's own profile available for the entire organization and the Group. The profile can include information about the employee's work experience, strengths and key skills, career development preferences, goal setting, recording regular feedback from the supervisor and planning personal development. From the beginning of 2020, the Bank promotes and encourages employees to actively complete profiles and supports employees in preparing individual development plans with this tool
- *Digital Academy* – open trainings for all Bank employees in the area of digital transformation (artificial intelligence, user experience, cyber security and big data). The objective of these trainings is to raise awareness of digitalization, counteract digital exclusion, promote and inspire innovation
- *Corporate wellness* – "Well" Program - BNP Paribas Bank Polska S.A. has implemented a new corporate wellness program called "Well", which is an element of the "Bank Close to the Close" program and a part of the "Friendly Work Environment" pillar of the BENEFIT strategy in the area of benefits and well-being. The programme is a response to the needs of the Bank's employees and their relatives... The objectives guiding BNP Paribas Bank Polska SA during the implementation of the "Well" corporate wellness program:
  - Implementing a long-term pro-health policy, especially in the era of COVID-19, which will translate into employee satisfaction and engagement, as well as maintaining a harmonious work-life-balance, especially during home office and epidemic restrictions, which will also translate into work efficiency;
  - strengthening and expanding the wellness activities that are already in place, i.e. flu vaccinations in the workplace, preventive screening tests (blood pressure, cholesterol, glucose, body



composition analysis), workplace trainings on healthy lifestyles (nutrition, weight loss, stress reduction), health promotion competitions with the Worksmile application;

- making changes to company culture, organization, and management style that will ensure high rates of health and capacity/efficiency;
- enabling contact - now online - with specialists such as a psychologist, nutritionist, coach, sports trainer, mental speaker
- *Total Reward Statement* – an annual report presenting total benefits from working at BNP Paribas Bank Polska to the employees, not only those resulting from the received remuneration, but also all additional benefits, such as medical care, insurance or a cafeteria system, non-wage benefits, training, development programs, as well as social benefits, additional financing and PPK (retirement plan).

## 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. In June 2020 the third edition of Ambassador Duo program was finished and in September another one started, additionally including CSR and ecology-related subjects. As part of the program, Days of Development with BNP Paribas program was held. It was a series of webinars organised together with the participants of the Ambassador Duo program and with the support of our employees. Thanks to their involvement, students could gain broad knowledge regarding, among others, recruitment, time management, CSR or data science. In the 2020 edition we cooperated with: University of Warsaw, Stanisław Staszic University of Science and Technology in Kraków, University of Economics in Kraków, University of Economics in Poznań, University of Economics in Wrocław, University of Economics in Katowice, University of Gdańsk.
- *BNP Paribas Green Zone on Library for Owls* - in January 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.
- *Days of Development with BNP Paribas* – between 2<sup>nd</sup> and 4<sup>th</sup> 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. Participants appreciated the interactive form of webinars – the possibility to communicate with the speakers, participate in surveys and short exercises.
- *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 2<sup>nd</sup> 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. During the internship, participants had an opportunity to gain knowledge about banking through active participation in tasks and projects of selected department, under the supervision of a dedicated tutor. Due to the epidemic, the internships took place, depending on the localisation, in a stationary, remote and hybrid form. The program included business webinars (led by Bank practitioners), as well as meetings and development workshops on topics such as how to build a personal brand or how to manage time. The summer internships were attended by 35 participants.
- *Internship programs #StażJużCzas* – 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. In 2020 we launched two projects in the IT area. 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 invited 6 trainees to cooperation. The products which will be developed after the completion of the program will be a real support for the business and clients in 2021.





## 2. Bank on the Warsaw Stock Exchange



### 2.1. Shareholders' structure and share price of BNP Paribas Bank Polska SA

#### Shareholder structure

As at 31 December 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.

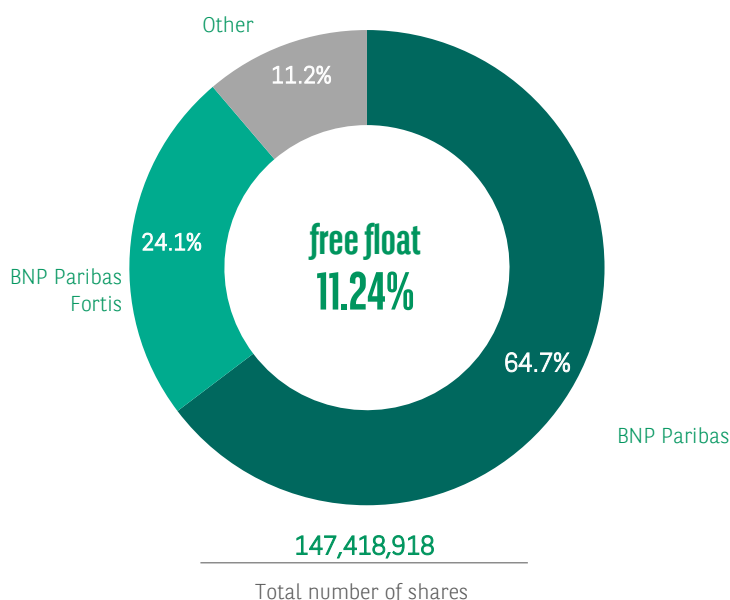
In 2020, there were no changes in the Bank's shareholder structure.

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 and since 21 September 2020 in WIG-ESG index.

Chart 1. Shareholder structure as at 31.12.2020 r.



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

As declared by BNP Paribas SA – the main Bank's shareholder - to the Polish Financial Supervision Authority 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 the following key areas:

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



The BNP Paribas Group supports its clients (retail customers, local authorities, entrepreneurs, SME, 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 regarding 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.

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

During the session on 30 December 2020, the share closing price amounted to PLN 63.60 and was 6.47% lower than on 30 December 2019. In the same period, the WIG Banks index fell by 29.59%. The main reason was the development of the coronavirus pandemic, freezing the economy and concerns about the necessity of making reserves and deterioration of banks' results 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). The second and third quarter did not bring any improvement and an annual minimum was observed on 30 October (PLN 33.10), following an increase in the number of coronavirus cases and the uncertainty regarding the scale and duration of introduced sanitary restrictions. A durable reverse of the trend came in November and lasted until the end of the year. It almost allowed the Bank to recover from the losses, unlike the industry index, which closed the year at nearly a third lower than at the end of last year.

A relatively better development of the Bank's share price was positively influenced by a consistent implementation of the strategy and visible in 2020 increase of financial results, made possible by a successful integration with Core Business of Raiffeisen Bank Polska S.A. and adjustment measures aimed at neutralizing the negative impact of the coronavirus pandemic on the Bank's results.

While in the first quarter of 2020 an average daily share price remained on a relatively high level (PLN 66.24), the second quarter brought a noticeable decrease of an average share price (to PLN 49.87) and in the third quarter that decrease deepened (PLN 46.13). October was the worst month with an average price of PLN 38.12. An increase of share price in November and October allowed a slight increase of quarterly average to PLN 46.49.

Average daily volumes of trading in the first, second and third quarter of 2020 remained at a relatively low level (2,258.25 shares, 2,079.48 shares and 2,473.15 shares respectively). Combined with a noticeable decrease of an average share price in the second quarter of 2020, it was also reflected in changes of an average daily value of trading, which in the first three quarters of 2020 amounted to, respectively: PLN 145.09 thousand, PLN 104.98 thousand and 109.46 thousand. During the session on 18 September 2020 an annual maximum of trading volume (84,909 shares) and value of trading (PLN 3,582.45 thousand) were observed. A reverse of the negative trend recorded in the fourth quarter of 2020 brought a rebound of an average daily volume of trading to 5,784.13 shares and an average daily value of trading to PLN 261.45 thousand.

Despite share prices' slump, reflected in the decrease of the Bank's average daily share price from PLN 58.90 in 2019 to PLN 52.23 in 2020; there was a noticeable growth of investors' interest, which translated into the growth of an average daily volume of trading by 70.07% and an average daily value of trading of the Bank's shares by 31.86% (from 1,860.55 shares and PLN 118.26 thousand in 2019 to 3,164.17 shares and PLN 155.94 thousand in 2020 respectively).

Chart 2. The Bank's share price and turnover from 30.12.2019 to 30.12.2020

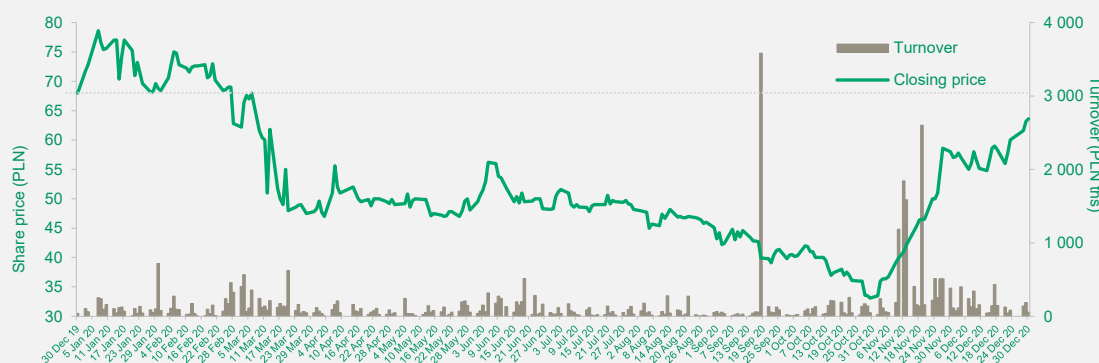
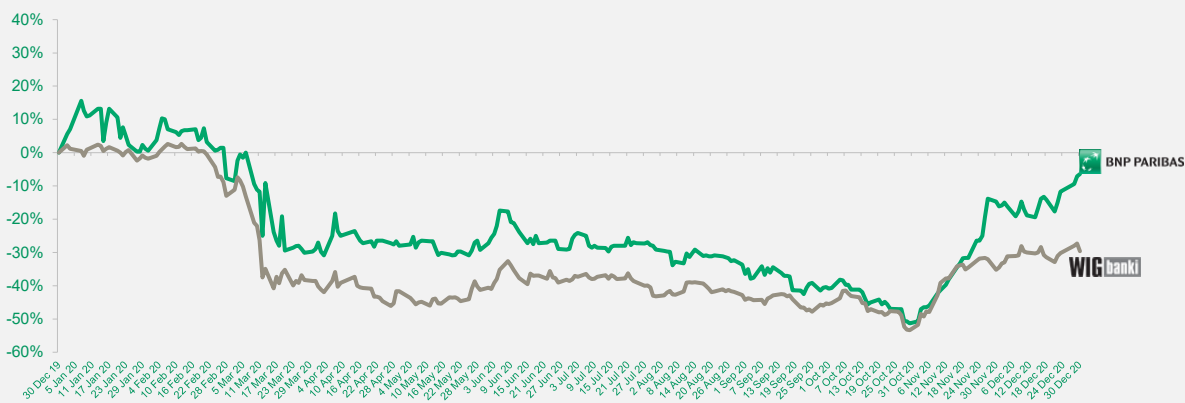




Chart 3. Change in Bank's share price vs. WIG-Banks from 30.12.2019 to 30.12.2020 (30.12.2019 = 100%)



## 2.2. Ratings

### The Bank's ratings have been assigned by Moody's Investors Service Ltd.

On 5 May 2020 Moody's Investors Service Ltd. ("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. This change is due to the appearance of the COVID-19 epidemic risks. 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 positive 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.

The Bank's rating was maintained following the Agency's analysis in the fourth quarter of 2020. The credit opinion report and rating was published by the Agency on 15 December 2020.

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

Moody's Investors Service	Rating
Long-term deposit ratings ( <i>LT Bank Deposits</i> )	Baa1
Short-term deposit ratings ( <i>ST Bank Deposits</i> )	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



## 2.3. 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/investor-relations>.

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 8 domestic financial institutions. At the end of 2020, the Bank had 8 recommendations, of which 4 "Buy", 1 "Accumulate" and 3 "Hold". The median of target prices from the recommendations amounted to PLN 63.2, i.e. it was lower than the share price as at 30 December 2020 (PLN 63.6) by 0.6%.



## 3. Major events in BNP Paribas Bank Polska S.A. Group



### 3.1. Key corporate events

#### 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, conditional increase of 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 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 of the net profit for the third quarter of 2019** – standalone (PLN 114.1 million) and prudentially consolidated (PLN 110.9 million)



## June 2020

**Ordinary General Meeting of Shareholders**

## December 2020

### **Conclusion of a non-revolving subordinated loan agreement in the amount of PLN 2.3 billion**

by the Bank with BNP Paribas S.A., a French joint-stock company (société anonyme) based in Paris.

The loan was granted for the period of 10 years from the date of its disbursement, and its interest rate was determined based on WIBOR 3M plus a margin. The financial terms of the Agreement do not deviate from market conditions.

### **An agreement with trade unions on the principles of group redundancies**

On 18 December 2020 the negotiations with the trade unions operating at the Bank were finalized and the Agreement on the principles of group redundancies was concluded ("Agreement"). The parties to the Agreement agreed that the group redundancies will be carried out in the period from 1 January 2021 to 31 December 2023 and will comprise no more than 800 Bank employees, and also, among others, the criteria for selecting employees whose employment contracts will be terminated as part of group redundancies, the conditions of employees' participation in the voluntary departure program and the benefits to which employees covered by the group lay-offs will be entitled, including: severance pay, additional compensation, medical care and outplacement program.

The Bank estimates the amount of the restructuring provision for costs related to group redundancies at approximately PLN 41.4 million. This provision was charged to the Bank's results in the fourth quarter of 2020.

### **PFSA's decisions related to consent to include PLN 2.3 billion of funds under the subordinated loan as an instrument in the Bank's Tier II capital.**

## 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

## November 2020

### **Intention to make collective redundancies at BNP Paribas Bank Polska**

The resolution adopted by the Bank's Board of Executives on 25 November 2020 scheduled a process of collective redundancies in 2021-2023 which will cover no more than 800 Bank employees working in the Head Office and the Sales Network.

Any changes in the composition of the Bank's Management Board and the Supervisory Board that took place in 2020 are described in Chapter 10.3. of the herein Report – Statutory bodies of the Bank.





## 3.2. Awards and distinctions

### 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**

### September 2020

**Winner** of the competition **e-Commerce Poland Awards 2020** in the category **Best e-Banking Implementation** for enabling, **as the first bank in the world**, to make appointments in branches using the application Booksy





## October 2020

**Second place** in the main competition of **The Best Annual Report 2019** of the Institute of Accounting and Taxation in the category of banks and financial institutions

**special award of the Warsaw Stock Exchange**, award for **the best debut in the integrated report for 2019** category in the Social Reports Competition of the Responsible Business Forum and Deloitte

**1st place in the Purchasing Leader competition** in the **Technological Innovation category for the chatbot Eva** - a self-learning program streamlining purchasing processes in the bank

two awards in the ranking "Newsweek's Friendly Bank":

- **3rd place in the Traditional Banking** category
- **2nd place in the Remote Banking** category

**3rd place in Forbes' "Company-Friendly Bank" ranking and recognition of the bank by the magazine for the "Most Innovative Private Banking"**

## November 2020

**Best Private Bank in Poland** in the international competition Global Private Banking Award 2020 organized by PWM and The Banker magazines

**Two** BNP Paribas Bank Polska **campaigns** with statuettes in **Kreatura Independent Creation Competition 2020** organized by "Media & Marketing Polska":

- The "**Climate changes Cost**" project aimed at raising environmental awareness was awarded;
- **in the Open category**, the "**We will win**" campaign, in which the Bank communicated safety procedures for its employees, was appreciated



### 3.3. Impact of the COVID-19 pandemic on the activity and results of the Bank and the Group in 2020

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; Over the course of 2020, since mid-March, a basic and recommended form of work organisation in the Bank was remote working; in organisational units, in which such form of work was not possible for whole teams, work organisation was based on an interchangeable system (split-team), where teams were divided to separate people executing the same duties; at the end of 2020 about 90% of the headquarters' employees worked remotely. On average 85% of the headquarters' employees worked remotely since the beginning of the pandemic.
- providing tools for remote work, among others replacement of desktops and terminals in branches with laptops, increase of the Internet limit in company mobile phones
- 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. As of 11th May this year, standard customer service hours were restored in the branches. At the end of 2020, 7 branches were excluded from service. Since the outbreak of the pandemic, an average of 99% of the branches were accessible to customers with appropriate safety rules;
- enabling employees to carry out PCR test in ALAB diagnostic laboratories, at the Bank's expense 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", "non-statutory/private moratoria") in a convenient remote process. Since 1 October 2020 only statutory moratoria have been available. As at the end of 2020, the number of loans and advances subject to moratoria was 43.3 thousand with the Group's total gross balance sheet exposure value of PLN 7,251,102 thousand, of which PLN 3,374,952 thousand related to individual customers, PLN 3,095,593 thousand to business entities and PLN 780,557 thousand to leasing and other receivables. Total gross value of loans and advances subject to statutory moratoria was PLN 135,935 thousand. The balance of expired moratoria at the end of 2020 amounted to PLN 6,949,777 thousand, and the balance of active moratoria - PLN 301,325 thousand.



Detailed information on moratoria provided by the Bank and the Group in 2020 were presented in Credit Risk Note in the Stand-alone and Consolidated Financial Statements for the year ended 31 December 2020.

In the middle of January 2021 non-statutory moratoria were reintroduced. Moratorium assistance facilities will be provided to customers until March 31, 2021.

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 6.38 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). The Bank's clients, who benefitted from the PFR Financial Shield 1.0 for micro, small and medium-sized enterprises received support in the form of financial subsidies for the total amount of PLN 5.05 billion. The total amount paid out by the PFR to enterprises under Shield 1.0 was PLN 60.5 billion.

In the middle of January, the Bank's clients were provided with the possibility of benefit from Financial Shield 2.0 through the Bank.

## 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 all branches of the Bank via the Booksy booking application, and from November 2020 the possibility of making appointments also through the Bank's website. The new possibility can be used by both individual customers and micro companies, as well as people who are not yet customers of the bank but would like to take advantage of its offer,
- 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).
- possibility to deposit cash outside the bank branches in Planet Cash and Euronet cash machines all over the country,
- under the Bank's Misja Edukacja (Mission: Education) program, the Bank prepared a series of educational webinars, offering tips on how to easily and safely manage your finances without leaving home. The first workshop was held in October 2020.



## Corporate Banking

- Total limit of loan repayment guarantees under the BGK: PLN 12 billion, including: de minimis guarantee scheme (since the beginning of April): PLN 4 billion (of which PLN 2.1 billion available), liquidity guarantees (since the beginning of May): PLN 8 billion (of which PLN 6.8 billion available) and the Agricultural Guarantee Fund guarantees (since the end of July): PLN 0.12 billion (of which PLN 0.06 billion available),
- 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.
- declaration of participation in the PFR 2.0 Financial Shield. By providing access to electronic banking systems, the Bank helps clients quickly and securely access financial subsidies offered to companies in nearly 40 industries that have had to curtail or suspend operations in response to the COVID-19 outbreak. Applications for subsidies under the Shield 2.0 will be accepted by the Bank starting January 15, 2021, and from January 18, 2021 the Bank will be accepting applications for the possibility of deferring loan repayments for up to 3 or 6 months.

## 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 – over PLN 1 million for a purchase of over 500 laptops with routers and Internet access and donating 250 refurbished and prepare for usage bank laptops to students 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](http://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 (PLN 15 thousand 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. The BNP Paribas Foundation supported the organisation with a sum of PLN 20 thousand,
- 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. Thanks to our initiative, the Foundation was able to offer 750 additional duty hours of specialists working at Itaka Foundation Anti-Depression Trust Line,

- delivering meals for the medical personnel of Wolski Hospital from the Paribar bank canteen and for the medical personnel of Sochaczew Hospital from the Leszno palace's restaurant, which belongs to the Bank's subsidiary - Campus Leszno Sp z o. o. Total value of the meals donated by BNP Paribas Bank Polska S.A. to the medics from Wolski Hospital in Warsaw and Sochaczew Hospital amounted to PLN 155 thousand,
- 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 results

- net interest income: in 2020 the Monetary Policy Council cut interest rates three times (decisions 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). 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) – a total negative impact of interest rates cuts on the Bank's and the Group's net interest income for 2020 was estimated in the range from PLN 195 to 230 million with the caveat that the actual impact will depend on the profitability curve and the implementation of business assumptions. As a result of price revision of the products offered by the Bank and significant reduction in the cost of funding as well as changes in the structure and value of the balance sheet, the negative impact of the rate cuts was partially neutralized and net interest income in 2020 recorded a decrease by PLN 108.7 million or 3.4% y/y.
- financial assets net impairment losses and provisions for contingent liabilities: in 2020, the Group created PLN 236 million provisions for unrealized losses related to the general economic situation and the consequences of COVID-19. Significantly worsened macroeconomic forecasts caused a deterioration of the parameters for creating provisions (PD/LGD), which reflect unrealized losses. Additionally, PLN 62 million provisions was created against exposures with a moratorium, which secures the Bank against problems with servicing loans after the moratorium expires. Consequently, the total cost of risk in 2020 was significantly higher than in the comparable period of the previous year, i.e. by 36.1% y/y. On the other hand, the generally good behavior of the loan portfolio, particularly in terms of timeliness of repayments, has partially neutralized the negative impact of additional provisions related to COVID-19.

## Impact on liquidity, capital situation and business volumes

- 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 31 December 2020, the consolidated TCR was equal to: 18.65% and Tier 1: 13.55%,

- Since the announcement of an epidemic threat and the so-called "lockdown" in Poland (March-May), the Bank has recorded much lower customer activity despite the ensured availability of the branch network and other channels of contact with the Bank. In the third quarter of 2020 the Bank recorded a rebuilding customer activity, which did not fall so drastically during another partial lockdown in the fourth quarter of 2020. Thanks to the adaptation of channels and forms of service delivery to customer needs and the new environment, in the retail segment the Bank did not see any clear declines in sales volumes. Key products such as personal accounts, mortgage loans and investment products recorded higher sales volumes than in 2019. On the other hand, lower demand for cash loans and corporate loans was noticeable. This translated into the maintenance of lending volumes over the year, but thanks to the significant increase in lending volumes in early 2020, the annual growth rate of net lending was positive (+3.1%). At the same time, as a result of anti-crisis measures, a significant growth of non-financial customer deposits was observed, whose partial outflow occurred towards the end of the year. 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 150-160% to over 180%, and the loan-to-deposit ratio decreased to 84%.
- 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 liabilities and own funds ("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 year-end 2020 and 18.494% at year-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 met 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 vaccination pace, 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.





# 4. External environment affecting the Group's operations

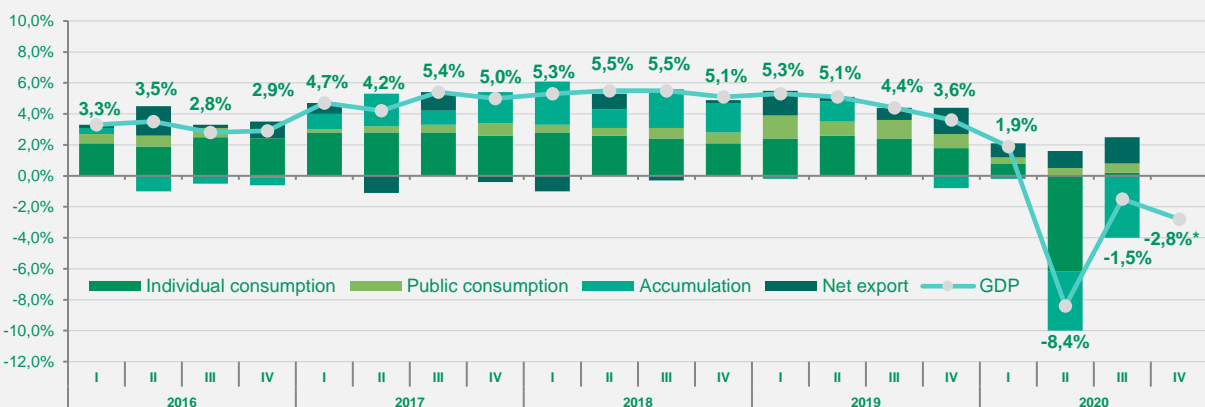


## 4.1. Macroeconomic conditions

### GDP

The year 2020 was a great challenge for many economies around the world due to the emergence of the coronavirus pandemic. Governments in many countries made decisions to shut down almost all economic industries, resulting in a deep rate of decline in global GDP, which fell to its lowest point in the second quarter of 2020. Since then, the global economy has gradually recovered. Poland's quarterly declines in GDP were among the lowest in the European Union. Poland's GDP grew by 7.9% q/q in the third quarter. Compared to last year, the economy shrank by only 1.5%. Household consumption and net exports were the main drivers of the economic recovery in July-September, while the public consumption increased by 3.4% y/y. Investment, on the other hand, recorded another decline, this time by 9.0% y/y. Available activity data for the last two months of 2020 indicate that the restrictions that entered into force in November had a limited impact on the Polish economy. The forecast based on economic activity and service sector surveys indicates that GDP growth in December was around 0% y/y. The positive data in December significantly improved the outlook for full-year GDP decline in 2020. Estimated GDP change in 2020 amounted to -2.8%. Moreover, the progressive popularization of coronavirus vaccination brings optimism about the growth prospects of the global economy in the medium term. It may also help to limit the rate of decline in Polish GDP in early 2021.

Chart 4. GDP growth (y/y)



\* flash estimate  
Source: CSO

### Business activity

Industrial production, after a slump in economic activity in the second quarter of 2020, has recorded monthly increases since June. Data for December indicated a sound 11.2% y/y increase in industrial production. To some extent, the positive data was due to the favorable effect of working days, however, eliminating the impact of seasonal factors, the data also turned out to be very strong. In the fourth quarter, industrial production increased by almost 6.0% y/y while in 2020 it was 0.9% lower than in 2019. Construction and assembly production in 2020 gradually



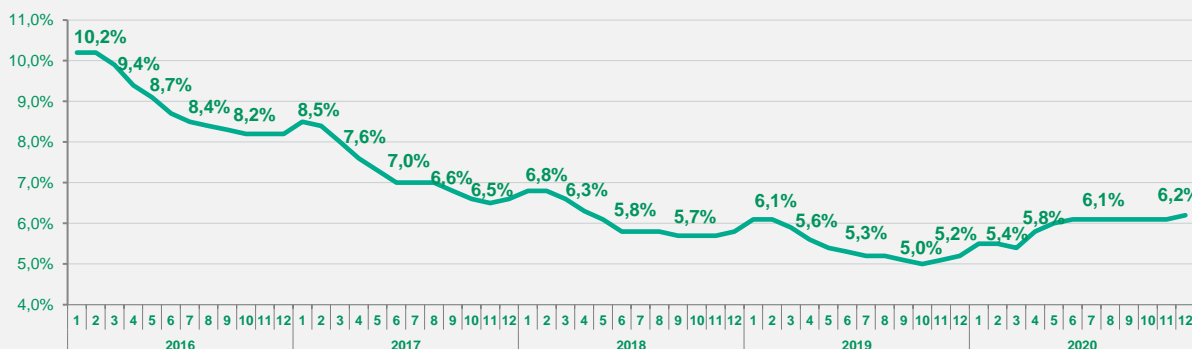


declined mainly following decelerating capital inflows from EU structural funds and investment in the economy. Nevertheless, in December, construction and assembly production recorded positive annual growth for the first time in nine months, rising by 3.4% y/y. This slowed the decline in construction production dynamics in the fourth quarter to -2.4% y/y compared to almost -11.0% y/y in Q3. For 2020 as a whole, construction production declined by 2.7% y/y. Reflecting the fall in consumer demand in mid-2020, real retail sales fell by an average about 10.6% y/y in the second quarter of 2020. In the third quarter, retail sales growth was positive at around 2.0% y/y. However, at the end of the year, due to the outbreak of the second wave of coronavirus, the sales dynamics was again negative (-2.8% y/y). The decline in activity was significantly weaker than it was during the first wave. As a result, 2020 retail sales were 2.7% lower y/y.

### Inflation

CPI inflation in 2020 amounted to 3.4%. The higher average annual inflation was driven by a dynamic increase in the price level in the first half of the year, significantly above the upper limit of the NBP inflation target (i.e. 1.5-3.5% y/y). A gradual slowdown in the growth of the overall price level occurred at the end of Q2 due to the economic slowdown resulting from the pandemic. CPI inflation remained then at ca. 3.0% y/y. The downward trend was sustained in the second half of the year and eventually CPI inflation returned to the NBP inflation target range. The main factor behind the increase in the price level last year was core inflation, which amounted to 3.9% on average. Core inflation grew most rapidly in periods of June-July and September-November. This was a result of entrepreneurs passing on to consumers higher costs associated with maintaining a sanitary regime. We expect inflation to fall moderately in early 2021, mainly due to lower demand associated with restrictions. However, the introduction of a new "sugar tax" in January and an increase in household electricity prices suggest that despite the opening of a negative demand gap, core inflation is likely to remain close to the NBP's inflation target of 2.5% in 2021.

Chart 5. Registered unemployment rate



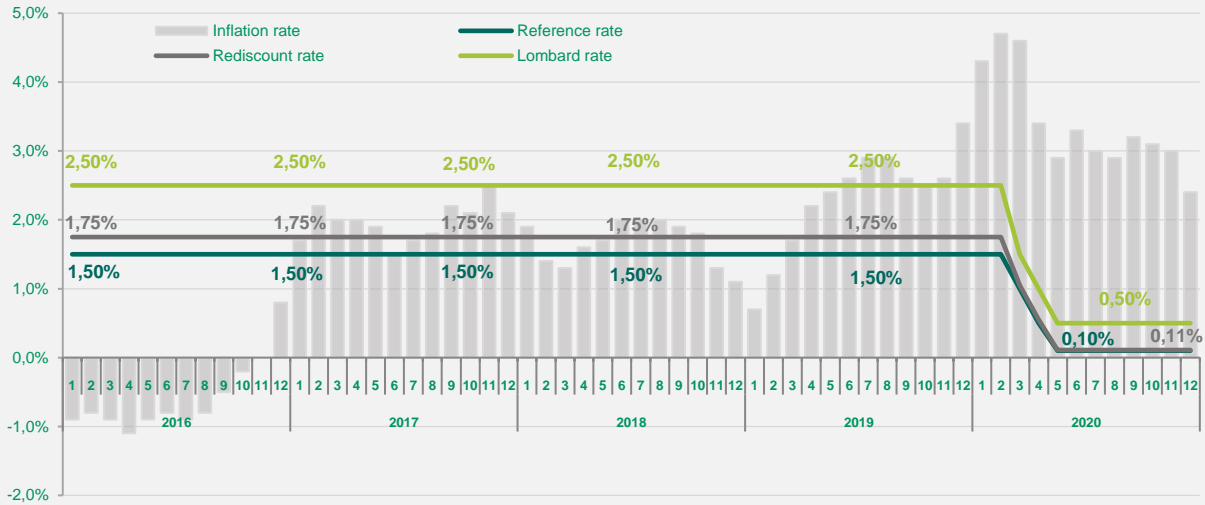
Source:CSO

### Monetary policy

The coronavirus epidemic has significantly affected the monetary policy implemented by the National Bank of Poland (NBP). Starting from March 2020 the Monetary Policy Council (MPC) decided on three interest rate cuts, by 140 bps in total. Currently the reference interest rate amounts to 0.1%. In addition, the NBP continues its first-ever quantitative easing (QE) programs, which involves the purchase of securities (Treasury bonds and bonds with a Treasury guarantee issued by Bank Gospodarstwa Krajowego and the Polish Development Fund). The aim of these actions was to stabilize the secondary market for treasury bonds and also to strengthen the monetary policy transmission mechanism. According to the MPC members, further interest rate cuts cannot be completely excluded, however it appears that unless there is a clear deterioration of the economic outlook, the monetary easing cycle has ended.



Chart 6. Inflation and interest rates



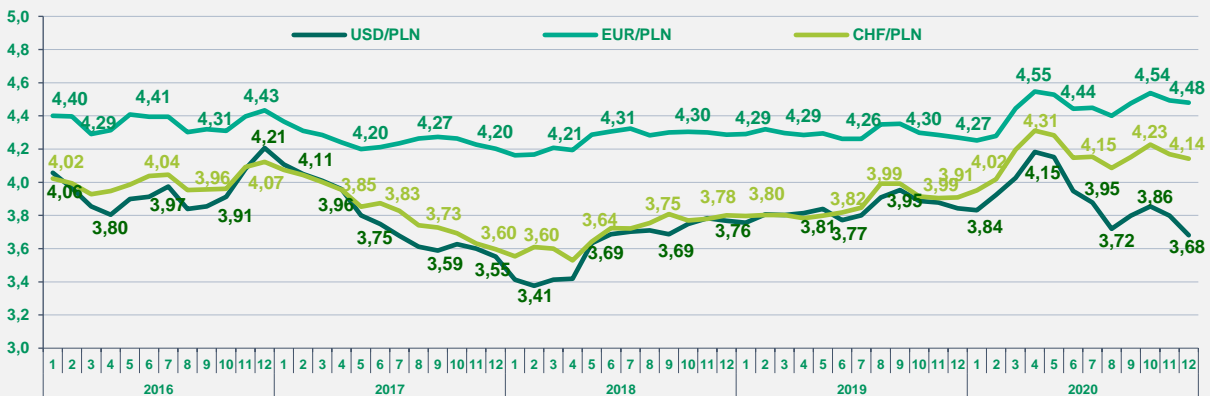
Source: CSO, NBP

### Bond market

In 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 at the beginning of 2020 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) at the end of 2020 remained in the range of 175-200 bp, as compared to around 220-285 bps at the beginning of the 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 following months, the narrowing of the spread was affected by the NBP's actions, among others, the quantitative easing programme.

### Foreign exchange market

Chart 7. PLN exchange rate (monthly average)



Source: Macrobond



By the end of 2020, the USD/PLN exchange rate was already fluctuating in the range of 3.60-3.70, compared to nearly 4.30 in March. In the course of the year, the USD/PLN exchange rate recorded two more significant rises to the level of ca. 4.00 in June and in November, which was partly related to the increase in risk aversion on the markets. The CHF/PLN exchange rate followed a similar pattern, falling to 4.10-4.30 in the fourth quarter from nearly 4.40 at the beginning of the pandemic. At the end of 2020, despite the favourable environment for the appreciation of the zloty, the EUR/PLN exchange rate rose strongly above 4.50 in mid-December and remained above this level also at the beginning of 2021. The sudden weakening of the zloty was caused by the intervention of the central bank. NBP President Adam Glapinski indicated that strengthening of the zloty could be detrimental to Poland's economic recovery, which could be the reason for the NBP's activity in the foreign exchange market. There were also other reasons for the central bank's actions. The most frequently mentioned explanation was the central bank's desire to increase the value of its foreign exchange reserves (expressed in PLN). Higher value of foreign exchange reserves at the end of the year means higher profit of the central bank, which is then transferred in large part to the state budget, reducing borrowing needs. Further interventions of the NBP cannot be excluded, however the improving prospects of both the global and Polish economies will be supporting the appreciation of the zloty, especially in the second half of 2021, when the economic situation should be visibly better.

## 4.2. Performance of the banking sector

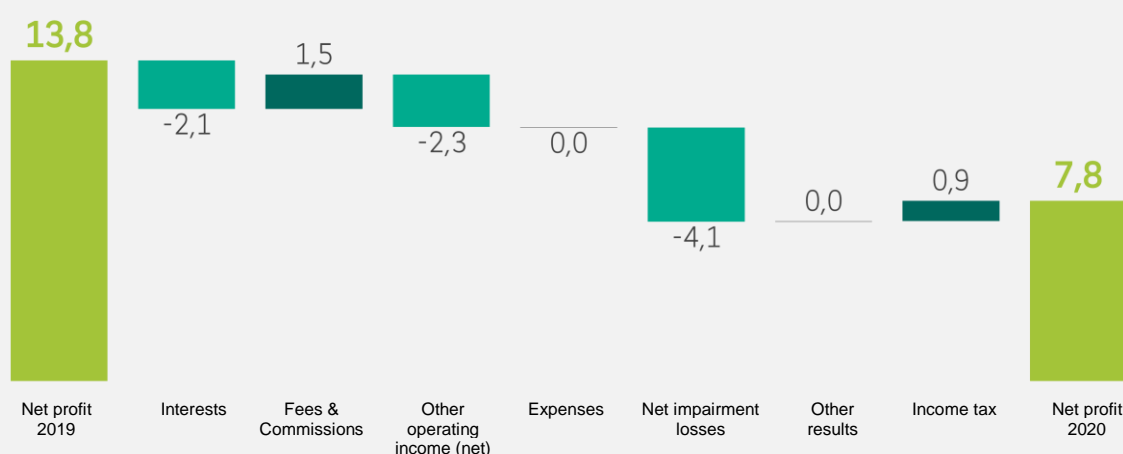
### Key categories of the banking sector profit and loss

The net financial result of the banking sector in Poland in 2020, according to preliminary data from the Polish Financial Supervision Authority (KNF), amounted to PLN 7.8 billion and was lower by PLN 6.0 billion, or 43.8%, than the profit achieved in 2019.

The decrease in the banking sector's net profit resulted from a decrease in net income and an increase in net impairment losses on financial assets and other provisions.

In 2020 the negative dynamics of the sector's result was influenced by the increase of impairment losses on financial assets and other provisions by PLN 4.1 billion or 33.9% y/y. This change was a consequence of the deteriorating quality of consumer and SME receivables and the incorporation of changes in macroeconomic forecasts related to the COVID-19 pandemic in the risk models. The increase in the balance of impairment provisions was accompanied by a growth in provisions for legal risk related to the portfolio of FX housing loans. This was mainly a result of a growing number of lawsuits and a change in the line of jurisprudence in favour of borrowers.

Chart 8. Selected items of the profit and loss account of the banking sector (PLN billion)



Source: PFSA

The sector's net income in 2020 was 2.9 billion or 4.1% lower than in 2019. The sector's net interest income decreased by 2.1 billion, or 4.3%. The decrease was caused primarily by the Monetary Policy Council's triple reduction in NBP interest rates, the sector's over-liquidity resulting from the launch of government support programs related to the COVID-19 pandemic, which contributed to reduced lending in the corporate segment, and the implementation of the provisions of the September 2019 CJEU judgment regarding proportional refunds of early loan repayment fees accounted under net interest income. Other income decreased y/y by PLN 2.3 billion or 27.7%



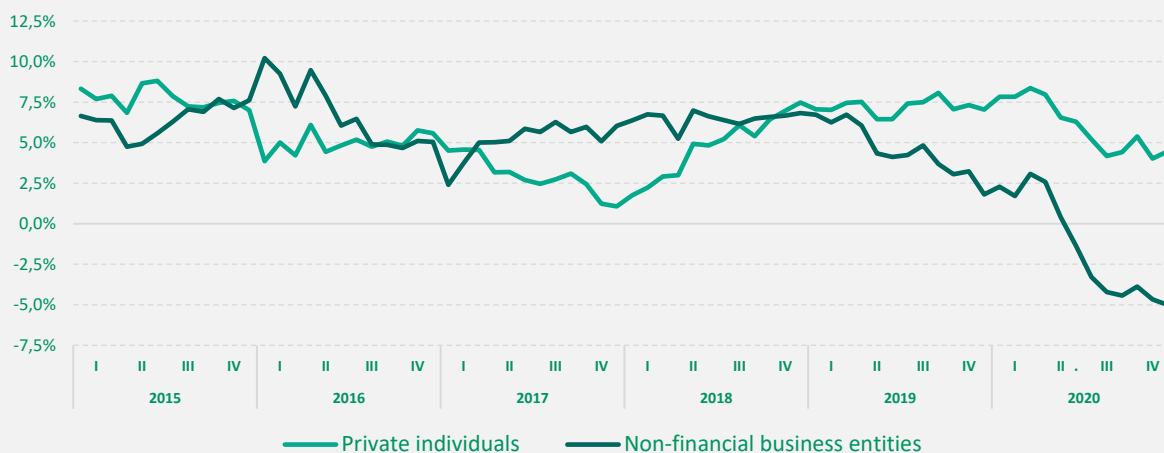
due to, among others, a significant decrease in the sector's income from dividends and revaluation of financial instruments at fair value. The negative impact of the above factors was partially neutralized by an increase in net fee and commission income by PLN 1.5 billion or 11.1%.

Operating expenses (including bank tax and amortization) remained at levels similar to those recorded in 2019. A moderate increase in depreciation and amortization and a slight increase in general and administrative expenses were neutralized to a significant extent by a decrease in employee costs.

### The main positions of the balance sheet of the banking sector

The level of loans to non-bank customers at the end of December 2020 amounted to PLN 1,312.4 billion, with a growth rate of 0.7% y/y - despite the significant weakening of the zloty against the currencies of the core markets. This growth was significantly lower than that recorded at the end of 2019. (5.0%), which was mainly due to negative dynamics of loans to non-financial businesses, other financial institutions and consumer loans to individuals.

Chart 9. Loans for clients from non-financial sector (y/y dynamics)

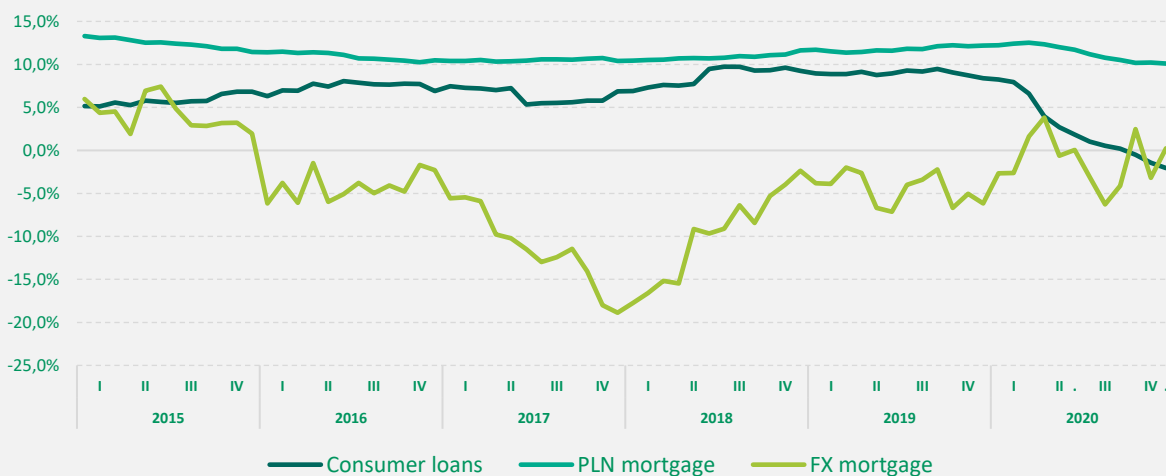


Source: NBP

The volume of loans to non-financial business entities fell on an annual basis (by 5.0%), and such a deep decline in this category occurred for the first time since March 2010. The determining factor for the negative dynamics was the COVID-19 pandemic. The introduced sanitary regime contributed to the crisis of some industries, and uncertainty about the development of the pandemic stopped investment plans of many entities. Demand for corporate credit was negatively affected by the implementation of the government's financial support program for business entities, the so-called Anti-crisis Shield, which satisfied a large portion of corporate liquidity needs. As a result of the above-mentioned factors, at the end of December 2020, the volume of corporate loans decreased by 15.0% y/y. This reflected, on the one hand, a change in the liquidity situation of business entities (receiving institutional support) and, on the other hand, a reduction in their economic activity. The volume of investment loans increased by 3% y/y, but this resulted only from zloty depreciation. PLN-denominated investment loans decreased by 1.5% y/y.



Chart 10. Loans for individuals (y/y dynamics)



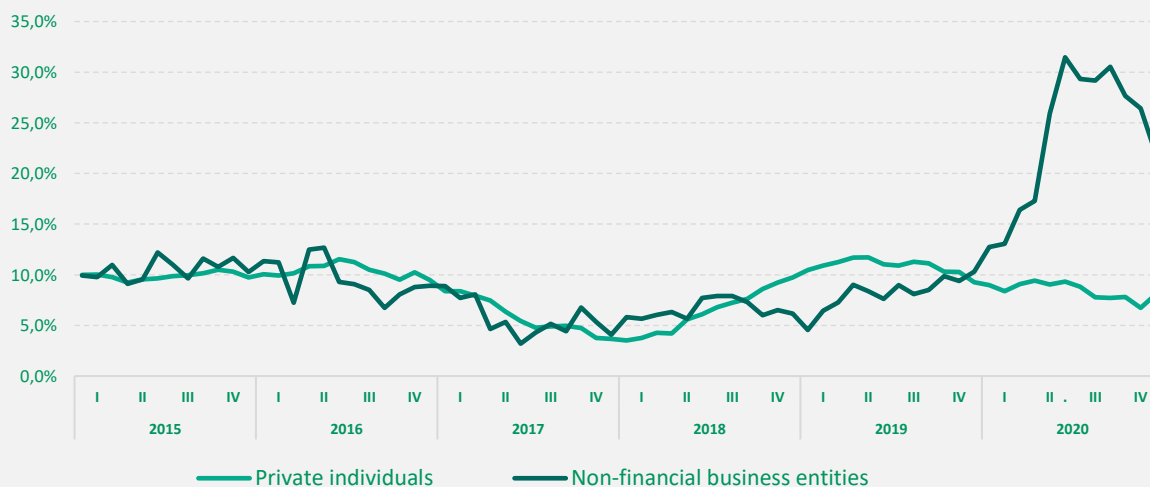
Source: NBP

The volume of loans to individual customers increased by 4.5% on an annual basis. The achieved growth rate was lower than in 2019, when it amounted to 7.0%. A factor that contributed to the weaker growth rate was a 2.1% y/y decline in consumer loan volumes. It was associated with both the decline in effective demand as well as the tightening of credit policy by banks in the face of the outbreak of the pandemic and the sanitary regime introduced, temporarily significantly reducing sales opportunities. In consequence of the above-mentioned factors, the value of sales of cash loans, according to the Credit Information Bureau (BIK), decreased by 30% y/y.

The decrease in the volume of consumer loans was offset by an increase in PLN-denominated housing loans. The growth rate amounted to 10.1% y/y, which was slightly lower than last year's 12.2%. The value of granted housing loans according to BIK data decreased by 2.9% compared to 2019, which was caused by a strong decline in the number of loans granted for lower amounts, partially offset by an increase in the number of higher-value loans.

The factor that positively affected the annual change in loans to individuals was the sustained balance of foreign-currency housing loans. Their dynamics at the end of 2020 amounted to 0.4% y/y vs. -6.3% y/y at the end of 2019, which resulted from the depreciation of the PLN against CHF and EUR.

Chart 11. Deposits of clients from non-financial sector (y/y dynamics)



Source: NBP



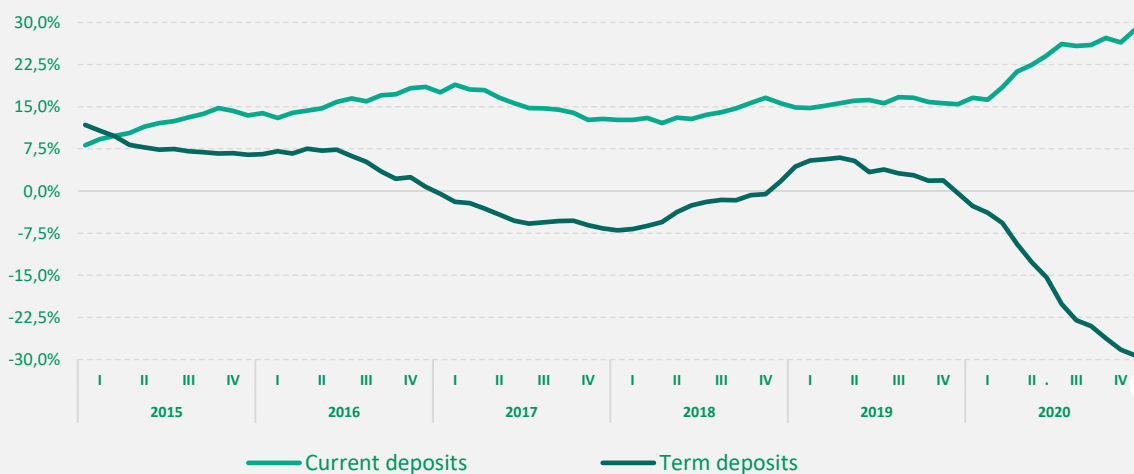
2020 was a year of significant growth in non-bank customer deposits, which amounted to 13.8% y/y compared to 8.2% y/y at the end of 2019. The rate of deposit growth increased compared to last year due to a rapid growth in deposits of non-financial businesses, which was 22.0%, i.e. more than double than in 2019 (10.3%). The increase in deposits of non-financial business entities was characterized by a significant growth in the second quarter of 2020, which was related to the implementation of the government support program, i.e., the aforementioned Anti-crisis Shield. The continuing uncertainty about the development of the COVID-19 pandemic and the related postponement of investment plans was also a factor that may have contributed to the accumulation of funds by business entities.

Deposits from non-financial corporations grew as dynamically as deposits from government institutions - by PLN 26.3 billion or 70.1% y/y.

The growth rate of individual customer deposits amounted to 8.1% y/y and was lower than the year before (9.3%). The consumer's willingness to deposit funds with banks was affected by several opposing factors. It was supported by reduced consumer spending and uncertainty related to the COVID-19 pandemic, translating into aversion to higher-risk alternative forms of saving and investing. On the other hand, interest rates on funds offered by banks fell dramatically after the National Bank of Poland lowered interest rates to historically low levels. A change in pricing policy in which the interest rate offered on time deposits slightly exceeded the interest rate on current deposits and uncertainty about the future had an impact on the change in the composition of deposit growth. The growth in individuals' deposits was visible only in the current deposit category, which increased by 28.8% y/y, while time deposits decreased by 29.3% y/y.

At the same time, there was a noticeable increase in the assets of investment funds, whose balance at the end of 2020 increased by PLN 12.5 billion, or 4.7%, compared to the end of 2019.

Chart 12. Deposits of individual clients (y/y dynamics)



Source: NBP



## Market share

In 2020, BNP Paribas Bank Polska Group remained the 6th largest bank in Poland in terms of assets.

**Table 3. Market share of BNP Paribas Bank Polska**

	31.12.2020	31.12.2019
<b>Loans for non-banking clients</b>	<b>5.7%</b>	<b>5.6%</b>
Loans for individual clients	5.0%	4.7%
Loans for non-financial business entities	8.6%	8.7%
<b>Deposits of non-banking clients</b>	<b>5.5%</b>	<b>6.1%</b>
Deposits of individual clients	4.8%	5.0%
Non-financial business entities	8.1%	9.3%

In the "loans to non-bank customers" category, the Bank's share in the sector amounted to 5.7%, compared to 5.6% at the end of 2019. The increase was primarily driven by continued growth in zloty-denominated mortgage loans for individuals and a slower, compared to the sector, decline in loans to individual entrepreneurs.

The Bank's share of deposits to non-bank customers decreased from 6.1% at year-end 2019 to 5.5% at year-end 2020. The main factor was a decline in share in the non-financial business segment to 8.1%, with a slight decrease in share in the segment of individual customers. This was driven by faster growth in the sector and the adjustment of deposit volumes to the Bank's liquidity needs.

## 4.3. Stock market and investment situation

Throughout 2020, the WIG stock index, representing all listed companies on the Warsaw Stock Exchange (WSE), was characterized by increased volatility, which translated into a more than 35% decline in February/March, followed by more than 60% increase until December, compared to the March minimums registering a 17% correction in September and October. The year 2020 brought a significant diversification of returns among corporate segments. For the period from 31 December 2019 to 31 December 2020 WIG reported a negative return (1.4%). For WIG20 index, which groups the largest entities on the Warsaw Stock Exchange, it was also negative (7.7%). The index of medium-sized companies mWIG40 closed with a slight profit of 1.7%. The reversal of the trend in quotations was observed in the case of the index of smaller companies sWIG80, of which the rate of return turned out to be double-digit and reached 33.6%, despite the continued outflow of funds from domestic equity funds.

However, the Warsaw Stock Exchange indices performed relatively weaker compared to foreign equity markets. For example, the U.S. S&P500 index recorded a rate of return of over 16.0% in the 12 months of 2020, Japanese Nikkei225 also rose 16.1%, while the German DAX increased by 3.5%.

**Table 4. Key WSE indices**

Index	31.12.2020	31.12.2019	31.12.2018	change 2020/2019	change 2019/2018
WIG	57,026	57,833	57,691	(1.4%)	0.2%
WIG20	1,984	2,150	2,277	(7.7%)	(5.6%)
mWIG40	3,977	3,908	3,909	1.7%	0.0%
sWIG80	16,096	12,044	10,571	33.6%	13.9%

Source: Bloomberg

The following factors, among other, had an impact on the outlook of the Warsaw Stock Exchange in 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, (vii) expectations of availability of the vaccine for COVID-19.





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 and was also maintained in the second half of the year, but with lower dynamics. 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 2.00%, while at the end of December it was only 1.25%.

**Table 5. Number of companies, capitalization and trading volume on WSE**

	31.12.2020	31.12.2019	31.12.2018	change 2020/2019	change 2019/2018
Number of companies	433	449	465	(3.6%)	(3.4%)
Capitalization of domestic companies (PLN million)	538,752	550,242	578,949	(2.1%)	(5.0%)
Share trading volume (PLN million)	311,124	195,215	211,850	59.4%	(7.9%)
Futures trading volume (PLN '000)	11,115	6,728	7,871	65.2%	(14.5%)

Source: WSE

In 2020, the WSE's main market had 7 new listings, including one foreign company, and 2 companies transferred from NewConnect, while 23 companies left the exchange.

Fourteen issuers were newly listed on the organised market NewConnect in the 12 months of 2020, including five foreign companies, while one company was delisted at the same time. The Catalyst bond market had a total of 515 bond series listed and the value of issues exceeded PLN 1,064 billion.



## 5. Strategy and outlook



### 5.1. 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.

Financial strategic goals, which the Bank planned on achieving within the strategy horizon, are: growth rate of the result on banking operations **higher than the market** average growth, ROE **above 10%** and C/I ratio at **around 50%**.

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 range of products and services will be constantly adjusted to promote greater simplification of 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 business in a socially responsible manner, which is at the same time an element of the brand identity.
- **Digitisation** – 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.

### 5.2. Implementation of the strategy in 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.

Solid foundations for future growth were evident in the Bank's relatively high resilience compared to the sector. Despite a three-fold cut in NBP interest rates having a negative impact on net interest income, the Bank maintained its revenue generating capacity and was able to focus on further implementation of customer improvements. The Bank focused on implementing new solutions to support digital sales and service, expanding strategic partnerships in the retail segment, and executing significant loan transactions in the corporate segment. The pandemic had a



significant impact on the business activity of the Bank's customers, which was evident in lower loan demand from businesses or lower sales of consumer loans. On the other hand, the Bank achieved record high mortgage sales and maintained a level of personal account sales similar to 2019. At the same time, the Bank continued to actively promote green solutions for its customers, working on reducing its own carbon footprint.

The passing year has proven that the Fast Forward strategy, i.e.: intelligent and responsible growth, improvement of efficiency and quality and focus on people – supported by digitalisation – continues to be valid in the new reality. Thus, the Bank plans its continuation in the last year of its horizon.

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

PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN 2020
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>GROWTH</b></p>	<p>concentration of resources (people, IT and capital) on the most profitable products and segments in order to increase customer acquisition, sales and, consequently, increase of financial results</p>	<ul style="list-style-type: none"> <li>▪ Record sales of mortgage loans at PLN 5.6 billion compared to PLN 4.3 billion in 2019.</li> <li>▪ 257 thousand personal accounts sold in 2020.</li> <li>▪ Dynamic development in the area of e-commerce on the Allegro platform.</li> <li>▪ Establishing cooperation with MediaMarkt store chain from the fourth quarter of 2020.</li> <li>▪ Cooperation with Decathlon store chain</li> <li>▪ The total value of loans granted by the Bank to finance projects that support sustainable development at the year-end 2020 was PLN 2.7 billion, and only in 2020 the Bank granted PLN 993 million of "green" financing.</li> <li>▪ Zielona Hipoteka ("Green Mortgage") - offer for customers applying for a loan to finance energy efficient properties</li> <li>▪ Launch of the long-term car rental offer together with Arval. Full insurance and service package and a discount for bank customers.</li> <li>▪ First guarantee agreement with the EIB for energy efficiency investments with a target value of PLN 742 million.</li> <li>▪ Concluding contracts for syndicated financing:               <ul style="list-style-type: none"> <li>- Polimery Police project (The Bank acted 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),</li> <li>- new wind and photovoltaic farms under construction by Qair Polska (consortium with EBRD up to a total of PLN 630 million)</li> <li>- a multi-annual investment plan for PKP Energetyka (the Bank acted as the Bookrunner and the main organiser).</li> </ul> </li> <li>▪ 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.</li> </ul>



PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN 2020
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>SIMPLICITY</b></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"> <li>▪ First on the market use of open banking for identity verification (KYC) for remote cash loan application.</li> <li>▪ Enabling the remote activation of loan moratoria. Suspension of capital and interest instalments for individual and corporate customers.</li> <li>▪ The Financial Shield (Tarcza Finansowe): enabling applications for a Polish Development Fund (PFR) subsidy in the electronic banking system.</li> <li>▪ 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.</li> <li>▪ Offering customers the possibility to apply for a mortgage product without visiting a branch for applicants who are already the Bank's customers.</li> <li>▪ Offering customers the possibility to pay for purchases in installments through a payment terminal in the store (or online). The service, created in cooperation with Mastercard and Polskie ePłatności company, will make the "Pay in installments" service available.</li> <li>▪ Cooperation with booking application Booksy via which customers can arrange a meeting with an advisor on investment, savings or mortgage products in all of Bank's branches.</li> <li>▪ 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). Bank is the first on the market offering corporate clients access both to e-signature and qualified e-signature.</li> <li>▪ Increasing the transparency and clarity of communication directed to customers in cooperation with Pracownia Prostej Polszczyzny.</li> </ul>



PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN 2020
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>QUALITY</b></p>	<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"> <li>▪ An IBM Trusteer Rapport application (protecting from stealing electronically transferred data) made available to all customers free of charge.</li> <li>▪ 124 of the Bank's branches in non-cash format, including 2 partner branches.</li> <li>▪ 51 of the Banl's branches with "Obiekt bez barrier" ("Facility without Barriers") certificate, meeting the accessibility requirements for people with disabilities.</li> <li>▪ Implementing a free calculator on the agronomist.pl website for optimising nitrogen fertilisation of crops – minimisation of negative environmental impact.</li> <li>▪ Founding Customer Lab – an internal "knowledge about customers centre" – for researching customer preferences and needs.</li> <li>▪ 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.</li> <li>▪ Launching the Centre of Competence regarding the Anti-Crisis Shield (Tarcza Antykryzysowa) offering free consultations for Wealth Management segment clients-entrepreneurs.</li> <li>▪ Implementation of campaigns supporting Polish entrepreneurs, e.g. joint action with OLX Get Poland started with transactions and We support local business.</li> <li>▪ A number of awards: <ul style="list-style-type: none"> <li>- World's Best Bank for Financial Inclusion 2020 – an award granted to the BNP Paribas Group by Euromoney magazine for its social commitment and increased accessibility in the implementation of products and services.</li> <li>- „Newsweek's Friendly Bank" 3rd place in the Traditional Banking category and 2nd place in the Remote Banking category</li> <li>- A 5-star, top rating in Forbes magazine's private banking services rating for BNP Paribas Wealth Management</li> <li>- 3rd place in the Golden Banker (Złoty Bankier) ranking in the Credit Card category.</li> <li>- 1st place in the ranking of premium accounts of the Bankier.pl website for My PREMIUM Account</li> <li>- Service Quality Star (Gwiazda Jakości Obsługi) in a consumer study by the Polish Service Quality Program.</li> </ul> </li> </ul>



PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN 2020
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>ENTHUSIASM</b></p>	<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"> <li>▪ Ranking of Responsible Firms: 1st place for the second consecutive year in the general classification and 1st place in the banking and financial &amp; insurance sector category.</li> <li>▪ The Silver CSR Leaf award of the Polityka weekly magazine (Srebrny Listek CSR Tygodnika Polityka)</li> <li>▪ The Bank joined the WIG-ESG stock exchange index of companies meeting environmental, social and corporate governance criteria.</li> <li>▪ Signing of an agreement with Respect Energy. 100% of the electricity purchased directly by the Bank will come from hydroelectric power plants.</li> <li>▪ Top Employer 2020 Certificate – achieved for the seventh consecutive year, for the personnel policy compliant with best practices</li> <li>▪ „Women changing BNP Paribas” – launching of an initiative promoting the development and support for women in the Bank”</li> <li>▪ 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.</li> <li>▪ Corporate wellness: „Well” Program – promoting a healthy lifestyle – 3.5 thousand employees</li> <li>▪ Good Kilometres action - 70 thousand kilometers travelled by employees</li> <li>▪ Planting 60 thousand trees. 25 thousand through participation in the Carbon Dioxide Unit Auction, 14 thousand through the Reforest Action campaign, and 21 thousand oxygen trees (with an additional 29 thousand planned).</li> <li>▪ 20 thousand protective masks and 2 thousand SARS-CoV-2 tests, purchased by the Bank for medical facilities.</li> <li>▪ Providing 750 laptops for students and organisations in need of support in education and online work.</li> <li>▪ Joining the Cool Farm Alliance (CFA), an international industry consortium of stakeholders working to develop sustainable agriculture.</li> <li>▪ 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.</li> </ul>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>DIGITALISATION</b></p>	<p>building a competitive advantage based on technologies: digitization to optimize costs through automation of operations, digitization enabling growth using comprehensive, multi-channel sales and service model as well as digitization supporting the identification of customer needs through the use of CRM and data analytics to improve the matching of the offer and personalization of communication with customer (using consistent online and mobile platforms)</p>	<ul style="list-style-type: none"> <li>▪ 1.3 million customers actively using remote channels of communication with the Bank.</li> <li>▪ 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 – 743 thousand</li> <li>▪ 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. Number of GOMobile users – 669 thousand.</li> <li>▪ GOMobile Business - new features in the mobile application, including: the use of biometrics to start the application, realising instant payments and handling split payments.</li> <li>▪ New Premium Banking offer along with the "Cyber" package, which takes care of the user's online safety (darknet monitoring and BIK Alerts service).</li> <li>▪ Elimination of paper forms when opening an account at a branch and making cash deposits and withdrawals.</li> <li>▪ Implementation of EVA chatbot to support the operations of the Central Purchasing Department awarded in the Purchasing Leader 2020 competition</li> </ul>



**Realisation of strategic financial targets in 2020**

MEASURE	STRATEGIC TARGET	REALISATION IN 2020	COMMENTS
increase in the net banking income	faster than the market	+3.4% y/y	<ul style="list-style-type: none"> <li>▪ The Group generated an increase in banking income compared to 2019 due to higher net fee &amp; commission income, net trading income and net other operating income and expenses. The increase in these income items offset the decrease in net interest income following the interest rate cut in 2020.</li> <li>▪ In 2020, net revenues of the sector recorded a decline of 4.1% y/y</li> </ul>
ROE	>10%	6.3%	<ul style="list-style-type: none"> <li>▪ The Bank's profitability was under pressure due to the impact of the COVID-19 pandemic on the external environment (lower customer activity, interest rate cuts by the MPC, increased cost of risk due to worsening macroeconomic outlook).</li> <li>▪ Despite the unfavorable environment, the Group achieved a ROE of 6.3%, higher than the 5.7% achieved in 2019, when however the Bank's performance was burdened by integration costs. ROE excluding integration costs was 8.7% in 2019.</li> <li>▪ The ratio for the banking sector for 2020 was 3.5%.</li> </ul>
C/I	around 50%	53.3%	<ul style="list-style-type: none"> <li>▪ The Bank's cost efficiency measured with cost/income ratio improved to 53.3% (compared to 64.2% on a reported basis, and 55.3%, with integration costs excluded, in 2019). It was made possible by an increase of income and maintaining cost discipline.</li> <li>▪ The ratio for the banking sector (taking into account bank tax) was 58.0%</li> </ul>





### 5.3. Factors which may affect the performance and operations of the Bank's 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:

- **Coronavirus pandemic and recovery from recession.** The global economy is gradually rebounding after the slump in activity caused by the March/April restrictions imposed by most countries. As the COVID-19 pandemic continues to spread, however, many countries have slowed the reopening process, and some are reintroducing partial restrictions to stop the transmission of the virus. Hopes for recovery and a return to normality have been boosted by a vaccination program that began in late 2020 in the United States and the European Union. Nevertheless, the International Monetary Fund (IMF) forecasts that global Gross Domestic Product will be 4.4% lower in 2020 than in 2019. However, this is a slightly milder decline in activity than the IMF had assumed in June. The upward revision to the forecast reflects better-than-expected GDP data in the second quarter, mainly in advanced economies, where the recovery in activity following the easing of restrictions in May and June began earlier than expected. Moreover, leading indicators suggested a stronger rebound in activity in the third quarter. In 2021, the IMF projects global growth of 5.2%, slightly lower than in the June forecast update. The change is due to a shallower slowdown in 2020 while social distancing rules remain in place for at least the first half of this year. According to the IMF's October report, Eurozone GDP will contract by 8.3% in 2020, before registering a rebound of 5.2% in 2021 the following year (previous GDP changes: -10.2% and 6.0%, respectively). For Poland, the IMF's forecasts have again been tempered and project a 3.6% decline in GDP in 2020, but a 4.6% increase in 2021. European Commission (EC) forecasts are more optimistic about the scale of the decline in 2020. According to the EC, GDP in the Eurozone declined by 7.8% compared to 2019. However, the EC expects a much slower recovery in 2021. According to the autumn update, it is expected to reach 4.2%. For Poland, the forecasts are similar, assuming a 3.6% contraction in 2020 and about a 3.3% rebound in 2021. Both institutions also agree on the high degree of forecast uncertainty, which will remain elevated as long as the pandemic continues to affect the economy. The forecasts also assume that parts of the economy will adjust to the restrictions, which will be gradually eased in 2021 and 2022 as a vaccine for the COVID-19 virus emerges.
- **Actions taken by major central banks and governments.** Major central banks have been conducting loose monetary policy since the beginning of the pandemic. At its December meeting, the European Central Bank (ECB) adjusted its monetary policy by increasing the size of its pandemic emergency purchase programme (PEPP) by €500 billion from €1,350 billion to €1,850 billion. The ECB's Executive Board also stated that its objective is to "maintain favourable financing conditions during the pandemic period, thereby supporting the flow of credit to all sectors of the economy, fostering economic activity and safeguarding medium-term price stability." In contrast, introducing no changes to monetary policy until at least the end of 2021 was signaled by the US central bank. To mitigate the effects of the pandemic on the fiscal side in the United States, President Joe Biden unveiled a draft package to help the US economy. The value of the package is estimated at USD 1.9 billion. The plan includes, among other things, transfers of funds to households, extending the availability of unemployment benefits, aid for states and an increase in the minimum wage.
- **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 monetary policy transmission mechanism. According to the statements of MPC members, further cuts of interest rate are not impossible, but it seems that if a noticeable worsening of economic perspective does not occur, the interest rate easing cycle is completed.
- **Behaviour of the PLN against key currencies.** At the end of 2020, despite the favourable environment for the appreciation of the PLN, the EUR/PLN exchange rate rose sharply above the level of 4.50 in mid-December and remained above this level also at the beginning of 2021. The sudden weakening of the PLN was caused by the intervention of the central bank. The President of the NBP, Adam Glapiński, indicated that the strengthening of the PLN could be detrimental to Poland's economic recovery, which could be the reason for the NBP's activity in the foreign exchange market. Other reasons for the central bank's action also appeared in the public space. The most frequently



mentioned explanation was the central bank's intention to increase the value of its foreign exchange reserves (expressed in PLN). A higher value of foreign exchange reserves at the end of the year means a higher profit of the central bank, which is then largely transferred to the state budget, reducing borrowing needs. Further interventions of the NBP cannot be ruled out, however, the improving prospects of both global and Polish economies will be conducive to the appreciation of the PLN, especially in the second half of the year, when the economic situation should be visibly better.

- **Shaping the economic situation in Poland.** Poland's GDP grew by 7.9% q/q in the third quarter of 2020. Compared to last year, the economy contracted by 1.5%. The main factors behind the economic revival in July-September were household consumption (up by 13.4% q/q and 0.4% y/y) and net exports. On the other hand, investments recorded a decline of 9.0% y/y. According to the NBP's Q3 2020 Inflation Report published in November, in the third quarter of 2020 the domestic economic activity rebounded more strongly than indicated in the July projection. This improvement was fostered by a significant loosening of restrictions on social and economic life, the realization of purchases of goods and services postponed by households for the duration of the economic lockdown, and an improvement in economic activity abroad. Available activity data for November indicate that the restrictions that took effect in late October and early November had a limited impact on the Polish economy. Moreover, the ongoing coronavirus vaccination program has increased optimism about the growth prospects of the Polish economy. However, the second wave of coronavirus at the end of the year slowed down the opening of the economy. As a consequence, economic activity data will deteriorate again in the fourth quarter of this year. However, the scale of the GDP decline will be smaller than in the second quarter of this year, when a strong negative shock affected most sectors of the economy, limiting the activity of industry, construction and services, and at the same time there was a sudden collapse in foreign demand. As a result, the NBP projection assumes that GDP will fall by 3.5% in 2020, similar to market forecasts. In 2021, the decline in economic activity will still be visible in the first quarter. According to the Inflation Report, in the first quarter GDP will decrease by 4.5% y/y, but in the entire year it will grow by 3.1%.
- **Situation on the domestic labor market.** Available data for the third and fourth quarters of 2020 indicate some stabilization of the labor market situation during this period. Published data from the business sector indicate that the decline in the number of employees slowed down in the third quarter. According to the National Bank of Poland, the unemployment rate will remain at around 5.0-5.6% in 2021 and will decline as the economy and demand recover.
- **Inflation changes.** According to the Central Statistical Office (GUS), CPI inflation was 2.4% y/y in December. Price growth was mainly driven by core inflation, which stood at 3.7% in December. We expect inflation to moderate in early 2021, mainly due to lower demand caused by restrictions. However, the introduction of a new "sugar tax" in January and an increase in household electricity prices suggest that despite the opening of a negative demand gap, core inflation is likely to remain close to the NBP's inflation target of 2.5% in 2021. On a quarterly basis, the NBP expects inflation to slow down to 2.4% in the first quarter and then gradually accelerate to 2.6% by the end of 2021. In general, in 2021 CPI inflation is expected to reach 2.6% according to NBP forecasts.
- **Potential increase in public finance imbalances.** In 2020, the public finance sector deficit has increased significantly as a result of fiscal stimulus. According to the updated Convergence Programme, the deficit of the whole public finance sector will amount to 8.4% of GDP. The main reason for the aforementioned increase in the deficit is the fiscal support programs introduced (the Anti-Crisis Shield, the Financial Shield), which were aimed at helping entrepreneurs and preserving jobs.
- **Risk aversion in financial markets.** Currently, global growth prospects are heavily affected by the coronavirus outbreak. One of the main themes in the markets is the pace of the economy's return to normality. Hopes for an accelerated recovery have been greatly boosted by the coronavirus vaccination. On the other hand, optimism in the markets is dampened by the still worrying statistics of coronavirus cases and the prolonged partial closures of some sectors of the economy.
- **Deterioration of loan portfolio quality.** The outbreak of the pandemic immediately raised concerns about the future financial health of bank customers. A deterioration in the quality of the loan portfolio was expected in all areas, and its scale was difficult to predict. So far, the negative scenarios have not materialized. The first blow of restrictions was compensated by the government's anti-crisis tools and the possibility to take advantage of credit moratoria for up to 6 months. According to the NBP data after November 2020, impaired loans indicators presented symbolic increases compared to February 2020 (the last month before the pandemic). In the non-financial sector there was an increase of +0.3 p.p. to the level of 6.9%, in the corporate sector by +0.6 p.p. and the biggest increase took place in the area of consumer loans to individuals (+0.7 p.p.). Moreover, it is worth noting that the peak of the deterioration has already passed and we have seen an improvement in the indicators since the third quarter. However, the risk is still material. The current economy is at the peak of the second wave of



tightening. Its effects may prove more difficult for businesses to absorb than the initial shock. In addition, the current pace of global vaccination does not allow to rule out further waves of pandemics and associated economic lockdowns.

- **Foreign currency mortgage loans**

#### **Litigations**

More than a year after the verdict of the Court of Justice of the European Union on mortgage loans indexed in CHF (C-260/18), the number of lawsuits related to CHF mortgage loans against banks is steadily growing. According to data from the Polish Bank Association (ZBP), the number of pending lawsuits related to CHF loan agreements at the end of 2020 reached almost 39 thousand compared to 16 thousand at the end of 2019. This resulted, among other things, in a significant increase in provisions for these proceedings created in 2020 by banks with CHF mortgage loan portfolios. The total amount of these provisions created by listed banks in the first three quarters of 2020 amounted to approximately PLN 1.5 billion. According to the data published by listed banks available at the moment of publishing this Report, the total value of provisions created by banks in the fourth quarter alone amounted to PLN 2.4 billion. Information on the number of lawsuits and the value of provisions for court proceedings concerning CHF loans to the Bank is described in chapter 11.4 of this Report.

#### **PFSA's Chairman Proposal**

As a consequence of the growing number of lawsuits and the value of provisions created by banks, in December 2020 Jacek Jastrzębski, Chairman of the Polish Financial Supervision Authority, presented a proposal for a sector solution to the CHF loans issue. In simple terms, a bank would treat a CHF loan as if it had been granted in PLN from the disbursement and bear interest at the relevant WIBOR rate plus a margin historically applied to such loans, and make an appropriate recalculation. Adopting such an approach would result in a very large burden on the sector, although its scale is difficult to estimate precisely today. The cost would depend on many variables, such as the date of granting the loan, the exchange rate table of the specific bank, or the commission policy, as well as the specific assumptions of the proposal, including legal and tax issues, or the types of loans to be converted, which are not determined at the time of publication of this Report.

The Management Board of the National Bank of Poland in an announcement dated February 9, 2021, stated that it may consider possible involvement in the process of conversion of foreign-currency mortgage loans into PLN, on market terms and at market rates, provided that banks meet certain boundary conditions.

At the beginning of 2021, the Bank has joined a working group of banks which is working to analyze the solution proposed by the PFSA's Chairman. The Bank's preliminary estimate of the cost of a potential conversion consistent with the assumptions of the Chairman's proposal available at the time of publication of the Report is PLN 0.7 billion if the currency conversion proposal is addressed only to borrowers with denominated loans, or PLN 1.3 billion if the proposal covers the entire CHF loan portfolio (denominated and foreign currency loans). The potential cost has been estimated as the difference between the current carrying amount of foreign currency or CHF-denominated loans and the carrying amount of hypothetical loans in PLN. At the time of publication of this Report, the Bank has not decided to launch a settlement program for the Banks' customers and it is at an early stage of analysis. Neither the criteria for the program nor the plans for its implementation are defined and, therefore, the Bank does not recognize a provision for the effects of offering settlements.

#### **Resolution of the Supreme Court concerning CHF loans**

On January 29, 2021. The First President of the Supreme Court requested that the Civil Chamber adopt a resolution on the following issues:

1. If a provision of an indexed or denominated loan agreement relating to the method of determining the foreign currency exchange rate is held to constitute an illicit contractual term and is not binding on the consumer, is it possible to assume that another method of determining the foreign currency exchange rate resulting from law or custom can replace it?

If the answer to the question above is negative:

2. If it is impossible to fix the exchange rate of a foreign currency so that it is binding on the parties in a credit agreement indexed to such currency, can the agreement be binding in the remaining scope?

3. If it is impossible to fix the exchange rate of a foreign currency in a credit agreement denominated in a foreign currency, can the agreement be binding in the remaining scope?

Regardless of the answers for questions 1-3:



4. In the event of invalidity or ineffectiveness of a credit agreement, in the performance of which the bank disbursed to the borrower all or part of the amount of the credit and the borrower made repayments on the credit, do separate claims for undue payments arise in favour of each of the parties, or does only a single claim arise, equal to the difference of the payments made, in favour of the party whose total payment was higher?

5. In the event of invalidity or ineffectiveness of a credit agreement, resulting from unlawful nature of some of its terms, does the limitation period for the bank's claim for repayment of sums paid under the credit agreement start to run from the time at which those sums were paid?

6. In the event of invalidity or ineffectiveness of a credit agreement, if either party has a claim for the return of payments rendered under such agreement, can that party also claim compensation for the use of its funds by the other party?

On 25 March 2021, a session of the Civil Chamber of the Supreme Court is planned. The Bank will analyse the content of the resolution after its publication, in particular its expected impact on further judicature and the parameters used to determine the value of legal risk provisions.

At the moment, it is not possible to forecast the content of the resolution and its impact on the provisions estimation. In determining the value of the provision, the Bank relies on all information available at the date of signing the Financial Statement.

- **Banking sector balance sheet structure.** According to PFSA data for November 2020, the loan-to-deposit ratio has almost stabilized after strong declines in the period from March to May. In the following months, a gentle downward trend is still visible, so that new minima below 80% are gradually set. This is, among other things, the effect of the ongoing stagnation in the credit market, a natural consequence of economic uncertainty. Looking at product categories, compared to February 2020, one area which recorded significant growth is household mortgage loans (+4%, PLN 20bn, NBP data). Among enterprises, still well below February levels are current account loans (-10%, PLN 15bn), whose portfolio shrunk most likely due to funds received under government assistance programs. At the same time, the deposit base continues to grow, albeit at a slower pace than at the beginning of the pandemic. The volume of corporate deposits has increased by PLN 70bn (+23%) since February, and household deposits by PLN 59bn (+6%). In the current epidemiological situation, it is difficult to expect a soon reversal of the trend described above. Such a large and persistent excess of liquidity poses a challenge for banks of how to allocate funds effectively at almost zero interest rates. This may have a negative impact on banks' net interest margins, which in turn may reduce the profitability of the banking sector.
- **The sector's ability to finance the economy.** The declining profitability of the banking sector as measured by return on equity has been an ongoing process for several years. Almost a decade ago, the sector's profitability was given in double digits. In 2018-19, it was already below 7%. For the next few years, the best banks are projected to reach 5%. The pressure on profitability has multiple sources. Interest rates are close to zero and banks are increasingly burdened by regulations (e.g. directly in the form of a tax on certain financial institutions, indirectly through higher risk weights or the need to hold increased capital). With additional provisions related to the economic downturn and CHF loans, this translates into unprecedented pressure on results. In the short term, this may continue to drive sector consolidation in search of economies of scale. In the longer term, reduced profitability may slow the growth of the capital base and thus limit lending opportunities.

The Bank emphasizes that the dynamically changing situation and the uncertainty regarding the real impact of the coronavirus outbreak on the economy and the environment may cause other significant factors, not mentioned in this Report, to appear, which may affect the Bank's and the Group's results and operations in future periods.



## 5.4. Growth perspectives for the Bank's Group

2020 was to be the first year since the merger with the Core Business of Raiffeisen Bank Polska S.A. when all energy and resources would be focused on development and organic growth. With the integration successfully completed, the Bank began the year by implementing previously planned initiatives. Unfortunately, as for the rest of the economy, the Bank's plans had to be revised due to the outbreak of COVID-19. The key challenges in the first months of the pandemic were sustaining customer service and ensuring employee safety. The Bank's branches, with newly implemented security procedures, functioned virtually uninterrupted in providing customer service. The efforts made to maintain business continuity and ensure security were appreciated by employees. Moreover, efficient use of remote work allowed further implementation of the most important planned projects in the Bank.

The new reality forced the Bank to analyse the current strategy in terms of its further validity. A completely different market environment affected the performance of the Bank and the entire sector, but in the opinion of the Management Board it did not devalue the key strategic objectives. However, it should be noted that the relevance of particular strategic directions has changed, which is reflected in the plans for 2021.

Adequate scale of activity will continue to be the key to success, hence the Bank's focus on smart growth. New areas of customer acquisition will be launched, often using non-bank partners, e.g. leveraging extensive business partnerships in Personal Finance. Due to interest rates close to zero, changes in pricing policies, which will reward customers with greater relationships with the Bank, will be possible. Additionally, higher commission income will be achieved through the implementation of innovative products and services, which will be eagerly used by customers, thus building their satisfaction and positively impacting the Bank's results. The value of capital in the banking sector is constantly growing, therefore the allocation of the Bank's capital will be even more careful, targeted at areas generating both sustainable growth and adequate profitability. The Bank will continue its prudent risk policy without neglecting customer needs. Given the extraordinary circumstances, the Bank will attach great importance to customer partnerships, understanding of its business and the mutual long-term benefits of doing so.

Achieving these goals will only be possible with the support of appropriate processes and resources. It is crucial that the customer has uninterrupted access to all services regardless of circumstances. To be able to provide this, digital competence has proven to be essential in 2020. For this reason, the Bank will continue to attach great importance to the development of the mobile and online ecosystem (GOfamily), in particular expanding the possibilities for remote sales and service of products, ultimately including more complex ones. Further transformation of the operating model will also continue, including process improvement and automation. This will allow reducing costs while increasing the quality level. This will be facilitated by a completely new model of work being prepared by the Bank, which will take into account a wide use of the possibilities of work according to agile methodology, remote work as well as functionalities implemented in the new premises of the Bank. Planned deep changes are a consequence of results observed during the lockdown. It turned out to be possible to instantly transform the organisation of work and maintain it at a high level even in the areas where higher efficiency was based on the assumption of centralisation in one place so far. This opens up new opportunities for dynamic change and the search for cost efficiencies.

The Bank will focus on building an image of an attractive, environmentally friendly and socially responsible institution. It will use its important position in the economic ecosystem to fully engage in the implementation of the European "new green deal" initiatives. The Bank will strive to become the first choice in financing sustainable development, including the energy transition in particular. These activities will also support the building of a stronger, more recognisable brand with corporate social responsibility embedded in its values. At the same time, a lot of attention will be paid to further improve customer satisfaction, which will facilitate strengthening of customer loyalty and, in the long run, translate into further improvement of profitability. The Bank will continue to be highly active in supporting the development of women within the Bank's structures and in promoting diversity at all levels of the organization.

2021 is also the last year of the Fast Forward strategy horizon. With this in mind, the Bank is in the process of preparing a new strategy for 2022-24. A wide team is involved in the work, which translates into even greater alignment of the strategy with the Bank's realities and the challenges faced by particular areas. The strategy is planned to be announced in the second half of 2021.





## 6. Financial standing of the BNP Paribas Bank Polska S.A. Group



### 6.1. Consolidated statement of profit and loss

In 2020, the BNP Paribas Bank Polska S.A. Group generated a net profit of PLN 733,095 thousand, i.e. by PLN 118,401 thousand (by 19.3%) higher than one achieved in 2019.

The Group's result on banking activity in the analysed period amounted to PLN 4,704,694 thousand and was higher y/y by PLN 154,463 thousand, i.e. by 3.4%.

The most important event affecting the level of net profit in 2020 and comparability of results with 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%). These changes resulted in a decrease in market rates and a consequent decrease in the Group's interest income, mitigated to some extent by the adjustment measures taken in the area of pricing policy. Net interest income in 2020 was PLN 108,689 thousand (by 3.4%) lower compared to 2019. In addition, 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 activities;
- disruption of business activities caused by sanitary restrictions introduced in Poland at the end of the first quarter and at the beginning of the fourth quarter of 2020, which negatively affected the economic situation and consequently led to the significant increase of the cost of risk almost due to additional impairment losses resulting from changes in macroeconomic scenarios following COVID-19. The result of impairment losses on financial assets and provisions for contingent liabilities in 2020 was negative and amounted to PLN 601,499 thousand, compared to PLN 441,890 thousand in 2019 (increase by PLN 159,609 thousand, i.e. by 36.1%).

The impact of COVID-19 on the cost of risk in 2020 is estimated to amount to PLN 236,498 thousand and is primarily due to the change in macroeconomic scenarios following COVID-19 (forward looking PD and LGD determined based on smoothed macro forecasts) and the Bank's assessment of the expected future impact of current economic conditions on risk parameters for selected customer types

- a significant reduction in activity and changes in the existing habits and behaviour of the Group's customers, which adversely affected the scale of the business and consequently the level of the Group's fee and commission income and trading profit

The factor that mitigated to some extent the negative impact of the coronavirus pandemic on the comparison of the Group's financial results for 2020 to 2019 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. As a result, the results of 2020 were not affected by the negative impact of integration costs.

It is estimated that after excluding integration costs the net profit in 2020 would amount to PLN 720,673 thousand and would be by PLN 229,796 thousand (i.e. by 24.2%) lower than the one achieved in 2019 in the amount of PLN 950,469 thousand.



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

- results on the sale of debt instruments measured at fair value through other comprehensive income realised in Q1 and Q2 2020 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 2020 by the total amount of PLN 77,406 thousand (compared to the amount of PLN 3,809 thousand in 2019),
- improvement in the valuation of infrastructure companies (BIK, KIR, Mastercard and VISA Int.) in 2020 by PLN 91,791 thousand, presented as part of the result on trading activities. The total result on equity instruments measured at fair value through profit or loss amounted to PLN 102,340 thousand in 2020 (compared to PLN 18,120 thousand in 2019).

In addition, the comparability of results reported in 2020 and 2019 is influenced by the following factors:

- recognition (charging the results of 2020) of a provision for the legal risk relating to proceedings on CHF mortgage loans in the amount of PLN 168,156 thousand, an increase of PLN 136,043 thousand compared to 2019,
- the Group incurred higher costs for the Bank Guarantee Fund ("BFG") in 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 2020, the total costs of the BFG incurred by the Group amounted to PLN 213,185 thousand and were by PLN 47,085 thousand (i.e. by 28.3%) higher than 2019 costs,
- recognition (charging the results of 2020) of a restructuring provision to cover the costs related to group lay-offs announced in the fourth quarter of 2020, in the amount of PLN 41.4 million,
- recognition (charging the results of 2019) of provisions for proportional reimbursement of commissions in case of early repayment of the loan by the customer, in the total amount of PLN 69.6 million,
- recognition in the result from other operating income/costs in 2020 of the sale of the 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 an organised part of the Bank's enterprise conducting the factoring activity to BGŻ BNP Paribas Faktoring Sp. z o.o. (now BNP Paribas Faktoring Sp. z o.o.) and the recognition of PLN 42,435 thousand in the Group's 2019 gross profit.

**Table 6. Statement of profit or loss**

in PLN'000	12 months ended	12 months ended	change y/y	
	31.12.2020	31.12.2019	PLN'000	%
Net interest income	3,060,070	3,168,759	(108,689)	(3.4%)
Net fee and commission income	916,095	819,937	96,158	11.7%
Dividend income	9,669	6,007	3,662	61.0%
Net trading income	748,390	682,415	65,975	9.7%
Result on investment activities	29,081	(31,836)	60,917	-
Result on fair value hedge accounting	(11,077)	(4,385)	(6,692)	152.6%
Other operating income and expenses	(47,534)	(90,666)	43,132	(47.6%)
<b>Net income on banking activity</b>	<b>4,704,694</b>	<b>4,550,231</b>	<b>154,463</b>	<b>3.4%</b>
Net impairment losses on financial assets and contingent liabilities	(601,499)	(441,890)	(159,609)	36.1%
Result on provisions for legal risk related to foreign currency loans	(168,156)	(32,113)	(136,043)	423.6%
General administrative expenses	(2,137,605)	(2,467,937)	330,332	(13.4%)
Depreciation and amortization	(367,958)	(454,147)	86,189	(19.0%)
<b>Operating result</b>	<b>1,429,476</b>	<b>1,154,144</b>	<b>275,332</b>	<b>23.9%</b>
Tax on financial institutions	(318,909)	(281,189)	(37,720)	13.4%
<b>Gross profit</b>	<b>1,110,567</b>	<b>872,955</b>	<b>237,612</b>	<b>27.2%</b>
Income tax expenses	(377,472)	(258,261)	(119,211)	46.2%
<b>Net profit</b>	<b>733,095</b>	<b>614,694</b>	<b>118,401</b>	<b>19.3%</b>
<b>Net profit excluding integration costs*</b>	<b>720,673</b>	<b>950,469</b>	<b>(229,796)</b>	<b>(24.2%)</b>

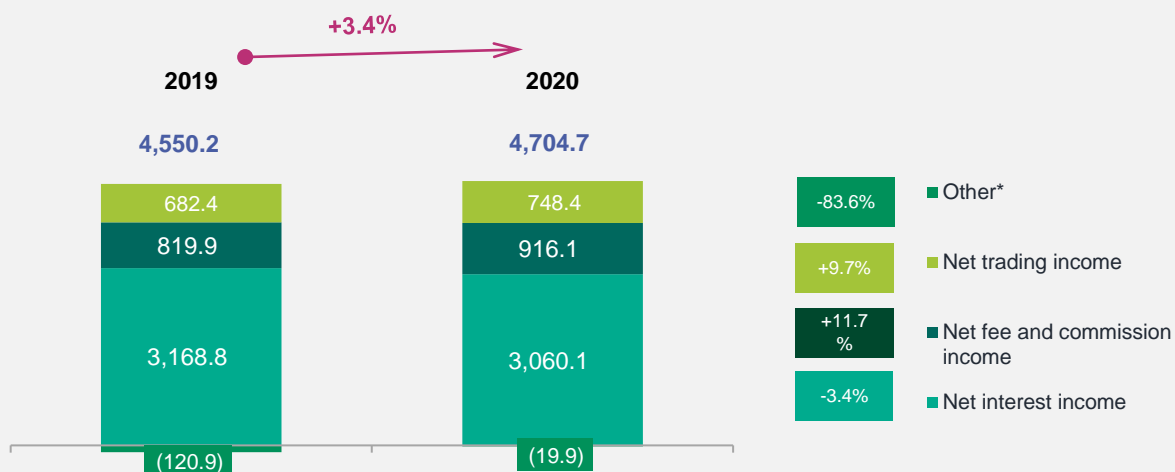
\* Integration costs: 2020: positive amount of PLN 15.3 million (positive amount of PLN 10.3 million in operating costs and positive amount of PLN 5.0 million in other operating expenses), 2019: PLN 414.5 million (PLN 389.9 million in operating costs and PLN 24.6 million in other operating expenses).

Note: As the figures have been rounded up, the totals in the tables and charts of this Report may not add up



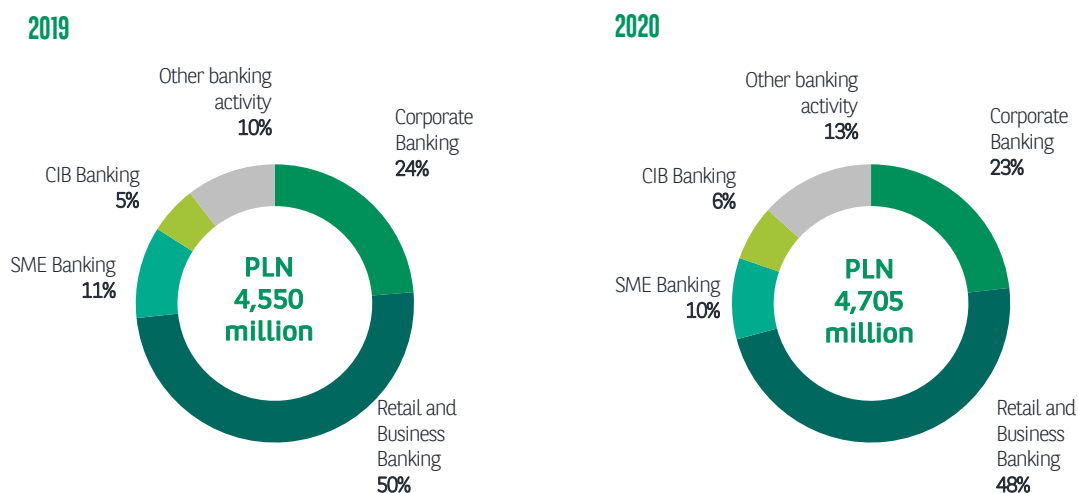


**Chart 13. Structure of net income on banking activity in PLN million**



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

**Chart 14. 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.a. 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

In 2020, net interest income, which is the main source of the Group's income, amounted to PLN 3,060,070 thousand and was lower by PLN 108,689 thousand, i.e. by 3.4% y/y. In 2020, as compared to 2019, interest income was lower by PLN 585,287 thousand, i.e. by 14.0% while interest expenses decreased by PLN 476,598 thousand, i.e. by 46.8%.

Table 7. Net interest income

in PLN'000	12 months ended	12 months ended	change y/y	
	31.12.2020	31.12.2019	PLN'000	%
Loans and advances to banks	6,438	23,326	(16,888)	(72.4%)
Loans and advances to clients measured at amortized cost	2,667,402	3,284,550	(617,148)	(18.8%)
Loans and advances to clients measured at fair value through profit or loss	20,161	63,924	(43,763)	(68.5%)
Debt instruments measured at amortized cost	535,678	445,823	89,855	20.2%
Debt instruments measured at fair value through profit or loss	4,311	931	3,380	363.1%
Debt instruments measured at fair value through other comprehensive income	192,129	215,945	(23,816)	(11.0%)
Derivative instruments in fair value hedge accounting	176,659	153,560	23,099	15.0%
Buy-sell-back securities	18	24	(6)	(25.0%)
<b>Interest income</b>	<b>3,602,796</b>	<b>4,188,083</b>	<b>(585,287)</b>	<b>(14.0%)</b>
Amounts due to banks	(89,835)	(103,034)	13,199	(12.8%)
Debt securities issued	(49,291)	(78,011)	28,720	(36.8%)
Amounts due to customers	(291,132)	(685,232)	394,100	(57.5%)
Lease liabilities	(6,694)	(8,704)	2,010	(23.1%)
Derivative instruments in fair value hedge accounting	(99,538)	(118,763)	19,225	(16.2%)
Sell-buy-back securities	(6,236)	(25,580)	19,344	(75.6%)
<b>Interest expenses</b>	<b>(542,726)</b>	<b>(1,019,324)</b>	<b>476,598</b>	<b>(46.8%)</b>
<b>Net interest income</b>	<b>3,060,070</b>	<b>3,168,759</b>	<b>(108,689)</b>	<b>(3.4%)</b>

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 material impact on the result of the first quarter of 2020 (the first of them came into force as of 18 March) but - due to their scale - they influenced the interest result in the following quarters of 2020. The decrease in market interest rates translated directly into lower profitability of credit products, which was particularly visible in Q2 and Q3 2020. As a result of the Group's pricing policy changes, this trend was reversed in the last quarter of 2020.

An additional factor affecting the reduction of interest income in 2020 as compared to 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 2020, the positive impact of this settlement was PLN 40,299 thousand (of which in the first quarter of 2020: PLN 13,431 thousand, in the second quarter of 2020: PLN 11,666 thousand, in the third quarter of 2020: PLN 9,439 thousand and in the fourth quarter of 2020: PLN 5,764 thousand), while in 2019, it was PLN 96,885 thousand (decrease in revenue by PLN 56,586 thousand y/y).

Interest income in 2020 was also negatively impacted by commission refunds on early repayments of customer loans made after 11 September 2019 (CJEU judgment) in the amount of PLN 39.6 million compared to PLN 18.6 million in 2019 (in Q4 2020: PLN 10.6 million, in Q3: PLN 4.9 million, in Q2: PLN 12.2 million, in Q1: 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 2020 were lower than in 2019.

The level of interest income was positively affected by the optimisation of financing costs carried out primarily in Q2 and Q3 2020. The adjustment of deposit prices to the changed market environment allowed the decline in interest income on credit products to be partially neutralised.



Among the factors that had a positive impact on the level of interest income in 2020, one should also mention the increase in the scale of operations and, consequently, the increase in the average value of the loan portfolio and the securities portfolio (interest income from debt instruments measured at amortised cost and at fair value increased in the analysed period by a total of PLN 69,419 thousand, i.e. by 10.5%).

As at the end of 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 (the sum of interest income and interest expense on derivatives under fair value hedge accounting) amounted in 2020 to PLN 77,121 thousand compared to PLN 34,797 thousand in 2019 (an increase of PLN 42,324 thousand, or 121.6%).

## Net fee and commission income

The Group's net fee and commission income in 2020 amounted to PLN 916,095 thousand and was by PLN 96,158 thousand (i.e. 11.7%) higher than that achieved in 2019.

Fee and commission income amounted to PLN 1,132,051 thousand and was higher by PLN 71,886 thousand (i.e. by 6.8%) compared to 2019, while commission expenses amounted to PLN 215,956 thousand and were lower by PLN 24,272 thousand (i.e. by 10.1%) y/y.

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

- account services by PLN 57,955 thousand, i.e. by 37.5% (i.a. due to the introduction of fees on high balances in corporate accounts and as a result of higher commissions on Internet banking and cash management)
- lending and leasing activities by PLN 43,985 thousand, i.e. by 16.4% (due to the settlement in Q3 and Q4 2020 of commissions on large CIB transactions and higher commissions on unused commitments from corporates than in 2019)
- intermediation in the sale of insurance products by PLN 40,428 thousand, i.e. by 67.1% (i.a. due to higher income from life insurance on mortgage loans and higher profit sharing from Cardif),
- other commissions by PLN 8,941 thousand i.e. by 59.1%.

The decrease in revenue for the execution of transfers and e-banking services (by PLN 26,452 thousand, i.e. 26.0%) was related, among other things, to new European regulations on the level of commission on international transfers (SEPA, December 2019).

The decrease in revenues from payment and credit cards (by PLN 15,365 thousand, i.e. by 7.2%) was related, among other things, to the change in the presentation of revenues from exchange rate differences on card transactions (from November 2019, exchange rate differences on card transactions with currency conversion are presented in net trading income). At the same time, there was an increase in commissions resulting from the expansion of cashless transactions (use of cards in online transactions and a decrease in commission costs related to ATM transactions). Overall, net commissions from payment and credit cards increased by 2.1% in 2020 compared to 2019.

The decrease in fee and commission expenses was mainly due to a lower cost of:

- payment and credit cards services by PLN 17,706 thousand i.e. 15.3% (i.a. due to a decrease in costs paid to external operators in connection with ATM transactions)
- asset management and brokerage operations by PLN 15,398 thousand i.e. 75.0% (including due to lower costs of custody services).



Table 8. Net fee and commission income

in PLN'000	12 months ended 31.12.2020	12 months ended 31.12.2019	change y/y	
			PLN'000	%
<b>Fee and commission income</b>				
loans, advances and leases	312,218	268,233	43,985	16.4%
accounts servicing	212,308	154,353	57,955	37.5%
cash service	31,491	39,742	(8,251)	(20.8%)
cash transfers and e-banking	75,425	101,877	(26,452)	(26.0%)
guarantees and documentary operations	50,320	57,625	(7,305)	(12.7%)
asset management and brokerage services	111,488	117,935	(6,447)	(5.5%)
payment and credit cards	201,104	216,707	(15,603)	(7.2%)
intermediation in the sale of insurance products	100,702	60,274	40,428	67.1%
intermediation in the sale of Bank's products and acquisition of customers	12,937	28,302	(15,365)	(54.3%)
other commissions	24,058	15,117	8,941	59.1%
<b>Fee and commission income</b>	<b>1,132,051</b>	<b>1,060,165</b>	<b>71,886</b>	<b>6.8%</b>
<b>Fee and commission expenses</b>				
loans, advances and leases	(367)	(2,768)	2,401	(86.7%)
accounts servicing	(10,432)	(5,598)	(4,834)	86.4%
cash service	(13,329)	(15,582)	2,253	(14.5%)
cash transfers and e-banking	(2,316)	(4,565)	2,249	(49.3%)
asset management and brokerage operations	(5,121)	(20,519)	15,398	(75.0%)
payment and credit cards	(97,950)	(115,656)	17,706	(15.3%)
intermediation in the sale of insurance products	(20,007)	(14,972)	(5,035)	33.6%
intermediation in the sale of Bank's products and acquisition of customers	(27,099)	(29,044)	1,945	(6.7%)
other commissions	(39,335)	(31,524)	(7,811)	24.8%
<b>Fee and commission expenses</b>	<b>(215,956)</b>	<b>(240,228)</b>	<b>24,272</b>	<b>(10.1%)</b>
<b>Net fee and commission income</b>	<b>916,095</b>	<b>819,937</b>	<b>96,158</b>	<b>11.7%</b>

## Dividend income

Dividend income in 2020 amounted to PLN 9,669 thousand and resulted from the 2019 profits of companies, in which the Bank held minority shares, i.e: Biuro Informacji Kredytowej S.A. (PLN 5,048 thousand), PONAR S.A. (PLN 1,563 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,382 thousand), CCCiG Group (PLN 1,302 thousand), ASPROAD SA (PLN 160 thousand), Dafo Plastic S.A. (PLN 115 thousand) and Mastercard (PLN 100 thousand).

Dividend income in 2019 amounted in total to PLN 6,007 thousand and resulted from the 2018 profits of companies, in which the Bank held minority shares, i.e: Biuro Informacji Kredytowej S.A. (PLN 4,221.0 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,179.4 thousand), VISA (PLN 377.2 thousand) and CCIG Group Sp. z o.o. (PLN 229.8 thousand).

## Net trading income and net investment income

**The result on trading activity** in 2020 amounted to PLN 748,390 thousand and was higher by PLN 65,975 thousand, i.e. by 9.7% y/y. The level and volatility of this result are mainly determined by the valuation of equity instruments and the FX result.

The factor positively affecting the level of the trading result in 2020 was the 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 102,340 thousand (compared to PLN 18,120 thousand in 2019).



The above amount consisted primarily of the change in the valuation of shares in: BIK S.A. (PLN 36,061 thousand), Visa Intl. (PLN 34,053 thousand), Mastercard (PLN 12,687 thousand), KIR S.A. (PLN 8,990 thousand).

The increase in valuation allowed to neutralise the decrease in the result on derivatives and the result on FX operations, which amounted in 2020 to PLN 638,797 thousand and was lower by PLN 22,401 thousand, i.e. by 3.4%, compared to the result generated in 2019. This decrease was influenced, among other things, by the reduction in business activity as a result of the freeze on the economy under the sanitary restrictions introduced in connection with the COVID-19 pandemic.

**Result on investment activity** in 2020 amounted to PLN 29,081 thousand and was higher by PLN 60,917 thousand than the loss in the amount of PLN 31,836 thousand incurred in 2019.

The item determining the level of the result in 2020 was the results from the sale of debt instruments in the amount of PLN 77,406 thousand, realised mainly in Q1 and Q2 (PLN 26,620 thousand and PLN 47,813 thousand, respectively). The results from the sale of debt instruments in 2019 amounted to PLN 3,809 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 in 2020 PLN -48,330 thousand (compared to a negative impact of PLN -35,654 thousand in 2019).

The factor negatively affecting the valuation of the portfolio in H1 2020 was, i.a. the fall in the yield curve as a result of the significant cuts in NBP interest rates made by the Monetary Policy Council in 2020. This impact is estimated to have amounted to approximately PLN 25.9 million in March, and approximately PLN 12.1 million in May 2020.

## Other operating income

Other operating income in 2020 amounted to PLN 323,586 thousand and was higher by PLN 140,881 thousand or 77.1% compared to 2019.

The comparison of revenues realised in the analysed periods was mainly influenced by the settlement and accounting treatment of the sale of the property of the Bank's Head Office at Kasprzaka Street in Warsaw in 2020. The total result on this operation amounted to PLN 43,564 thousand (gross) and was presented within other operating income (in the item Income from sale or liquidation of property, plant and equipment and intangible assets, in the amount of PLN 110,848 thousand) and within other operating expenses (in the items: Loss on sale or liquidation of property, plant and equipment and intangible assets, in the amount of PLN 64,371 thousand and Other expenses, in the amount of PLN 2,914 thousand).

In addition, under Income from sale or liquidation of property, plant and equipment and intangible assets, income in the amount of PLN 33,884 thousand was recognised from the company Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o., mainly related to the transaction of sale of an investment property.

In 2019, as part of other operating income (under: Other operating income), the amount of PLN 42,435 thousand was recognised due to the sale of the organised part of the Bank's enterprise conducting factoring activities to BGŻ BNP Paribas Faktoring Sp. z o.o., completed on 28 June 2019.

**Table 9. Other operating income**

in PLN'000	12 months	12 months	change y/y	
	ended 31.12.2020	ended 31.12.2019	PLN'000	%
Sale or liquidation of property, plant and equipment and intangible assets	165,330	20,957	144,373	688.9%
Release of impairment allowances for other receivables	10,908	-	10,908	-
Sale of goods and services	7,777	32,994	(25,217)	(76.4%)
Release of provisions for litigation and claims and other liabilities	51,628	12,336	39,292	318.5%
Recovery of debt collection costs	25,206	18,512	6,694	36.2%
Recovered indemnities	1,027	2,644	(1,617)	(61.2%)
Leasing operations	30,633	9,155	21,478	234.6%
Other operating income	31,077	86,107	(55,030)	(63.9%)
<b>Total other operating income</b>	<b>323,586</b>	<b>182,705</b>	<b>140,881</b>	<b>77.1%</b>



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

- Increase of income from release of provisions for litigation and other liabilities by PLN 39,292 thousand i.e. by 318.5%,
- Increase of income from leasing activities by PLN 21,478 thousand i.e. by 234.6%,
- Increase of income due to release of impairment allowances for other receivables by PLN 10,908 thousand, i.e. by 31.5%
- Increase of income from recovery of debt recovery costs by PLN 6,694 thousand, i.e. by 36.2%.

The amount of other operating revenue in 2020 was negatively affected by a decrease in revenue from the sale of goods and services by PLN 25,217 thousand, i.e. by 76.4%.

## Other operating expenses

Other operating expenses in 2020 amounted to PLN 371,120 thousand and were higher by PLN 97,749 thousand (or 35.8%) compared to 2019, mainly as a result of:

- An increase in other operating expenses by PLN 30,385 thousand, i.e. by 73.5%, mainly due to the inclusion in this item of the costs of PLN 44,261 thousand incurred by Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o., mainly related to the settlement of the sale of the investment real estate, as well as an adjustment of the accrued VAT in the amount of PLN 4,396 thousand and a part of the settlement of the sale of the property of the Bank's head office on Kasprzaka Street in Warsaw in the amount of PLN 2,914 thousand,
- Increase of loss on sale or liquidation of property, plant and equipment and intangible assets by PLN 28,397 thousand, i.e. by 44.9%, among others due to recognition in this item of the amount of PLN 64,371 thousand being a part of the settlement of sale of property of the Bank's Head Office in Warsaw, Kasprzaka Street, made in the 1st quarter of 2020
- An increase in the cost of provisions for litigation and other liabilities by PLN 22,630 thousand, i.e. by 28.6%, due to, i.a., the creation of a provision in the third quarter of 2020 in the amount of PLN 26,626 thousand for the penalty imposed on the Bank by the President of the Office of Competition and Consumer Protection (UOKiK) regarding the recognition of illegal provisions for foreign exchange spreads in loan agreements and a provision of PLN 9,827 thousand for an old option case of an exBGŻ customer
- Increase of costs due to created impairment allowances for other receivables by PLN 12,859 thousand.

Table 10. Other operating expenses

in PLN'000	12 months	12 months	change y/y	
	ended 31.12.2020	ended 31.12.2019	PLN'000	%
Loss on sale or liquidation of property, plant and equipment and intangible assets	(91,702)	(63,305)	(28,397)	44.9%
Created impairment allowances for other receivables	(12,859)	-	(12,859)	-
Provisions for litigation and claims and other liabilities	(101,864)	(79,234)	(22,630)	28.6%
Debt collection	(52,190)	(46,086)	(6,104)	13.2%
Donations made	(6,542)	(6,007)	(535)	8.9%
Costs of leasing operations	(20,522)	(20,476)	(46)	0.2%
Costs of compensations, penalties and fines	(13,700)	(16,907)	3,207	(19.0%)
Other operating expenses	(71,741)	(41,356)	(30,385)	73.5%
<b>Total other operating expenses</b>	<b>(371,120)</b>	<b>(273,371)</b>	<b>(97,749)</b>	<b>35.8%</b>



## 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 2020 was negative and amounted to PLN 601,499 thousand. Its negative impact on the Group's results was higher by PLN 159,609 thousand, or 36.1%, compared to 2019.

Considering the main operating segments<sup>1</sup>:

- the Retail and Business Banking segment recorded an increase in negative result by PLN 191,095 thousand
- SME Banking segment - decrease (improvement) by PLN 59,130 thousand
- Corporate Banking segment (including CIB) – increase in negative result by PLN 28,199 thousand.

The increase in the impairment losses is primarily related to the deterioration of the macroeconomic situation and negative forecasts for the economic situation in Poland and worldwide, due to the coronavirus pandemic.

The estimated impact of COVID-19 on the cost of risk in 2020 was PLN 236,498 thousand. This is mainly due to the change in macroeconomic scenarios following 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 risk parameters for selected customer types.

Additionally, PLN 62 million of provisions were set up for exposures with granted moratorium (including PLN 18 million for mortgage loans), which protect the Bank against problems with servicing loans after the expiry of moratoria.

In 2020, the Group concluded agreements on the sale of the retail, SME and corporate loans portfolio. The gross carrying amount of the portfolio sold was PLN 855,998 thousand, the amount of impairment losses created was PLN 772,442 thousand. The contractual sale price of the portfolios was set at PLN 125,924 thousand. The net impact on the Group's result from the sale of the portfolios amounted to PLN 42,368 thousand and is presented in the lines for the creation and release of impairment allowances for loans and advances.

In 2019, the Group concluded agreements on the sale of the retail, SME and corporate loans portfolio. The gross carrying amount of the portfolio sold was PLN 447,953 thousand, the amount of impairment losses created was PLN 358,972 thousand. The contractual sale price of the portfolios was set at PLN 114,396 thousand. The net impact on the Group's result from the sale of the portfolios amounted to PLN 25,414 thousand and is presented in the lines for the creation and release of impairment allowances for loans and advances.

The cost of credit risk, expressed as the ratio of net result on impairment allowances to the average balance of gross loans and advances to customers measured at amortised cost (calculated on a quarter-end basis), was 0.78% in 2020 and increased by 19 bps compared to 2019 (0.59%). Excluding the negative impact of the coronavirus pandemic, the cost of credit risk in 2020 is estimated to be 0.47%. The cost of credit risk excluding debt sales would be 0.83% in 2020 and 0.62% in 2019.

<sup>1</sup> Information based on the segmentation note included in the Consolidated Annual Report of the BNP Paribas Bank Polska S.A. Group for the 12-month period ended 31 December 2020.





## General administrative expenses, depreciation and amortization

General administrative expenses (including depreciation) of the BNP Paribas Bank Polska Group for 2020 amounted to PLN 2,505,563 thousand and were lower by PLN 416,521 thousand or 14.3% compared to 2019.

**Table 11. General administrative expenses, depreciation and amortization**

in PLN'000	12 months	12 months	change y/y	
	ended 31.12.2020	ended 31.12.2019	PLN'000	%
Personnel expenses	(1,183,050)	(1,368,777)	185,727	(13.6%)
Marketing	(86,364)	(146,983)	60,619	(41.2%)
IT and telecomm expenses	(203,152)	(288,778)	85,626	(29.7%)
Short-term lease and operating costs	(75,182)	(97,414)	22,232	(22.8%)
Other non-personnel expenses	(321,901)	(351,764)	29,863	(8.5%)
Business travels	(8,565)	(21,934)	13,369	(61.0%)
ATM and cash handling expenses	(25,410)	(7,016)	(18,394)	262.2%
Outsourcing costs related to leasing operations	(3,402)	(4,604)	1,202	(26.1%)
Contributions to Bank Guarantee Fund	(213,185)	(166,100)	(47,085)	28.3%
Polish Financial Supervision Authority fee	(10,705)	(14,567)	3,862	(26.5%)
Costs of Borrower's Support Fund	(6,689)	-	(6,689)	x
<b>Total general administrative expenses</b>	<b>(2,137,605)</b>	<b>(2,467,937)</b>	<b>330,332</b>	<b>(13.4%)</b>
Depreciation and amortization	(367,958)	(454,147)	86,189	(19.0%)
<b>Total expenses</b>	<b>(2,505,563)</b>	<b>(2,922,084)</b>	<b>416,521</b>	<b>(14.3%)</b>

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

Integration costs for 2020 reduced the Bank's costs by a total of PLN 15.3 million (of which PLN 5.0 million was recognised as a reduction of other operating expenses). Integration costs incurred in 2019 amounted to PLN 414.5 million (of which: PLN 389.9 million was included in general administrative expenses and depreciation and PLN 24.6 million in other operating expenses). Excluding integration costs in the periods under review, general administrative expenses, depreciation and amortisation incurred by the Group in 2020 would be lower by 0.6% y/y, i.e. by PLN 16.3 million.

The largest y/y decrease in costs by type (by PLN 185.7 million or 13.6%) occurred in the employee costs line item, which is mainly due to the reduction in the Group's headcount (by 1,200 FTEs compared to 2019), lower bonus allowances in H2 2020, lower overtime and training costs. In addition, an amount of PLN 18.6 million of restructuring provision related to the 2019-2020 redundancy process was released in 2020, resulting from the settlement of integration costs and bonuses related to the integration process. In Q4 2020, an employment restructuring provision of PLN 41.4 million was created in connection with the announcement of the redundancy process in 2021-2023 (referred to in the Employment Restructuring section of this Report). The Bank's costs related to the launch of Employee Capital Programmes at the end of 2019 were also higher. They amounted to PLN 12.7 million in 2020, compared to PLN 1.8 million in 2019 (excluding subsidiaries). Excluding integration costs in both periods analysed, employee costs would have decreased by PLN 76.7 million, or 6.0% y/y.

**Table 11a. Personnel expenses**

in PLN'000	12 months	12 months	change y/y	
	ended 31.12.2020	ended 31.12.2019	PLN'000	%
Payroll expenses	(930,159)	(1,124,367)	194,208	(17.3%)
Payroll charges	(171,333)	(185,938)	14,605	(7.9%)
Employee benefits	(35,569)	(30,283)	(5,286)	17.5%
Costs of restructuring provisions	(22,502)	(2,609)	(19,893)	762.5%
Costs of provision for future liabilities arising from unused annual leave and retirement benefits	(7,444)	(11,077)	3,633	(32.8%)
Appropriations to Social Benefits Fund	(14,454)	(12,808)	(1,646)	12.9%
Other	(1,589)	(1,695)	106	(6.3%)
<b>Total personnel expenses</b>	<b>(1,183,050)</b>	<b>(1,368,777)</b>	<b>185,727</b>	<b>(13.6%)</b>



A y/y reduction in the level of costs was also recorded in the following categories:

- IT and telecommunications costs by PLN 85.6 million - mainly due to the integration of IT infrastructure and systems following the operational merger completed in November 2019;
- marketing costs by PLN 60.6 million - affected, on the one hand, by the rebranding and reimagining campaign carried out in 2019, related to the change of the Bank's name (at a cost of PLN 25.2 million), and, on the other hand, by restrictions on marketing activities (including the organisation of events and meetings) in 2020 due to the COVID-19 pandemic;
- other material costs by PLN 29.9 million - the decrease of costs mainly related to outsourcing of services (by PLN 37.3 million), which was mainly connected with the operational merger. Decrease of costs occurred also in the following items: consulting services (by PLN 10.8 million), costs of car fleet (by PLN 7.8 million), costs of meetings (by PLN 5.1 million), office materials (by PLN 4.3 million). The increase concerned the costs of settlements with related parties (by PLN 12.9 million), expenses related to COVID-19 pandemic (protective measures) - PLN 8.6 million (without the costs of additional cleaning and IT service costs, which amounted to PLN 4.5 million), creation of a provision in the amount of PLN 4.0 million for costs related to "remote work". In the subsidiaries other costs increased by PLN 11.6 million;
- costs of short-term leasing and operation by PLN 22.2 million - following the process of optimisation of the branch network and renegotiation of rents;
- business travel by PLN 13.4 million - in connection with the COVID-19 pandemic, travel was reduced, influenced among others by hotel closures, remote work and organisation of meetings via electronic communication tools.

The Group's costs in 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 1,600 million of contributions to the Bank Restructuring Fund for 2020 against PLN 2,000 million 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 in 2020 amounted to PLN 213.2 million and were PLN 47.1 million higher than in the corresponding period of previous year:

- annual contribution to the mandatory bank restructuring fund in 2020 amounted to PLN 126.0 million (in 2019 it was PLN 116.1 million),
- the contribution to bank guarantee fund amounted to PLN 87.2 million in 2020 (in 2019 amounted to PLN 50.0 million).

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

- costs of ATMs and ATM services (increase by PLN 18.4 million), which is related to a change in the presentation (in 2019, these costs were recorded as other operating expenses),
- costs of the Borrowers' Support Fund - creating a provision in the second half of this year in the amount of PLN 6.7 million (provision created in the first half of 2020 has been released in accordance with the information received from BGK)

**Depreciation and amortisation expenses** of the BNP Paribas Bank Polska S.A. Capital Group amounted to PLN 368.0 million in 2020, a decrease of PLN 86.2 million compared to 2019. This decrease was mainly due to 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 from investments made in 2018-2019. In 2019, the cost of accruing accelerated depreciation of systems in connection with bank merger processes amounted to PLN 105.1 million. Depreciation costs in Group subsidiaries remained at a comparable y/y level.

**The Bank's capital expenditures** in 2020 amounted to PLN 388.4 million, compared to PLN 482.2 million in 2019. Projects related to the development of systems, infrastructure and IT equipment had a dominant share in the structure of expenditures. The amount of capital expenditures is adjusted to the current needs and capabilities of the Bank and the Group. All projects are analyzed from the point of view of rationality and impact on the financial and business situation of the Bank and the Group.



## 6.2. Statement of comprehensive income

The Group's 2020 comprehensive income amounted to PLN 863,677 thousand and was PLN 264,911 thousand (or 44.2%) higher than in 2019.

The recorded increase was mainly due to an improvement of PLN 182,153 thousand in the valuation of financial assets (positive impact of PLN 163,408 thousand on 2020 comprehensive income, compared to a negative impact of PLN 18,745 thousand in 2019). The positive impact was also due to the increase in net profit y/y by PLN 118,401 thousand (i.e. by 19.3%).

Table 12. Statement of comprehensive income

in PLN '000	12 months ended 31.12.2020	12 months ended 31.12.2019	change y/y	
			PLN'000	%
<b>Net profit for the period</b>	<b>733,095</b>	<b>614,694</b>	<b>118,401</b>	<b>19.3%</b>
<b>Other comprehensive income</b>				
<b>Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions</b>	<b>132,361</b>	<b>(15,183)</b>	<b>147,544</b>	<b>(971.8%)</b>
Mark-to-market of assets measured at fair value through other comprehensive income	163,408	(18,745)	182,153	(971.7%)
Deferred tax	(31,047)	3,562	(34,609)	(971.6%)
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>(1,779)</b>	<b>(745)</b>	<b>(1,034)</b>	<b>138.8%</b>
Actuary valuation of employee benefits	(2,196)	(924)	(1,272)	137.7%
Deferred tax	417	179	238	133.1%
<b>Other comprehensive income (net of tax)</b>	<b>130,582</b>	<b>(15,928)</b>	<b>146,510</b>	<b>(919.8%)</b>
<b>Total comprehensive income</b>	<b>863,677</b>	<b>598,766</b>	<b>264,911</b>	<b>44.2%</b>

## 6.3. Statement of financial position

### Assets

The Group's total assets as at the end of 2020 amounted to PLN 119,577,288 thousand and were higher by PLN 9,623,146 thousand, or 8.8%, compared to the end of 2019.

Table 13. Assets

in PLN'000	31.12.2020	31.12.2019	change	
			PLN'000	%
Cash and balances at Central Bank	3,421,877	4,658,171	(1,236,294)	(26.5%)
Amounts due from banks	774,722	679,308	95,414	14.0%
Derivative financial instruments	1,531,617	800,886	730,731	91.2%
Fair value adjustment of hedged item	531,793	228,120	303,673	133.1%
Loans and advances to customers measured at amortised cost	74,097,269	71,836,643	2,260,626	3.1%
Loans and advances to customers measured at fair value through profit or loss	1,539,848	1,974,396	(434,548)	(22.0%)
Debt securities measured at amortised cost	23,361,022	17,916,645	5,444,377	30.4%
Financial instruments measured at fair value through profit or loss	371,900	241,754	130,146	53.8%
Debt securities measured at fair value through other comprehensive income	10,228,560	7,953,358	2,275,202	28.6%
Investment real estate	0	56,577	(56,577)	(100.0%)
Intangible assets	651,608	519,945	131,663	25.3%
Property, plant and equipment	1,479,540	1,226,746	252,794	20.6%
Deferred tax assets	745,606	976,748	(231,142)	(23.7%)
Current tax assets	55,087	0	55,087	x
Other assets	786,839	884,845	(98,006)	(11.1%)
<b>Total assets</b>	<b>119,577,288</b>	<b>109,954,142</b>	<b>9,623,146</b>	<b>8.8%</b>



The most important change in the Group's asset structure compared to the end of 2019 was the increase in the share of the securities portfolio (+4.7 p.p.) with a simultaneous decrease in the share of the loan portfolio (the sum of portfolios measured at amortised cost and at fair value), which decreased by 3.9 p.p., and decrease in the share of cash and balances with the Central Bank by 1.4 p.p.

The structure of assets is dominated by loans and advances to customers (sum of portfolios measured at amortised cost and at fair value), which accounted for 63.3% of total assets at the end of 2020, compared to 67.1% at the end of 2019. The increase in the net volume of loans and advances amounted to PLN 1,826,078 thousand (+2.5%) and concerned the retail portfolio (+13.1%) with a decrease in the corporate portfolio (-4.4%). The increase in the value of the portfolio was influenced among other things by the depreciation of the PLN against the CHF, EUR and USD, related to the development of the coronavirus pandemic and its impact on the currency markets.

The second largest asset item was securities, which accounted for 28.4% of total assets at the end of 2020 (end of 2019: 23.7%). In 2020, their value increased by PLN 7,849,725 thousand, or 30.1%, primarily as a result of an increase in the portfolio of bonds issued by banks and bonds issued by other financial institutions (including BGK and PFR under programmes related to the so-called "anti-crisis shield").

Simultaneously with the above changes, there was a decrease in the share of cash and balances with the Central Bank from 4.2% to 2.9% (in value terms by PLN 1,236,294 thousand, i.e. by 26.5%) and an increase in the share of derivative financial instruments from 0.7% to 1.3% (increase by PLN 730,731 thousand, i.e. by 91.2%).

## Loan portfolio

### Structure and quality of loan portfolio

At the end of 2020, gross loans and advances to customers (sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 78,999,754 thousand and increased by PLN 1,818,338 thousand, or 2.4%, compared to the end of 2019.

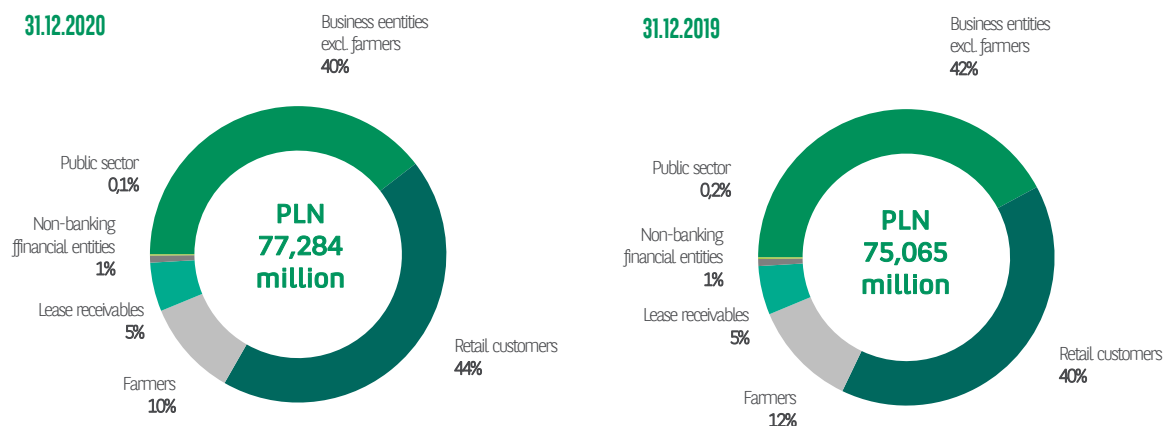
The gross portfolio of loans and advances measured at amortised cost in the analysed period amounted to PLN 77,284,074 thousand and increased by PLN 2,219,222 thousand, i.e. by 3.0% compared to the end of 2019.

**Table 14. Structure of loan portfolio measured at amortised cost**

in PLN '000	31.12.2020		31.12.2019	
	PLN'000	share %	PLN'000	share %
Business entities with the exception of farmers	30,554,320	39.5%	31,632,607	42.1%
Farmers	8,118,713	10.5%	8,732,840	11.6%
Retail customers	33,802,097	43.7%	29,997,525	40.0%
- mortgage loans	22,559,727	29.2%	18,526,757	24.7%
in PLN	17,687,284	22.9%	13,634,997	18.2%
in foreign currencies	4,872,443	6.3%	4,891,760	6.5%
- cash loans	7,312,444	9.5%	7,404,864	9.9%
- other retail loans	3,929,926	5.1%	4,065,904	5.4%
Lease receivables	4,112,460	5.3%	3,995,444	5.3%
Public sector	101,382	0.1%	129,915	0.2%
Other financial entities	595,102	0.8%	576,521	0.8%
<b>Gross loans and advances</b>	<b>77,284,074</b>	<b>100.0%</b>	<b>75,064,852</b>	<b>100.0%</b>



Chart 15. Gross loans and advances measured at amortised cost - structure



Gross loans and advances to retail customers at the end of 2020 amounted to PLN 33,802,097 thousand (an increase of PLN 3,804,572 thousand or 12.7% compared to the end of 2019). Their share in the loan portfolio measured at amortised cost in the analysed period was 43.7% (+3.8 p.p.). More than two-thirds (66.7%) of the credit exposure of individual customers are mortgage loans, which amounted to PLN 22,559,727 thousand at the end of 2020. In the structure of mortgage loans, 78.4% are loans granted in PLN, while 21.4% are loans granted in CHF (compared with the end of December 2019, the share of CHF decreased by 4.7 p.p.).

The gross portfolio of loans and advances to businesses (excluding farmers) amounted to PLN 30,554,320 thousand (down by PLN 1,078,287 thousand, or 3.4%, compared with the end of 2019). Their share in the analysed loan portfolio amounted to 39.5% at the end of 2020 and decreased by 2.6 p.p. compared to the end of 2019. Almost half of this portfolio (45.3%) are current account loans. From the second quarter of 2020, a reduction in the demand for credit from businesses and a decrease in the share of financing of a current nature became apparent (-5.3 p.p. compared to the end of 2019).

The volume of loans granted to individual farmers at the end of 2020 amounted to PLN 8,118,713 thousand, registering a decrease of 7.0%, compared to December 2019.

Lease receivables amounted to PLN 4,112,460 thousand (increase by 2.9% compared to the end of 2019). Their share in the loan portfolio measured at amortised cost in the analysed period was 5.3% (no change compared to the end of 2019).

The volume of loans granted to non-banking financial entities and budget sector institutions amounted to a total of PLN 696,484 thousand, remaining at a level similar to December 2019 (PLN 706,436 thousand).

The ratio of impaired exposures to gross loans and advances to customers measured at amortised cost amounted to 5.4% at the end of 2020 and decreased slightly (-0.3 p.p.) compared to the end of 2019.

Table 15. Quality of loan portfolio measured at amortised cost

in PLN '000	31.12.2020			31.12.2019		
	Gross total	of which: impaired	share %	Gross total	of which: impaired	share %
Business entities with the exception of farmers	31,250,804	1,711,016	5.5%	32,339,043	1,981,962	6.1%
Farmers	8,118,713	789,395	9.7%	8,732,840	768,651	8.8%
Retail customers	33,802,097	1,444,716	4.3%	29,997,525	1,332,616	4.4%
- mortgage loans	22,559,727	672,458	3.0%	18,526,757	523,852	2.8%
in PLN	17,687,284	275,967	1.6%	13,634,997	218,053	1.6%
in foreign currencies	4,872,443	396,490	8.1%	4,891,760	305,799	6.3%
- cash loans	7,312,444	595,880	8.1%	7,404,864	607,222	8.2%
- other retail loans	3,929,926	176,378	4.5%	4,065,904	201,542	5.0%
Lease receivables	4,112,460	204,124	5.0%	3,995,444	196,747	4.9%
<b>Gross loans and advances</b>	<b>77,284,074</b>	<b>4,149,251</b>	<b>5.4%</b>	<b>75,064,852</b>	<b>4,279,976</b>	<b>5.7%</b>



Table 16. Quality ratios of loan portfolio measured at amortised cost

in PLN '000	31.12.2020	31.12.2019	change	
			PLN'000	%
Total gross loans and advances to customers	77,284,074	75,064,852	2,219,222	3.0%
Impairment allowances	(3,186,805)	(3,228,209)	41,404	(1.3%)
<b>Total net loans and advances to customers</b>	<b>74,097,269</b>	<b>71,836,643</b>	<b>2,260,626</b>	<b>3.1%</b>
<b>Exposures without impairment triggers</b>				
Gross carrying value	73,134,823	70,784,875	2,349,947	3.3%
Impairment allowance	(1,099,866)	(943,899)	(155,967)	16.5%
<b>Net balance sheet exposure</b>	<b>72,034,957</b>	<b>69,840,976</b>	<b>2,193,980</b>	<b>3.1%</b>
<b>Impaired exposures (stage 3)</b>				
Gross carrying value	4,149,251	4,279,976	(130,725)	(3.1%)
Impairment allowance	(2,086,939)	(2,284,310)	197,371	(8.6%)
<b>Net balance sheet exposure</b>	<b>2,062,312</b>	<b>1,995,666</b>	<b>66,646</b>	<b>3.3%</b>

Ratios	31.12.2020	31.12.2019	change
Share of impaired exposures in gross portfolio	5.4%	5.7%	(0.3 p.p.)
Coverage with impairment allowances	50.3%	53.4%	(3.1 p.p.)

The value of collateral held for customer loans at the end of 2020 amounted to PLN 2,649,256 thousand. Detailed information on collateral held is included in Note 56.2. of the Consolidated Financial Statements of BNP Paribas Bank Polska S.A. Group for the 12-month period ended 31 December 2020.

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 December 2020, the value of bonds and loans amounted to PLN 1,390,318 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 31 December 2020 at net value of PLN 1,393,049 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 31 December 2020, the Group's total liabilities amounted to PLN 107,546,761 thousand and were PLN 8,752,002 thousand or 8.9% higher than at the end of 2019. The share of liabilities in the Group's total liabilities and equity was 89.9% in the analysed period (+0.1 p.p. compared to the end of 2019).

The biggest changes in the structure of liabilities in 2020 were a decrease in the share of liabilities to customers, as well as an increase in the share of items such as subordinated liabilities, liabilities to banks, fair value adjustments of hedged and hedging items and derivative financial instruments.

**Table 17. Liabilities and equity**

in PLN '000	31.12.2020	31.12.2019	change	
			PLN'000	%
Amounts due to Central Bank	84,675	-	84,675	-
Amounts due to banks	6,824,894	4,485,264	2,339,630	52.2%
Fair value adjustment of hedging instruments and hedged items	542,719	224,218	318,501	142.0%
Derivative financial instruments	1,521,148	815,637	705,511	86.5%
Amounts due to customers	90,051,004	86,134,984	3,916,020	4.5%
Securities issued	1,318,380	2,179,052	(860,672)	(39.5%)
Subordinated liabilities	4,306,539	1,882,064	2,424,475	128.8%
Lease liabilities	968,749	602,192	366,557	60.9%
Other liabilities	1,269,243	1,893,414	(624,171)	(33.0%)
Current income tax liabilities	-	38,338	(38,338)	(100.0%)
Deferred tax	-	8,533	(8,535)	(100.0%)
Provisions	659,410	531,061	128,349	24.2%
<b>Total liabilities</b>	<b>107,546,761</b>	<b>98,794,759</b>	<b>8,752,002</b>	<b>8.9%</b>
Share capital	147,419	147,419	-	-
Supplementary capital	9,110,976	9,110,976	-	-
Other reserve capital	2,208,982	1,572,757	636,225	40.5%
Revaluation reserve	255,833	125,251	130,582	104.3%
Retained earnings	307,317	202,980	104,337	51.4%
- previous years result	(425,778)	(411,714)	(14,064)	3.4%
- net profit for the period	733,095	614,694	118,401	19.3%
<b>Total equity</b>	<b>12,030,527</b>	<b>11,159,383</b>	<b>871,144</b>	<b>7.8%</b>
<b>Total liabilities and equity</b>	<b>119 577,288</b>	<b>109,954,142</b>	<b>9,623,146</b>	<b>8.8%</b>

The structure of liabilities is dominated by amounts due to customers. Their share at the end of 2020 amounted to 83.7% and decreased compared to the end of 2019 by 3.5 p.p. In value terms, the volume of these liabilities increased by PLN 3,916.020 thousand, i.e. by 4.5% compared to December 2019 and amounted to PLN 90,051.004 thousand. This increase took place despite the reduction of NBP interest rates almost to zero, resulting in lower interest rates on bank deposits.

Liabilities from the issue of debt securities also recorded a decrease in their share in total liabilities by 1.0 p.p. to 1.2%. Their value amounted to PLN 1,318,380 thousand and was by PLN 860,672 thousand lower compared to the end of 2019 (by 39.5%), as a result of the start of amortisation of the securitisation transaction from January 2020.

Compared to the end of 2019, the largest increase in the share of total liabilities was recorded for subordinated liabilities (+2.1 p.p., to 4%). At the end of 2020, they amounted to PLN 4,306,539 thousand (an increase of PLN 2,424,475 thousand, i.e. 128.8% mainly as a result of the non-revolving subordinated loan agreement concluded on 7 December 2020 with BNP Paribas S.A. in the amount of PLN 2,300,000 thousand).

Equity as at 31 December 2020 amounted to PLN 12,030,527 thousand and increased by 7.8% or PLN 871,144 thousand compared to 31 December 2019. The share of total equity in the Group's total liabilities and equity was at the end of 2020 10.1% (compared to 10.1% at the end of last year).





## Amounts due to customers

At the end of 2020, amounts due to customers amounted to PLN 90,051,004 thousand and were higher by PLN 3,916,020 thousand, i.e. by 4.5% compared to the end of 2019, despite the significant decrease in interest rates on bank deposits as a result of interest rate cuts to near zero.

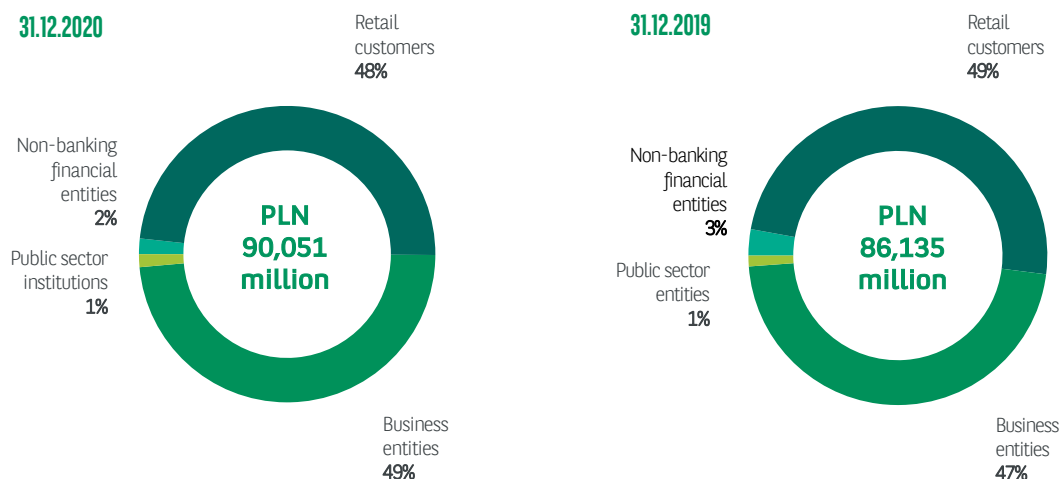
By entity, the increase was mainly in amounts due to business entities (balance at the end of 2020: PLN 43,677,506 thousand), the volume of which increased by PLN 3,338,720 thousand, or 8.3% compared to the balance at the end of 2019 (including mainly in current deposits, up by PLN 10,982,354 thousand, i.e. by 37.6%, with a decrease in term deposits). The share of this segment in the structure of total amounts due to customers increased to 48.5% compared to 46.8% at the end of December 2019.

An increase in volumes was also recorded in the case of retail customer deposits, which amounted to PLN 43,578,829 thousand at the end of 2020, up by PLN 1,228,371 thousand, or 2.9%, compared to the balance at the end of 2019. At the same time, the share of retail customer deposits in the structure of amounts due to customers decreased to 48.4% compared to 49.2% at the end of 2019.

A decrease was recorded in the case of deposits of non-banking financial entities (at the end of 2020 they amounted to PLN 1,528,698 thousand, i.e. by PLN 915,094 thousand or 37.6% less than at the end of 2019).

The volume of deposits of public sector institutions increased by PLN 264,023 thousand (i.e. by 26.4%), to PLN 1,265,971 thousand at the end of 2020.

Chart 16. Structure of amounts due to customers



The share of current accounts in the structure of total amounts due to customers was at the end of 2020 87.2%, recording an increase of 20.2 p.p. compared to the end of 2019. Funds deposited in current accounts amounted to PLN 78,495,305 thousand and increased by PLN 20,816,888 thousand, or 36.1%. This increase concerned all customer groups: business entities (+ PLN 10,982,354 thousand, i.e. by 37.6%), retail customers (+ PLN 8,551,216 thousand, i.e. by 31.4%), non-bank business entities (+ PLN 959,776 thousand, i.e. by 255.8%) and public sector institutions (+ PLN 323,542 thousand, i.e. by 41.1%)

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 11.1% and decreased by 20.2 p.p. compared to the end of 2019. In value terms, time deposits decreased by PLN 16,987,688 thousand or 62.1% compared to December 2019 and reached PLN 10,384,101 thousand. This decrease was mainly related to business entities and individual customers (by: PLN 7,613,148 thousand and PLN 7,426,320 thousand, respectively).

The share of other liabilities in the structure of liabilities to customers was 1.3% (unchanged compared to December 2019). Their volume amounted to PLN 1,171,598 thousand.



Table 18. Amounts due to customers by products

w tys. zł	31.12.2020		31.12.2019	
	PLN'000	share %	PLN'000	share %
Current accounts	78,495,305	87.2%	57,678,417	67.0%
Term deposits	10,384,101	11.5%	27,371,789	31.8%
Other liabilities	1,171,598	1.3%	1,084,778	1.3%
<b>Total amounts due to customers</b>	<b>90,051,004</b>	<b>100.0%</b>	<b>86,134,984</b>	<b>100.0%</b>

The territorial structure of amounts due to the Bank's customers at the end of 2020 by major regions, in a management view, is presented below.

share %	31.12.2020
Warszawa	28.4%
Poznań	15.9%
Katowice	13.4%
Lublin	13.4%
Gdańsk	12.9%
Kraków	9.4%
Others	6.6%

## Equity

As at the end of 2020, the Group's equity amounted to PLN 12,030,527 thousand and was by PLN 871,144 thousand or 7.8% 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 628,696 thousand, was allocated to reserve capital. In addition, the increase in equity was influenced by the improvement in the revaluation reserve (by PLN 130,582 thousand compared to the end of 2019).

## Contingent liabilities

The table below shows the value of the items of commitments given and received.

Table 19. Contingent liabilities

in PLN '000	31.12.2020	31.12.2019	change y/y PLN'000	%
<b>Granted contingent liabilities</b>	<b>38,053,674</b>	<b>31,087,503</b>	<b>6,966,171</b>	<b>22.4%</b>
Liabilities concerning financing	30,220,021	24,293,205	5,926,816	24.4%
Liabilities of guarantee nature	7,833,653	6,794,298	1,039,355	15.3%
<b>Received contingent liabilities</b>	<b>21,911,007</b>	<b>21,443,112</b>	<b>467,895</b>	<b>2.2%</b>
Liabilities concerning financing	13,037,589	12,127,379	910,210	7.5%
Liabilities of guarantee nature	8,873,418	9,315,733	(442,315)	(4.7%)

The amount of long-term liabilities granted as at 31.12.2020 amounts to PLN 15,903,598 thousand (31.12.2019 amounted to PLN 14,049,630 thousand), while long-term liabilities received as at 31.12.2020 amounted to PLN 20,249,636 thousand (31.12.2019 amounted to PLN 18,515,956 thousand).



## 6.4. Own funds and capital ratios

The Group's total capital ratio at 31 December 2020 amounted to 18.65%, an increase of 3.60 p.p. compared to December 2019. The Group's consolidated Common Equity Tier 1 (CET I) capital ratio and consolidated Tier 1 capital ratio at 31 December 2020 were identical and amounted to 13.55% (increase by 0.75 p.p. compared to the end of 2019).

Total own funds as at 31 December 2020 increased by PLN 3,155,073 thousand compared to 31 December 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, amounting to PLN 628,696 thousand, was allocated to reserve capital.

On 28 December 2020, the Bank received the decision of the Polish Financial Supervision Authority to approve the inclusion of subordinated loan in the amount of PLN 2.3 billion as an instrument in the Bank's Tier II capital. The subordinated loan agreement was signed by the Bank with BNP Paribas S.A. on 7 December 2020 to meet the minimum requirement of the level of own funds and eligible liabilities (MREL).

The total risk exposure as at 31 December 2020 amounted to PLN 84,447,701 thousand and increased by PLN 755,436 thousand 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 20. Own funds and capital ratios of the Group**

in PLN '000	31.12.2020	31.12.2019	change PLN'000	%
<b>Tier I capital</b>				
– 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	628,696	22.5%
– funds for general banking risk	627,154	627,154	0	0.0%
– intangible assets	(651,246)	(519,923)	(131,323)	25.3%
– other components of equity included in Tier I capital	637,271	402,252	235,019	58.4%
<b>Total Tier I capital</b>	<b>11,445,875</b>	<b>10,713,482</b>	<b>732,393</b>	<b>6.8%</b>
<b>Tier 2 capital</b>				
– subordinated liabilities classified as Tier II capital	4,302,575	1,879,895	2,422,680	128.9%
<b>Total own funds</b>	<b>15,748,450</b>	<b>12,593,377</b>	<b>3,155,073</b>	<b>25.1%</b>
<b>Risk exposure due to:</b>				
– credit risk	74,932,832	74,598,102	334,733	0.4%
– market risk	1,265,023	876,152	388,871	44.4%
– operational risk	8,142,632	7,941,509	201,123	2.5%
– CVA adjustment	107,211	276,502	(168,291)	(61.2%)
<b>Total risk exposure</b>	<b>84,447,701</b>	<b>83,692,265</b>	<b>755,436</b>	<b>0.9%</b>

Group's capital ratios	31.12.2020	31.12.2019	change
Total Capital Ratio (TCR)	18.65%	15.05%	3.60 pp
Tier I Capital Ratio	13.55%	12.80%	0.75 pp



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 in order to hedge the risk resulting from FX mortgage loans for households at the level of 0.36 p.p. higher than the Total Capital Ratio, 0.27 p.p. over the Tier I Capital Ratio and 0.20 p.p. higher than Common Equity Tier I Capital Ratio 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 at 31 December 2020, are as follows:

<b>Minimum levels of capital adequacy ratios of the Bank and Capital Group</b>		<b>31.12.2020</b>
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. 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 28 basis points as at the date of IFRS 9 implementation.

### **Minimum requirement for 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 liabilities and own funds ("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 met the defined MREL requirements at the end of 2020.



## 6.5. Financial ratios

The Group's return on equity (ROE) calculated excluding the impact of integration costs amounted to 6.2% and was 2.5 p.p. lower than in 2019. The return on assets (ROA) calculated in the same way amounted to 0.6% and decreased by 0.3 p.p. compared to 2019. The ratios calculated on the basis of reported volumes amounted to 6.3% and 0.6% respectively (increase by 0.6 p.p. and unchanged y/y). The decrease in the levels of return ratios is primarily the result of a significant increase in the cost of risk associated with the negative impact of the coronavirus pandemic on the economic situation and prospects of the Group's customers.

The Cost / Income ratio (excluding integration costs) stands at 53.5%, lower by 1.8 p.p. compared to 2019. The ratio calculated on a reported volumes basis was 53.3% (a level 10.9 p.p. lower compared to 2019, due to the significant integration costs incurred in 2019).

The presentation of ratios calculated on the basis of income statement categories excluding integration costs (understood as additional costs related to bank merger processes) is intended to provide additional information allowing a more adequate assessment of changes in the Group's financial position.

The net interest margin calculated in relation to average assets amounted to 2.6%, 0.3 p.p. lower than the level calculated for 2019. The deterioration in the realised interest margin is the result of the significant reduction in interest rates at the end of Q1 and in Q2 2020.

Changes in the values of the ratios representing the ratio of net and gross loans to deposits and funding sources reflect the improvement in the liquidity situation observed in 2020.

**Table 21. Financial ratios**

	31.12.2020	31.12.2019	31.12.2018	change 2020/2019
Return on equity <sup>(1)</sup>	6.2%*	8.7%*	6.5%*	(2.5 p.p.)
Return on assets <sup>(2)</sup>	0.6%*	0.9%*	0.6%*	(0.3 p.p.)
Net interest margin <sup>(3)</sup>	2.6%	2.9%	2.7%	(0.3 p.p.)
Cost / Income <sup>(4)</sup>	53.5%*	55.3%*	59.9%*	(1.8 p.p.)
Cost of credit risk <sup>(5)</sup>	(0.78%)	(0.59%)	(0.55%)*	(0.19 p.p.)
Net loans and advances / deposits <sup>(6)</sup>	84.0%	85.7%	84.2%	(1.7 p.p.)
Gross loans and advances / Total sources of funding <sup>(7)</sup>	79.2%	82.2%	81.3%	(3.0 p.p.)

\* Normalised values calculated excluding: integration costs (2020: positive value of PLN 15,336 thousand, 2019 - PLN 414,537 thousand, 2018 - PLN 265,804 thousand), allowance for expected credit losses in connection with the acquisition of RBPL's Core Business (2018 - PLN 238,897 thousand) and gain on bargain purchase of RBPL's Core Business (2018 - PLN 291,706 thousand). The impact of integration costs on net profit was estimated using an income tax rate of 19%. In the case of the "costs" category, the amount visible in the financial statements was reduced by the amount of integration costs recorded within general administrative expenses and depreciation. In the case of the "income" category, the income statement figures comprising the result on banking activities were adjusted by the integration costs recorded within other operating expenses. From 2020 onwards, provisions for proceedings relating to CHF mortgage loans are presented as a separate line apart from income, this change has been taken into account for 2019 and 2018.

(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. Due to the significant increase in total assets as at 31.10.2018 and the prospective recognition of the interest income of the acquired RBPL Core Business for the last two months of 2018 in the Bank's interest income - a weighted average number of days was used for the fourth quarter of 2018.

(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 net 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



## 7. Financial standing of BNP Paribas Bank Polska S.A.



### 7.1. Stand-alone statement of profit or loss

In 2020, the BNP Paribas Bank Polska S.A. generated a net profit of PLN 731,060 thousand, i.e. by PLN 102,364 thousand (by 16.3%) higher than one achieved in 2019.

The Bank's result on banking activity in the analysed period amounted to PLN 4,595,878 thousand and was higher y/y by PLN 145,075 thousand, i.e. by 3.3%.

The most important event affecting the level of net profit in 2020 and comparability of results with 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 Bank and its clients. The factors that had the greatest impact on the Bank'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%). These changes resulted in a decrease in market rates and a consequent decrease in the Bank's interest income, mitigated to some extent by the adjustment measures taken in the area of pricing policy. Net interest income in 2020 was PLN 116,621 thousand (by 3.7%) lower compared to 2019. In addition, 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 Bank's investment activities;
- disruption of business activities caused by sanitary restrictions introduced in Poland at the end of the first quarter and at the beginning of the fourth quarter of 2020, which negatively affected the economic situation and consequently led to the significant increase of the cost of risk almost due to additional impairment losses resulting from changes in macroeconomic scenarios following COVID-19. The result of impairment losses on financial assets and provisions for contingent liabilities in 2020 was negative and amounted to PLN 582,625 thousand, compared to PLN 409,298 thousand in 2019 (increase by PLN 173,327 thousand, i.e. by 42.3%).

The impact of COVID-19 on the cost of risk in 2020 is estimated to amount to PLN 226,667 thousand and is primarily due to the change in macroeconomic scenarios following COVID-19 (forward looking PD and LGD determined based on smoothed macro forecasts) and the Bank's assessment of the expected future impact of current economic conditions on risk parameters for selected customer types

- a significant reduction in activity and changes in the existing habits and behaviour of the Bank's customers, which adversely affected the scale of the business and consequently the level of the Bank's fee and commission income and trading profit

The factor that mitigated to some extent the negative impact of the coronavirus pandemic on the comparison of the Bank's financial results for 2020 to 2019 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. As a result, the results of 2020 were not affected by the negative impact of integration costs.

It is estimated that after excluding integration costs the net profit in 2020 would amount to PLN 718,638 thousand and would be by PLN 245,833 thousand (i.e. by 25.5%) lower than the one achieved in 2019 in the amount of PLN 964,471 thousand.

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





- results on the sale of debt instruments measured at fair value through other comprehensive income realised in Q1 and Q2 2020 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 2020 by the total amount of PLN 77,406 thousand (compared to the amount of PLN 3,809 thousand in 2019),
- improvement in the valuation of infrastructure companies (BIK, KIR, Mastercard and VISA Int.) in 2020 by PLN 91,791 thousand, presented as part of the result on trading activities. The total result on equity instruments measured at fair value through profit or loss amounted to PLN 102,340 thousand in 2020 (compared to PLN 18,120 thousand in 2019).

In addition, the comparability of results reported in 2020 and 2019 is influenced by the following factors:

- recognition (charging the results of 2020) of a provision for the legal risk relating to proceedings on CHF mortgage loans in the amount of PLN 168,156 thousand, an increase of PLN 136,043 thousand compared to 2019,
- the Bank incurred higher costs for the Bank Guarantee Fund ("BFG") in 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 2020, the total costs of the BFG incurred by the Bank amounted to PLN 213,185 thousand and were by PLN 47,085 thousand (i.e. by 28.3%) higher than 2019 costs,
- recognition (charging the results of 2020) of a restructuring provision to cover the costs related to group lay-offs announced in the fourth quarter of 2020, in the amount of PLN 41.4 million,
- recognition (charging the results of 2019) of provisions for proportional reimbursement of commissions in case of early repayment of the loan by the customer, in the total amount of PLN 69.6 million,
- recognition in the result from other operating income/costs in 2020 of the sale of the 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 an organised part of the Bank's enterprise conducting the factoring activity to BGŻ BNP Paribas Faktoring Sp. z o.o. (now BNP Paribas Faktoring Sp. z o.o.) and the recognition of PLN 42,435 thousand in the Bank's 2019 gross profit.

**Table 22. Statement of profit or loss**

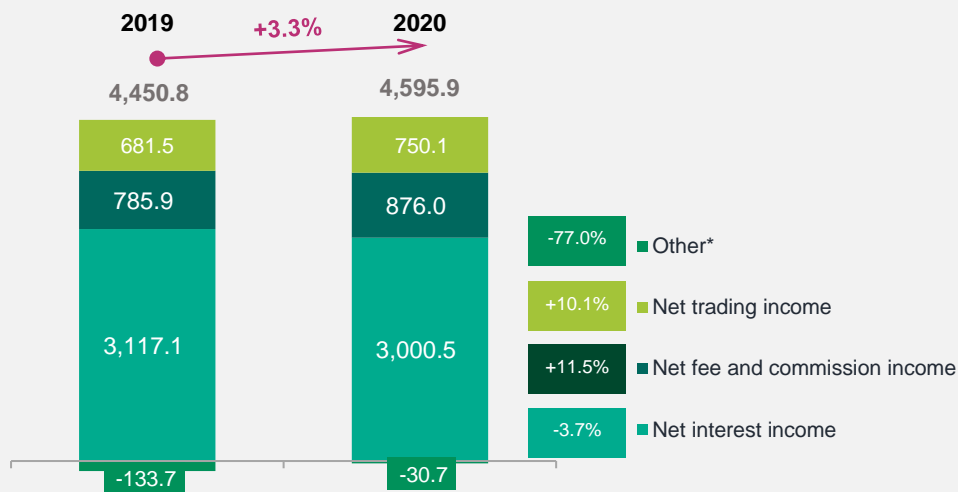
in PLN'000	12 months ended 31.12.2020	12 months ended 31.12.2019	change y/y	
			PLN'000	%
Net interest income	3,000,489	3,117,110	(116,621)	(3.7%)
Net fee and commission income	876,048	785,924	90,124	11.5%
Dividend income	22,699	25,988	(3,289)	(12.7%)
Net trading income	750,077	681,469	68,608	10.1%
Result on investment activities	15,129	(36,592)	51,721	(141.3%)
Result on fair value hedge accounting	(11,077)	(4,385)	(6,692)	152.6%
Other operating income and expenses	(57,487)	(118,711)	61,224	(51.6%)
<b>Net income on banking activity</b>	<b>4,595,878</b>	<b>4,450,803</b>	<b>145,075</b>	<b>3.3%</b>
Net impairment losses on financial assets and contingent liabilities	(582,625)	(409,298)	(173,327)	42.3%
Result on provisions for legal risk related to foreign currency loans	(168,156)	(32,113)	(136,043)	423.6%
General administrative expenses	(2,049,690)	(2,389,958)	340,268	(14.2%)
Depreciation and amortization	(366,159)	(452,403)	86,244	(19.1%)
<b>Operating result</b>	<b>1,429,248</b>	<b>1,167,031</b>	<b>262,217</b>	<b>22.5%</b>
Tax on financial institutions	(318,909)	(281,189)	(37,720)	13.4%
<b>Gross profit</b>	<b>1,110,339</b>	<b>885,842</b>	<b>224,497</b>	<b>25.3%</b>
Income tax expenses	(379,279)	(257,146)	(122,133)	47.5%
<b>Net profit</b>	<b>731,060</b>	<b>628,696</b>	<b>102,364</b>	<b>16.3%</b>
<b>Net profit excluding integration costs*</b>	<b>718,638</b>	<b>964,471</b>	<b>(245,833)</b>	<b>(25.5%)</b>

\* Integration costs: 2020: positive amount of PLN 15.3 million (positive amount of PLN 10.3 million in operating costs and positive amount of PLN 5.0 million in other operating expenses), 2019: PLN 414.5 million (PLN 389.9 million in operating costs and PLN 24.6 million in other operating expenses). Note: As the figures have been rounded up, the totals in the tables and charts of this Report may not add up



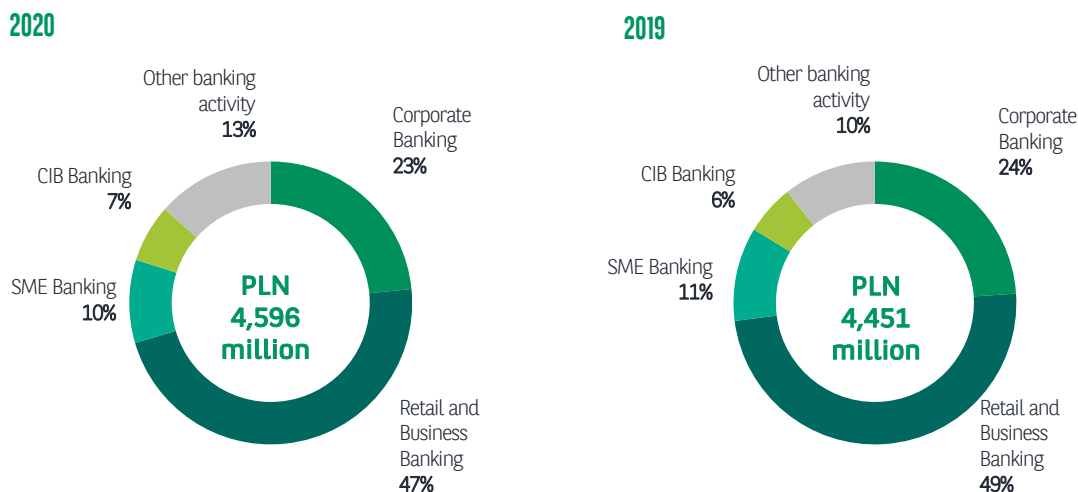


**Chart 17. Structure of net income on banking activity in PLN million**



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

**Chart 18. 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.a. 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 Bank's income, amounted for the 12 months of 2020 to PLN 3,000,489 thousand and was lower y/y by PLN 116,621 thousand or 3.7%.



Table 23. Net interest income

in PLN '000	12 months ended	12 months ended	change y/y	
	31.12.2020	31.12.2019	PLN'000	%
Loans and advances to banks	6,440	23,105	(16,665)	(72.1%)
Loans and advances to clients measured at amortized cost	2,531,705	3,150,532	(618,827)	(19.6%)
Loans and advances to clients measured at fair value through profit or loss	20,161	63,924	(43,763)	(68.5%)
Debt instruments measured at amortized cost	535,678	445,823	89,855	20.2%
Debt instruments measured at fair value through profit or loss	4,311	931	3,380	363.1%
Debt instruments measured at fair value through other comprehensive income	192,129	215,945	(23,816)	(11.0%)
Derivative instruments in fair value hedge accounting	176,659	153,560	23,099	15.0%
Buy-sell-back securities	18	24	(6)	(25.0%)
<b>Interest income</b>	<b>3,467,101</b>	<b>4,053,844</b>	<b>(586,743)</b>	<b>(14.5%)</b>
Amounts due to banks	(37,013)	(43,902)	6,889	(15.7%)
Debt securities issued	-	-	-	-
Amounts due to customers	(317,154)	(739,838)	422,684	(57.1%)
Lease liabilities	(6,671)	(8,651)	1,980	(22.9%)
Derivative instruments in fair value hedge accounting	(99,538)	(118,763)	19,225	(16.2%)
Sell-buy-back securities	(6,236)	(25,580)	19,344	(75.6%)
<b>Interest expenses</b>	<b>(466,612)</b>	<b>(936,734)</b>	<b>470,122</b>	<b>(50.2%)</b>
<b>Net interest income</b>	<b>3,000,489</b>	<b>3,117,110</b>	<b>(116,621)</b>	<b>(3.7%)</b>

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 material impact on the result of the first quarter of 2020 (the first of them came into force as of 18 March) but - due to their scale - they influenced the interest result in the following quarters of 2020. The decrease in market interest rates translated directly into lower profitability of credit products, which was particularly visible in Q2 and Q3 2020. As a result of the Bank's pricing policy changes, this trend was reversed in the last quarter of 2020.

An additional factor affecting the reduction of interest income in 2020 as compared to 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 2020, the positive impact of this settlement was PLN 40,299 thousand (of which in the first quarter of 2020: PLN 13,431 thousand, in the second quarter of 2020: PLN 11,666 thousand, in the third quarter of 2020: PLN 9,439 thousand and in the fourth quarter of 2020: PLN 5,764 thousand), while in 2019, it was PLN 96,885 thousand (decrease in revenue by PLN 56,586 thousand y/y).

Interest income in 2020 was also negatively impacted by commission refunds on early repayments of customer loans made after 11 September 2019 (CJEU judgment) in the amount of PLN 39.6 million compared to PLN 18.6 million in 2019 (in Q4 2020: PLN 10.6 million, in Q3: PLN 4.9 million, in Q2: PLN 12.2 million, in Q1: 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 2020 were lower than in 2019.

The level of interest income was positively affected by the optimisation of financing costs carried out primarily in Q2 and Q3 2020. The adjustment of deposit prices to the changed market environment allowed the decline in interest income on credit products to be partially neutralised.

Among the factors that had a positive impact on the level of interest income in 2020, one should also mention the increase in the scale of operations and, consequently, the increase in the average value of the loan portfolio and the securities portfolio (interest income from debt instruments measured at amortised cost and at fair value increased in the analysed period by a total of PLN 69,419 thousand, i.e. by 10.5%).



As at the end of 2020 the Bank 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 (the sum of interest income and interest expense on derivatives under fair value hedge accounting) amounted in 2020 to PLN 77,121 thousand compared to PLN 34,797 thousand in 2019 (an increase of PLN 42,324 thousand, or 121.6%).

## Net fee and commission income

The Bank's net fee and commission income in 2020 amounted to PLN 876,048 thousand and was by PLN 90,124 thousand (i.e. by 11.5%) higher than that recorded in 2019.

Fee and commission income amounted to PLN 1,098,017 thousand and was higher by PLN 83,951 thousand (i.e. by 8.3%) compared to 2019, while commission expenses amounted to PLN 221,969 thousand and were lower by PLN 6,173 thousand (i.e. by 2.7%) y/y.

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

- account services by PLN 58,056 thousand, i.e. by 37.5% (i.a. due to the introduction of fees on high balances in corporate accounts and as a result of higher commissions on Internet banking and cash management)
- lending and leasing activities by PLN 41,144 thousand, i.e. by 15.7% (due to the settlement in Q3 and Q4 2020 of commissions on large CIB transactions and higher commissions on unused commitments from corporates than in 2019)
- intermediation in the sale of insurance products by PLN 40,940 thousand, i.e. by 81.0% (i.a. due to higher income from life insurance on mortgage loans and higher profit sharing from Cardif),
- other commissions by PLN 8,940 thousand i.e. by 59.1%.

The decrease in revenue for the execution of transfers and e-banking services (by PLN 26,244 thousand, i.e. 25.8%) was related, among other things, to new European regulations on the level of commission on international transfers (SEPA, December 2019).

The decrease in revenues from payment and credit cards (by PLN 15,603 thousand, i.e. by 7.2%) was related, among other things, to the change in the presentation of revenues from exchange rate differences on card transactions (from November 2019, exchange rate differences on card transactions with currency conversion are presented in net trading income). At the same time, there was an increase in commissions resulting from the expansion of cashless transactions (use of cards in online transactions and a decrease in commission costs related to ATM transactions). Overall, net commissions from payment and credit cards remained at the level similar to 2019.

The decrease in fee and commission expenses was mainly due to a lower cost of:

- payment and credit cards services by PLN 14,759 thousand i.e. 12.4% (i.a. due to a decrease in costs paid to external operators in connection with ATM transactions)
- lending and leasing activities by PLN 2,310 thousand, i.e. by 87.3%,
- cash handling by PLN 2,253 thousand i.e. by 14.5%.
- for execution of cash transfers and electronic banking services by PLN 2,211 thousand i.e. by 48.4%.

At the same time, an increase in commission expenses was recorded in 2020 due to:

- account services by PLN 5,086 thousand, i.e. by 105.3% due to an increase in the cost of maintenance of nostro accounts in USD and EUR
- intermediation in the sale of insurance products by PLN 5,035 thousand, i.e. by 33.6%.



Table 24. Net fee and commission income

in PLN '000	12 months ended 31.12.2020	12 months ended 31.12.2019	change y/y	
			PLN'000	%
<b>Fee and commission income</b>				
loans, advances and leases	302,469	261,325	41,144	15.7%
accounts servicing	212,692	154,636	58,056	37.5%
cash service	31,491	39,742	(8,251)	(20.8%)
cash transfers and e-banking	75,633	101,877	(26,244)	(25.8%)
guarantees and documentary operations	50,320	57,625	(7,305)	(12.7%)
asset management and brokerage services	95,858	88,219	7,639	8.7%
payment and credit cards	201,104	216,707	(15,603)	(7.2%)
intermediation in the sale of insurance products	91,455	50,515	40,940	81.0%
intermediation in the sale of Bank's products and acquisition of customers	12,937	28,302	(15,365)	(54.3%)
other commissions	24,058	15,118	8,940	59.1%
<b>Fee and commission income</b>	<b>1,098,017</b>	<b>1,014,066</b>	<b>83,951</b>	<b>8.3%</b>
<b>Fee and commission expenses</b>				
loans, advances and leases	(337)	(2,647)	2,310	(87.3%)
accounts servicing	(9,914)	(4,828)	(5,086)	105.3%
cash service	(13,329)	(15,582)	2,253	(14.5%)
cash transfers and e-banking	(2,354)	(4,565)	2,211	(48.4%)
asset management and brokerage operations	(5,121)	(5,765)	644	(11.2%)
payment and credit cards	(104,474)	(119,233)	14,759	(12.4%)
intermediation in the sale of insurance products	(20,007)	(14,972)	(5,035)	33.6%
intermediation in the sale of Bank's products and acquisition of customers	(27,099)	(29,044)	1,945	(6.7%)
other commissions	(39,334)	(31,506)	(7,828)	24.8%
<b>Fee and commission expenses</b>	<b>(221,969)</b>	<b>(228,142)</b>	<b>6,173</b>	<b>(2.7%)</b>
<b>Net fee and commission income</b>	<b>876,048</b>	<b>785,924</b>	<b>90,124</b>	<b>11.5%</b>

## Dividend income

Dividend income in 2020 amounted to PLN 22,699 thousand and resulted from the 2019 profits of companies, in which the Bank held minority shares, i.e: Biuro Informacji Kredytowej S.A. (PLN 5,048 thousand), PONAR S.A. (PLN 1,563 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,382 thousand), CCCiG Group (PLN 1,302 thousand), ASPROAD SA (PLN 160 thousand), Dafo Plastic S.A. (PLN 115 thousand) and Mastercard (PLN 100 thousand) as well as subsidiaries: BNP Paribas Group Services Center S.A. (PLN 13,030 thousand).

Dividend income in 2019 amounted in total to PLN 25,988 thousand and resulted from the 2018 profits of companies, in which the Bank held minority shares, i.e: Biuro Informacji Kredytowej S.A. (PLN 4,221.0 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,179.4 thousand), VISA (PLN 377.2 thousand) and CCIG Group Sp. z o.o. (PLN 229.8 thousand) as well as profit of subsidiaries: BNP Paribas Group Services Center S.A. (PLN 19,980.7 thousand).

## Net trading income and net investment income

**The result on trading activity** in 2020 amounted to PLN 750,077 thousand and was higher by PLN 68,608 thousand, i.e. by 10.1% y/y. The level and volatility of this result are mainly determined by the valuation of equity instruments and the FX result.

The factor positively affecting the level of the trading result in 2020 was the 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 102,340 thousand (compared to PLN 18,120 thousand in 2019).



The above amount consisted primarily of the change in the valuation of shares in: BIK S.A. (PLN 36,061 thousand), Visa Intl. (PLN 34,053 thousand), Mastercard (PLN 12,687 thousand), KIR S.A. (PLN 8,990 thousand).

The increase in valuation allowed to neutralise the decrease in the result on derivatives and the result on FX operations, which amounted in 2020 to PLN 640,484 thousand and was lower by PLN 19,768 thousand, i.e. by 3.0%, compared to the result generated in 2019. This decrease was influenced, among other things, by the reduction in business activity as a result of the freeze on the economy under the sanitary restrictions introduced in connection with the COVID-19 pandemic.

**Result on investment activity** in 2020 amounted to PLN 15,129 thousand and was higher by PLN 51,721 thousand than the loss in the amount of PLN 36,592 thousand incurred in 2019.

The item determining the level of the result in 2020 was the results from the sale of debt instruments in the amount of PLN 77,406 thousand, realised mainly in Q1 and Q2 (PLN 26,620 thousand and PLN 47,813 thousand, respectively). The results from the sale of debt instruments in 2019 amounted to PLN 3,809 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 in 2020 PLN -48,330 thousand (compared to a negative impact of PLN -35,654 thousand in 2019).

The factor negatively affecting the valuation of the portfolio in H1 2020 was, i.a. the fall in the yield curve as a result of the significant cuts in NBP interest rates made by the Monetary Policy Council in 2020. This impact is estimated to have amounted to approximately PLN 25.9 million in March, and approximately PLN 12.1 million in May 2020.

## Other operating income

Other operating income in 2020 amounted to PLN 271,291 thousand and was higher by PLN 112,374 thousand or 70.7% compared to 2019.

The comparison of revenues realised in the analysed periods was mainly influenced by the settlement and accounting treatment of the sale of the property of the Bank's Head Office at Kasprzaka Street in Warsaw in 2020. The total result on this operation amounted to PLN 43,564 thousand (gross) and was presented within other operating income (in the item Income from sale or liquidation of property, plant and equipment and intangible assets, in the amount of PLN 110,848 thousand) and within other operating expenses (in the items: Loss on sale or liquidation of property, plant and equipment and intangible assets, in the amount of PLN 64,371 thousand and Other expenses, in the amount of PLN 2,914 thousand).

In 2019, as part of other operating income (under: Other operating income), the amount of PLN 42,435 thousand was recognised due to the sale of the organised part of the Bank's enterprise conducting factoring activities to BGŻ BNP Paribas Faktoring Sp. z o.o., completed on 28 June 2019.

**Table 25. Other operating income**

in PLN '000	12 months ended 31.12.2020	12 months ended 31.12.2019	change y/y	
			PLN'000	%
Sale or liquidation of property, plant and equipment and intangible assets	131,445	20,954	110,491	527.3%
Release of impairment allowances for other receivables	10,908	-	10,908	-
Sale of goods and services	-	533	(533)	(100.0%)
Release of provisions for litigation and claims and other liabilities	51,540	12,277	39,263	319.8%
Recovery of debt collection costs	23,981	17,797	6,184	34.7%
Recovered indemnities	1,027	2,642	(1,615)	(61.1%)
Leasing operations	13,385	16,915	(3,530)	(20.9%)
Other operating income	39,005	87,799	(48,794)	(55.6%)
<b>Total other operating income</b>	<b>271,291</b>	<b>158,917</b>	<b>112,374</b>	<b>70.7%</b>

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

- Increase of income from release of provisions for litigation and other liabilities by PLN 39,263 thousand i.e. by 319.8%,
- Increase of income due to release of impairment allowances for other receivables by PLN 10,908 thousand,
- Increase of income from recovery of debt recovery costs by PLN 6,184 thousand, i.e. by 34.7%.



## Other operating expenses

Other operating expenses in 2020 amounted to PLN 328,778 thousand and were higher by PLN 51,150 thousand (or 18.4%) compared to 2019, mainly as a result of:

- increase of loss on sale or liquidation of property, plant and equipment and intangible assets by PLN 28,204 thousand, i.e. by 44.6%, among others due to recognition in this item of the amount of PLN 64,371 thousand being a part of the settlement of sale of property of the Bank's Head Office in Warsaw, Kasprzaka Street, made in the 1st quarter of 2020
- an increase in the cost of provisions for litigation and other liabilities by PLN 22,508 thousand, i.e. by 28.4%, due to, i.a., the creation of a provision in the third quarter of 2020 in the amount of PLN 26,626 thousand for the penalty imposed on the Bank by the President of the Office of Competition and Consumer Protection (UOKiK) regarding the recognition of illegal provisions for foreign exchange spreads in loan agreements,
- an increase in costs due to created allowances for other receivables by PLN 12,528 thousand.
- with simultaneous decrease in other operating expenses category by PLN 13,911 thousand, i.e. by 27.8%.

Table 26. Other operating expenses

in PLN '000	12 months ended 31.12.2020	12 months ended 31.12.2019	change y/y	
			PLN'000	%
Loss on sale or liquidation of property, plant and equipment and intangible assets	(91,509)	(63,305)	(28,204)	44.6%
Created impairment allowances for other receivables	(12,528)	-	(12,528)	-
Provisions for litigation and claims and other liabilities	(101,742)	(79,234)	(22,508)	28.4%
Debt collection	(50,932)	(45,371)	(5,561)	12.3%
Donations made	(6,535)	(5,861)	(674)	11.5%
Costs of leasing operations	(15,794)	(16,977)	1,183	(7.0%)
Costs of compensations, penalties and fines	(13,667)	(16,898)	3,231	(19.1%)
Other operating expenses	(36,071)	(49,982)	13,911	(27.8%)
<b>Total other operating expenses</b>	<b>(328,778)</b>	<b>(277,628)</b>	<b>(51,150)</b>	<b>18.4%</b>

## 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 2020 was negative and amounted to PLN 582,625 thousand. Its negative impact on the Bank's results was higher by PLN 173,327 thousand, or 42.3%, compared to 2019.

Considering the main operating segments<sup>2</sup>:

- the Retail and Business Banking segment recorded an increase in negative result by PLN 182,832 thousand
- SME Banking segment - decrease (improvement) by PLN 42,737 thousand
- Corporate Banking segment (including CIB) – increase in negative result by PLN 34,732 thousand.

The increase in the impairment losses is primarily related to the deterioration of the macroeconomic situation and negative forecasts for the economic situation in Poland and worldwide, due to the coronavirus pandemic.

<sup>2</sup>Information based on the segmentation note included in the Annual Report of the BNP Paribas Bank Polska S.A. for the 12-month period ended 31 December 2020.





The estimated impact of COVID-19 on the cost of risk in 2020 was PLN 226 667 thousand. This is mainly due to the change in macroeconomic scenarios following 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 risk parameters for selected customer types.

Additionally, PLN 62 million of provisions were set up for exposures with granted moratorium (including PLN 18 million for mortgage loans), which protect the Bank against problems with servicing loans after the expiry of moratoria.

In 2020, the Bank concluded agreements on the sale of the retail, SME and corporate loans portfolio. The gross carrying amount of the portfolio sold was PLN 855,998 thousand, the amount of impairment losses created was PLN 772,442 thousand. The contractual sale price of the portfolios was set at PLN 125,924 thousand. The net impact on the Bank's result from the sale of the portfolios amounted to PLN 42,368 thousand and is presented in the lines for the creation and release of impairment allowances for loans and advances.

In 2019, the Bank concluded agreements on the sale of the retail, SME and corporate loans portfolio. The gross carrying amount of the portfolio sold was PLN 447,953 thousand, the amount of impairment losses created was PLN 358,972 thousand. The contractual sale price of the portfolios was set at PLN 114,396 thousand. The net impact on the Bank's result from the sale of the portfolios amounted to PLN 25,414 thousand and is presented in the lines for the creation and release of impairment allowances for loans and advances.

The cost of credit risk, expressed as the ratio of net result on impairment allowances to the average balance of gross loans and advances to customers measured at amortised cost (calculated on a quarter-end basis), was 0.79% in 2020 and increased by 22 bps compared to 2019 (0.57%). Excluding the negative impact of the coronavirus pandemic, the cost of credit risk in 2020 is estimated to be 0.47%. The cost of credit risk excluding debt sales would be 0.85% in 2020 and 0.60% in 2019.

## General administrative expenses, depreciation and amortization

General administrative expenses (including depreciation) of the Bank for 2020 amounted to PLN 2,415,849 thousand and were lower by PLN 426,512 thousand or 15.0% compared to 2019.

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

**Table 27. General administrative expenses, depreciation and amortization**

in PLN '000	12 months ended	12 months ended	change y/y	
	31.12.2020	31.12.2019	PLN'000	%
Personnel expenses	(1,149,228)	(1,329,986)	180,758	(13.6%)
Marketing	(85,886)	(146,615)	60,729	(41.4%)
IT and telecomm expenses	(197,018)	(286,343)	89,325	(31.2%)
Short-term lease and operating costs	(74,535)	(96,443)	21,908	(22.7%)
Other non-personnel expenses	(275,426)	(316,910)	41,484	(13.1%)
Business travels	(8,496)	(21,461)	12,965	(60.4%)
ATM and cash handling expenses	(25,410)	(7,016)	(18,394)	262.2%
Outsourcing costs related to leasing operations	(3,402)	(4,604)	1,202	(26.1%)
Costs of Borrowers' Support Fund	(6,689)	-	(6,689)	-
Contributions to Bank Guarantee Fund	(213,185)	(166,100)	(47,085)	28.3%
Polish Financial Supervision Authority fee	(10,415)	(14,480)	4,065	(28.1%)
<b>Total general administrative expenses</b>	<b>(2,049,690)</b>	<b>(2,389,958)</b>	<b>340,268</b>	<b>(14.2%)</b>
Depreciation and amortization	(366,159)	(452,403)	86,244	(19.1%)
<b>Total expenses</b>	<b>(2,415,849)</b>	<b>(2,842,361)</b>	<b>426,512</b>	<b>(15.0%)</b>

Integration costs for 2020 reduced the Bank's costs by a total of PLN 15.3 million (of which PLN 5.0 million was recognised as a reduction of other operating expenses). Integration costs incurred in 2019 amounted to PLN 414.5 million (of which: PLN 389.9 million was included in general administrative expenses and depreciation and PLN 24.6 million in other operating expenses). Excluding integration costs in the periods under review, general



administrative expenses, depreciation and amortisation incurred by the Bank in 2020 would be lower by 1.1% y/y, i.e. by PLN 26.3 million.

The largest y/y decrease in costs by type (by PLN 180.8 million or 13.6%) occurred in the employee costs line item, which is mainly due to the reduction in the Bank's headcount (by 1,054 FTEs compared to 2019), lower bonus allowances in H2 2020, lower overtime and training costs. In addition, an amount of PLN 18.6 million of restructuring provision related to the 2019-2020 redundancy process was released in 2020, resulting from the settlement of integration costs and bonuses related to the integration process. In Q4 2020, an employment restructuring provision of PLN 41.4 million was created in connection with the announcement of the redundancy process in 2021-2023 (referred to in the Employment Restructuring section of this Report). The Bank's costs related to the launch of Employee Capital Programmes at the end of 2019 were also higher. They amounted to PLN 12.7 million in 2020, compared to PLN 1.8 million in 2019 (excluding subsidiaries). Excluding integration costs in both periods analysed, employee costs would have decreased by PLN 71.7 million, or 5.8% y/y.

**Table 27a. Personnel expenses**

in PLN '000	12 months ended	12 months ended	change y/y	
	31.12.2020	31.12.2019	PLN'000	%
Payroll expenses	(902,259)	(1,093,439)	191,180	(17.5%)
Payroll charges	(167,046)	(180,961)	13,915	(7.7%)
Employee benefits	(34,901)	(29,552)	(5,349)	18.1%
Costs of restructuring provisions	(22,314)	(1,760)	(20,554)	1,167.8%
Costs of provision for future liabilities arising from unused annual leave and retirement benefits	(6,756)	(10,135)	3,379	(33.3%)
Appropriations to Social Benefits Fund	(14,380)	(12,746)	(1,634)	12.8%
Other	(1,572)	(1,393)	(179)	12.8%
<b>Total personnel expenses</b>	<b>(1,149,228)</b>	<b>(1,329,986)</b>	<b>180,758</b>	<b>(13.6%)</b>

A y/y reduction in the level of costs was also recorded in the following categories:

- IT and telecommunications costs by PLN 89.3 million - mainly due to the integration of IT infrastructure and systems following the operational merger completed in November 2019;
- marketing costs by PLN 60.7 million - affected, on the one hand, by the rebranding and reimagining campaign carried out in 2019, related to the change of the Bank's name (at a cost of PLN 25.2 million), and, on the other hand, by restrictions on marketing activities (including the organisation of events and meetings) in 2020 due to the COVID-19 pandemic;
- other material costs by PLN 41.5 million - the decrease of costs mainly related to outsourcing of services (by PLN 37.3 million), which was mainly connected with the operational merger. Decrease of costs occurred also in the following items: consulting services (by PLN 10.8 million), costs of car fleet (by PLN 7.8 million), costs of meetings (by PLN 5.1 million), office materials (by PLN 4.3 million). The increase concerned the costs of settlements with related parties (by PLN 12.9 million), expenses related to COVID-19 pandemic (protective measures) - PLN 8.6 million (without the costs of additional cleaning and IT service costs, which amounted to PLN 4.5 million), creation of a provision in the amount of PLN 4.0 million for costs related to "remote work".
- costs of short-term leasing and operation by PLN 21.9 million - following the process of optimisation of the branch network and renegotiation of rents;
- business travel by PLN 13.0 million - in connection with the COVID-19 pandemic, travel was reduced, influenced among others by hotel closures, remote work and organisation of meetings via electronic communication tools.

The Bank's costs in 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 1,600 million of contributions to the Bank Restructuring Fund for 2020 against PLN 2,000 million 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 in 2020 amounted to PLN 213.2 million and were PLN 47.1 million higher than in the corresponding period of previous year:

- annual contribution to the mandatory bank restructuring fund in 2020 amounted to PLN 126.0 million (in 2019 it was PLN 116.1 million),
- the contribution to bank guarantee fund amounted to PLN 87.2 million in 2020 (in 2019 amounted to PLN 50.0 million).

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

- costs of ATMs and ATM services (increase by PLN 18.4 million), which is related to a change in the presentation (in 2019, these costs were recorded as other operating expenses),
- costs of the Borrowers' Support Fund - creating a provision in the second half of this year in the amount of PLN 6.7 million (provision created in the first half of 2020 has been released in accordance with the information received from BGK)

**Depreciation and amortisation expenses** of the BNP Paribas Bank Polska S.A. amounted to PLN 366.2 million in 2020, a decrease of PLN 86.2 million compared to 2019. This decrease was mainly due to 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 from investments made in 2018-2019. In 2019, the cost of accruing accelerated depreciation of systems in connection with bank merger processes amounted to PLN 105.1 million.

**The Bank's capital expenditures** in 2020 amounted to PLN 388.4 million, compared to PLN 482.2 million in 2019. Projects related to the development of systems, infrastructure and IT equipment had a dominant share in the structure of expenditures. The amount of capital expenditures is adjusted to the current needs and capabilities of the Bank and the Group. All projects are analyzed from the point of view of rationality and impact on the financial and business situation of the Bank and the Group..

## 7.2. Statement of comprehensive income

The Bank's total income in 2020 amounted to PLN 861,707 thousand and was higher than in 2019 by PLN 248,910 thousand (i.e. by 40.6%)

The recorded increase was mainly due to an improvement of PLN 182,153 thousand in the valuation of financial assets (positive impact on 2020 total income of PLN 163,408 thousand, compared to a negative impact of PLN 18,745 thousand in 2019). The positive impact was also due to the increase in net profit y/y by PLN 102,364 thousand (i.e. by 16.3%).

**Table 28. Statement of comprehensive income**

in PLN '000	12 months ended	12 months ended	change y/y	
	31.12.2020	31.12.2019	PLN'000	%
<b>Net profit for the period</b>	<b>731,060</b>	<b>628,696</b>	<b>102,364</b>	<b>16.3%</b>
<b>Other comprehensive income</b>				
<b>Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions</b>	<b>132,361</b>	<b>(15,183)</b>	<b>147,544</b>	<b>(971.8%)</b>
Mark-to-market of assets measured at fair value through other comprehensive income	163,408	(18,745)	182,153	(971.7%)
Deferred tax	(31,047)	3,562	(34,609)	(971.6%)
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>(1,714)</b>	<b>(716)</b>	<b>(998)</b>	<b>139.4%</b>
Actuary valuation of employee benefits	(2,116)	(882)	(1,234)	139.9%
Deferred tax	402	166	236	141.9%
<b>Other comprehensive income (net of tax)</b>	<b>130,647</b>	<b>(15,899)</b>	<b>146,546</b>	<b>(921.7%)</b>
<b>Total comprehensive income</b>	<b>861,707</b>	<b>612,797</b>	<b>248,910</b>	<b>40.6%</b>



## 7.3. Statement of financial position

### Assets

The Bank's total assets as at the end of 2020 amounted to PLN 115,668,150 thousand and were higher by PLN 9,076,020 thousand, or 8.5%, compared to the end of 2019.

The most important change in the Bank's asset structure compared to the end of 2019 was the increase in the share of the securities portfolio (+4.9 p.p.) with a simultaneous decrease in the share of the loan portfolio (the sum of portfolios measured at amortised cost and at fair value), which decreased by 4.0 p.p. and cash and balances with the Central Bank by 1.4 p.p.

The composition of assets is dominated by loans and advances to customers (sum of portfolios measured at amortised cost and at fair value), which accounted for 62.2% of total assets at the end of 2020, compared to 66.3% at the end of 2019. The increase in the net volume of loans and advances amounted to PLN 1,360,865 thousand (+1.9%) and related to the retail portfolio (+13.1%) with a decrease in the institutional portfolio (-5.8%). The increase in the value of the portfolio was influenced among other things by the weakening of the PLN against the CHF, EUR and USD, related to the development of the coronavirus pandemic and its impact on the currency markets.

The second largest asset item were securities, which accounted for 29.4% of total assets at the end of 2020. (end of 2019: 24.5%). In 2020, their value increased by PLN 7,850,008 thousand, or 30.1%, primarily as a result of an increase in the portfolio of bonds issued by banks and bonds issued by other financial institutions (including BGK and PFR under programmes related to the so-called anti-crisis shield).

Simultaneously with the above changes, there was a decrease in the share of cash and balances with the Central Bank from 4.4% to 3.0% (in value terms by PLN 1,236,276 thousand, i.e. by 26.5%) and an increase in the share of derivative financial instruments from 0.8% to 1.3% (increase by PLN 730,731 thousand, i.e. by 91.2%).

Table 29. Assets

in PLN'000	31.12.2020	31.12.2019	change	
			PLN'000	%
Cash and balances at Central Bank	3,421,866	4,658,142	(1,236,276)	(26.5%)
Amounts due from banks	555,289	526,595	28,694	5.4%
Derivative financial instruments	1,531,617	800,886	730,731	91.2%
Fair value adjustment of hedged item	531,793	228,120	303,673	133.1%
Loans and advances to customers measured at amortised cost	70,446,975	68,651,562	1,795,413	2.6%
Loans and advances to customers measured at fair value through profit or loss	1,539,848	1,974,396	(434,548)	(22.0%)
Debt securities measured at amortised cost	23,361,022	17,916,645	5,444,377	30.4%
Financial instruments measured at fair value through profit or loss	371,856	241,427	130,429	54.0%
Debt securities measured at fair value through other comprehensive income	10,228,560	7,953,358	2,275,202	28.6%
Investment real estate	140,765	152,512	(11,747)	(7.7%)
Intangible assets	651,202	519,124	132,078	25.4%
Property, plant and equipment	1,468,673	1,214,434	254,239	20.9%
Deferred tax assets	613,553	844,049	(230,496)	(27.3%)
Current tax assets	12,271	-	12,271	-
Other assets	792,860	910,880	(118,020)	(13.0%)
<b>Total assets</b>	<b>115,668,150</b>	<b>106,592,130</b>	<b>9,076,020</b>	<b>8.5%</b>



## Loan portfolio

### Structure and quality of loan portfolio

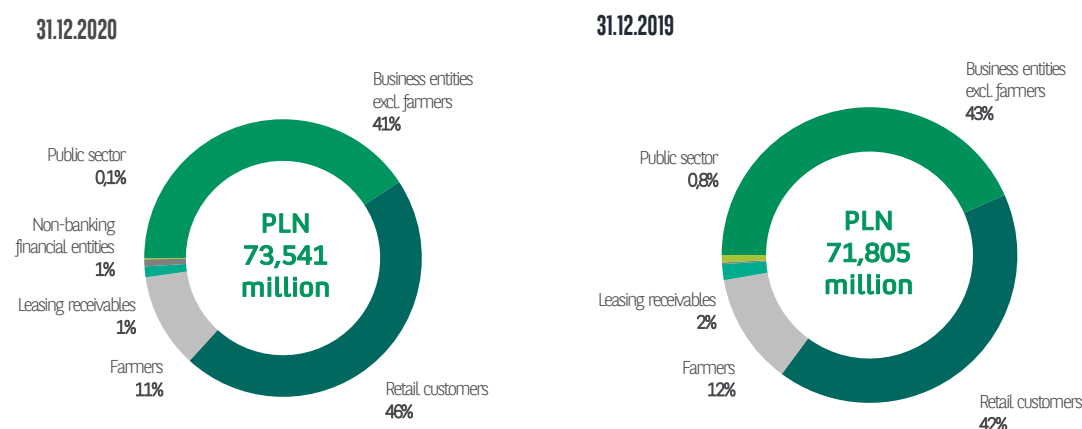
At the end of 2020, gross loans and advances to customers (sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 75,256,639 thousand and increased by PLN 1,334,686 thousand, i.e. by 1.8% compared to the end of 2019.

The gross portfolio of loans and advances measured at amortised cost in the period under review amounted to PLN 73,540,959 thousand and increased by PLN 1,735,570 thousand, i.e. by 2.4% compared to the end of 2019.

**Table 30. Structure of loans portfolio measured at amortised cost**

in PLN '000	31.12.2020		31.12.2019	
	PLN'000	share %	PLN'000	share %
Business entities with the exception of farmers	29,989,406	40.8%	31,117,618	43.3%
Farmers	8,118,713	11.0%	8,732,840	12.2%
Retail customers	33,802,097	46.0%	29,997,525	41.8%
- mortgage loans	22,559,727	30.7%	18,526,757	25.8%
in PLN	17,687,284	24.1%	13,634,997	19.0%
in foreign currencies	4,872,443	6.6%	4,891,760	6.8%
- cash loans	7,312,444	9.9%	7,404,864	10.3%
- other retail loans	3,929,926	5.3%	4,065,904	5.7%
Lease receivables	920,944	1.3%	1,250,960	1.7%
Public sector	101,382	0.1%	129,915	0.2%
Other financial entities	608,417	0.8%	576,531	0.8%
<b>Gross loans and advances</b>	<b>73,540,959</b>	<b>100.0%</b>	<b>71,805,389</b>	<b>100.0%</b>

**Chart 19. Structure of loans and advances measured at amortised cost**



Gross loans and advances to retail customers at the end of 2020 amounted to PLN 33,802,097 thousand (an increase of PLN 3,804,572 thousand or 12.7% compared to the end of 2019). Their share in the loan portfolio measured at amortised cost in the analysed period was 46.0% (+4.2 p.p.). More than two-thirds (66.7%) of the credit exposure of individual customers are mortgage loans, which amounted to PLN 22,559,727 thousand at the end of 2020. In the structure of mortgage loans, 78.4% are loans granted in PLN, while 21.4% are loans granted in CHF (compared with the end of December 2019, the share of CHF decreased by 4.7 p.p.).

The gross portfolio of loans and advances to businesses (excluding farmers) amounted to PLN 29 989,406 thousand (down by PLN 1,128,212 thousand, or 3.6%, compared with the end of 2019). Their share in the analysed loan portfolio amounted to 40.8% at the end of 2020 and decreased by 2.6 p.p. compared to the end of 2019. Almost half of this portfolio (46.2%) are current account loans. From the second quarter of 2020, a reduction in the demand for credit from businesses and a decrease in the share of financing of a current nature became apparent (-5.3 p.p. compared to the end of 2019).



The volume of loans granted to individual farmers at the end of 2020 amounted to PLN 8,118,713 thousand, registering a decrease of 7.0%, compared to December 2019.

Lease receivables amounted to PLN 920,944 thousand (decrease by 26.4% compared to the end of 2019). Their share in the loan portfolio measured at amortised cost in the analysed period was 1.3% (1.7% as at the end of 2019).

The volume of loans granted to non-banking financial entities and budget sector institutions amounted to a total of PLN 709,799 thousand, remaining at a level similar to December 2019 (PLN 706,446 thousand).

The ratio of impaired exposures to gross loans and advances to customers measured at amortised cost amounted to 5.5% at the end of 2020 and decreased slightly (-0.4 p.p.) compared to the end of 2019.

**Table 31. Quality of loan portfolio measured at amortised cost**

in PLN '000	31.12.2020			31.12.2019		
	Gross total	of which: impaired	share %	Gross total	of which: impaired	share %
Business entities with the exception of farmers	30,699,205	1,675,724	5.5%	31,824,064	1,960,187	6.2%
Farmers	8,118,713	789,395	9.7%	8,732,840	768,651	8.8%
Retail customers	33,802,097	1,444,716	4.3%	29,997,525	1,332,616	4.4%
- mortgage loans	22,559,727	672,458	3.0%	18,526,757	523,852	2.8%
in PLN	17,687,284	275,967	1.6%	13,634,997	218,053	1.6%
in foreign currencies	4,872,443	396,491	8.1%	4,891,760	305,799	6.3%
- cash loans	7,312,444	595,880	8.1%	7,404,864	607,222	8.2%
- other retail loans	3,929,926	176,378	4.5%	4,065,904	201,542	5.0%
Lease receivables	920,944	158,439	17.2%	1,250,960	169,340	13.5%
<b>Gross loans and advances</b>	<b>73,540,959</b>	<b>4,068,274</b>	<b>5.5%</b>	<b>71,805,389</b>	<b>4,230,794</b>	<b>5.9%</b>

**Table 32. Quality ratios of loan portfolio measured at amortised cost**

in PLN '000	31.12.2020	31.12.2019	change	
			PLN'000	%
Total gross loans and advances to customers	73,540,959	71,805,389	1,735,570	2.4%
Impairment allowances	(3,093,984)	(3,153,827)	59,843	(1.9%)
<b>Total net loans and advances to customers</b>	<b>70,446,975</b>	<b>68,651,562</b>	<b>1,795,413</b>	<b>2.6%</b>
<b>Exposures without impairment triggers</b>				
Gross carrying value	69,472,685	67,574,595	1,898,090	2.8%
Impairment allowance	(1,052,717)	(896,674)	(156,043)	17.4%
<b>Net balance sheet exposure</b>	<b>68,419,968</b>	<b>66,677,921</b>	<b>1,742,047</b>	<b>2.6%</b>
<b>Impaired exposures (stage 3)</b>				
Gross carrying value	4,068,274	4,230,794	(162,520)	(3.8%)
Impairment allowance	(2,041,267)	(2,257,153)	215,886	(9.6%)
<b>Net balance sheet exposure</b>	<b>2,027,007</b>	<b>1,973,641</b>	<b>53,366</b>	<b>2.7%</b>
<b>Ratios</b>				
Share of impaired exposures in gross portfolio	5.5%	5.9%		(0.4 pp)
Coverage with impairment allowances	(50.2%)	(53.4%)		3.2 pp

The value of collateral held for customer loans at the end of 2020 amounted to PLN 2,649,256 thousand. Detailed information on collateral held is included in Note 55.2. of the Stand-alone Financial Statements of BNP Paribas Bank Polska S.A. for the 12-month period ended 31 December 2020.

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 December 2020, the value of bonds and loans amounted to PLN 1,390,318 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 31 December 2020 at net value of PLN 1,393,049 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 0.1% 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 31 December 2020, the Bank's total liabilities amounted to PLN 103,614,612 thousand and were PLN 8,206,784 thousand or 8.6% higher than at the end of 2019. The share of liabilities in the Bank's total liabilities and equity was 89.6% in the analysed period (+0.1 p.p. compared to the end of 2019).

**Table 33. Liabilities and equity**

in PLN '000	31.12.2020	31.12.2019	change	
			PLN'000	%
Amounts due to Central Bank	84,675	-	84,675	-
Amounts due to banks	2,831,538	1,018,776	1,812,762	177.9%
Derivative financial instruments	1,521,148	815,637	705,511	86.5%
Fair value adjustment of hedging instruments and hedged items	542,719	224,218	318,501	142.0%
Amounts due to customers	91,466,551	88,445,327	3,021,224	3.4%
Subordinated liabilities	4,306,539	1,882,064	2,424,475	128.8%
Lease liabilities	968,592	601,157	367,435	61.1%
Other liabilities	1,234,157	1,852,051	(617,894)	(33.4%)
Current income tax liabilities	-	38,061	(38,061)	(100.0%)
Provisions	658,693	530,537	128,156	24.2%
<b>Total liabilities</b>	<b>103,614,612</b>	<b>95,407,828</b>	<b>8,206,784</b>	<b>8.6%</b>
Share capital	147,419	147,419	-	-
Supplementary capital	9,110,976	9,110,976	-	-
Other reserve capital	2,208,982	1,572,757	636,225	40.5%
Revaluation reserve	255,887	125,240	130,647	104.3%
Retained earnings	330,274	227,910	102,364	44.9%
- previous years result	(400,786)	(400,786)	-	-
- net profit for the period	731,060	628,696	102,364	16.3%
<b>Total equity</b>	<b>12,053,538</b>	<b>11,184,302</b>	<b>869,236</b>	<b>7.8%</b>
<b>Total liabilities and equity</b>	<b>115,668,150</b>	<b>106,592,130</b>	<b>9,076,020</b>	<b>8.5%</b>



The biggest changes in the structure of liabilities in 2020 were a decrease in the share of amounts due to customers, as well as an increase in the share of items such as subordinated liabilities, amounts due to banks, fair value adjustments of hedged and hedging items and derivative financial instruments.

The structure of liabilities is dominated by amounts due to customers. Their share amounted to 88.3% at the end of 2020 and decreased by 4.4 p.p. compared to the end of 2019. In value terms, the volume of these liabilities increased by PLN 3,021,224 thousand, i.e. by 3.4% compared to December 2019 and amounted to PLN 91,466,551 thousand. This increase took place despite the reduction of the NBP interest rates almost to zero, resulting in a reduction of interest rates on bank deposits.

Compared to the end of 2019, the largest increase in the share of total liabilities was recorded for subordinated liabilities (+2.2 p.p., to 4.2%). At the end of 2020, they amounted to PLN 4,306,539 thousand (an increase of PLN 2,424,475 thousand, i.e. by 128.8% mainly as a result of the non-revolving subordinated loan agreement concluded on 7 December 2020 with BNP Paribas S.A. in the amount of PLN 2,300,000 thousand).

Equity as at 31 December 2020 amounted to PLN 12,053,538 thousand and increased by 7.8% or PLN 869,236 thousand compared to 31 December 2019. The share of total equity in Bank's total liabilities and equity was at the end of 2020 10.4% (against 10.5% at the end of last year).

### Amounts due to customers

At the end of 2020, amounts due to customers amounted to PLN 91,466,551 thousand and were higher by PLN 3,021,224 thousand, i.e. by 3.4% compared to the end of 2019, despite the significant decrease in interest rates on bank deposits as a result of the reductions in interest rates to a level close to zero.

By entity, the increase was mainly in amounts due to business entities (balance at the end of 2020: PLN 43,657,049 thousand), the volume of which increased by PLN 3,365,759 thousand, i.e. by 8.4% compared to the balance at the end of 2019 (including mainly in current deposits, an increase of PLN 11,030,816 thousand, i.e. by 37.7%, with a decrease in term deposits). The share of this segment in the structure of total amounts due to customers increased to 47.7% compared to 45.6% at the end of December 2019.

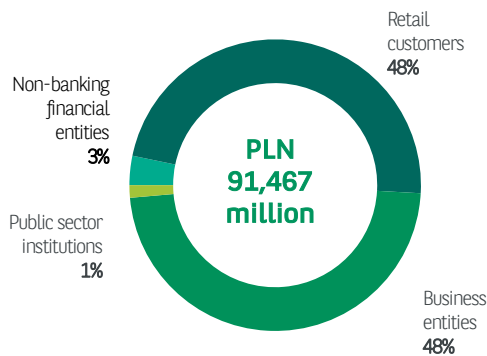
An increase in volumes was also recorded in the case of retail customer deposits, which amounted to PLN 43,578,012 thousand at the end of 2020, an increase of PLN 1,296,423 thousand, or 3.1%, compared to the balance at the end of 2019. At the same time, the share of retail customer deposits in the structure of amounts due to total customers decreased to 47.6% compared to 47.8% at the end of 2019.

A decrease was recorded in the case of deposits of non-bank financial entities (at the end of 2020 they amounted to PLN 2,965,519 thousand, i.e. by PLN 1,904,981 thousand or 39.1% less than at the end of 2019).

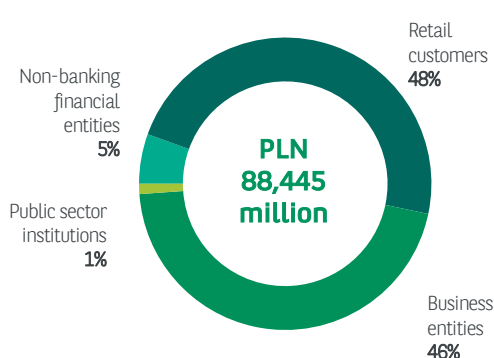
The volume of deposits of public sector institutions increased by PLN 264,023 thousand (i.e. by 26.4%, to PLN 1,265,971 thousand at the end of 2020).

**Chart 20. Structure of amounts due to customers**

31.12.2020



31.12.2019





The share of current accounts in the structure of total amounts due to customers amounted to 85.9% at the end of 2020, recording an increase of 20.6 p.p. compared to the end of 2019. Funds deposited in current accounts amounted to PLN 78,590,037 thousand and increased by PLN 20,813,897 thousand, or 36.0%. This increase concerned all customer groups: business entities (+ PLN 11,030,816 thousand, i.e. by 37.7%), retail customers (+ PLN 8,551,216 thousand, i.e. by 31.4%), non-bank business entities (+ PLN 908,323 thousand, i.e. by 192.0%) and public sector institutions (+ PLN 323,542 thousand, i.e. by 41.1%)

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 11.4% and decreased by 19.6 p.p. compared to the end of 2019. In value terms, term deposits decreased by PLN 17,018,100 thousand or 62.1% compared to December 2019 and amounted to PLN 10,384,101 thousand. This decrease mainly concerned business entities and retail customers (by: PLN 7,613,148 thousand and PLN 7,426,320 thousand, respectively).

The share of other liabilities in the structure of amounts due to customers amounted to 1.2% (increase by 0.1 p.p. compared to December 2019) Their volume amounted to PLN 1,101,862 thousand.

**Table 34. Amounts due to customers by products**

	31.12.2020		31.12.2019	
	PLN'000	share %	PLN'000	share %
Current accounts	78,590,037	85.9%	57,776,140	65.3%
Term deposits	10,384,101	11.4%	27,402,201	31.0%
Securitisation settlement	1,390,551	1.5%	2,298,573	2.6%
Other liabilities	1,101,862	1.2%	968,413	1.1%
<b>Total amounts due to customers</b>	<b>91,466,551</b>	<b>100.0%</b>	<b>88,445,327</b>	<b>100.0%</b>

## Equity

As at the end of 2020, the Bank's equity amounted to PLN 12,053,538 thousand and was by PLN 869,236 thousand or 7.8% 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 628,696 thousand, was allocated to reserve capital. In addition, the increase in equity was influenced by the improvement in the revaluation reserve (by PLN 130,582 thousand compared to the end of 2019).

## 7.4. Own funds and capital ratios

The Bank's total capital ratio as at 31 December 2020 amounted to 19.46% and increased by 3.81 p.p. compared to December 2019. The Bank's stand-alone Common Equity Tier 1 (CET I) capital ratio and stand-alone Tier 1 (Tier 1) capital ratio as at 31 December 2020 were identical at 14.16% (up 0.84 p.p. compared to the end of 2019).

Total own funds as at 31 December 2020 increased by PLN 3,136,909 thousand compared to 31 December 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, amounting to PLN 628,696 thousand, was allocated to reserve capital.

On 28 December 2020, the Bank received the decision of the Polish Financial Supervision Authority to approve the inclusion of subordinated loan in the amount of PLN 2.3 billion as an instrument in the Bank's Tier II capital. The subordinated loan agreement was signed by the Bank with BNP Paribas S.A. on 7 December 2020 to meet the minimum requirement of the level of own funds and eligible liabilities (MREL).

The total risk exposure as at 31 December 2020 amounted to PLN 81,145,806 thousand and increased by PLN 293,243 thousand 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 35. Own funds and Bank's capital ratios**

in PLN '000	31.12.2020	31.12.2019	change	
			PLN'000	%
<b>Tier I capital</b>				
– 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	628,696	22.5%
– funds for general banking risk	627,154	627,154	0	0.0%
– intangible assets	(651,202)	(519,124)	(132,078)	25.4%
– other components of equity included in Tier I capital	644,674	460,064	217,610	47.3%
<b>Total Tier I capital</b>	<b>11,486,322</b>	<b>10,772,093</b>	<b>714,229</b>	<b>6.6%</b>
<b>Tier II capital</b>				
– subordinated liabilities classified as Tier II capital	4,302,575	1,879,895	2,422,680	128.9%
<b>Total own funds</b>	<b>15,788,897</b>	<b>12,651,988</b>	<b>3,136,909</b>	<b>24.8%</b>
<b>Risk exposure due to:</b>				
– credit risk	71,778,685	71,910,197	(131,512)	(0.2%)
– market risk	1,265,023	876,152	388,871	44.4%
– operational risk	7,994,887	7,789,712	205,175	2.6%
– CVA adjustment	107,211	276,502	(169,291)	(61.2%)
<b>Total risk exposure</b>	<b>81,145,806</b>	<b>80,852,563</b>	<b>283,243</b>	<b>0.4%</b>
<b>Bank's capital ratios</b>				
Total Capital Ratio (TCR)	19.46%	15.65%		3.81 p.p.
Tier I Capital Ratio	14.16%	13.32%		0.84 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 stand-alone 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 in order to hedge the risk resulting from FX mortgage loans for households at the level of 0.36 p.p. higher than the Total Capital Ratio, 0.27 p.p. over the Tier I Capital Ratio and 0.20 p.p. higher than Common Equity Tier I Capital Ratio 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 at 31 December 2020, are as follows:

**Minimum levels of capital adequacy ratios of the Bank and Capital Group****31.12.2020**

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 Bank, 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. 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 Bank would reduce its value by 29 basis points as at the date of IFRS 9 implementation.

**Minimum requirement for 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 liabilities and own funds ("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 met the defined MREL requirements at the end of 2020

**7.5. Financial ratios**

The Bank's return on equity (ROE), calculated excluding the impact of integration costs, amounted to 6.2% and was 2.6 p.p. lower than in 2019. The return on assets (ROA) calculated in the same way was 0.6% and decreased by 0.3 p.p. compared to 2019. The ratios calculated on the basis of reported volumes were 6.3% and 0.6% respectively (increase by 0.5 p.p. and unchanged y/y). The decrease in the levels of the return ratios is mainly the result of a significant increase in the cost of risk associated with the negative impact of the coronavirus pandemic on the economic situation and the prospects of the Bank's customers.



The Cost / Income ratio (excluding integration costs) amounted to 52.8%, lower by 2.0 p.p. compared to 2019. The ratio calculated on a reported volumes basis was 52.6% (a level 11.3 p.p. lower compared to 2019, due to the significant integration costs incurred in 2019).

The presentation of ratios calculated on the basis of income statement categories excluding integration costs (understood as additional costs related to bank merger processes) is intended to provide additional information allowing a more adequate assessment of the evolution of the Bank's financial situation.

The net interest margin calculated in relation to average assets was 2.7%, 0.3 p.p. lower than the level calculated for 2019. The deterioration in the realised interest margin is the result of the significant reduction in interest rates at the end of Q1 and in Q2 2020.

Changes in the values of the ratios representing the ratio of net and gross loans to deposits and funding sources reflect the improvement in the liquidity situation observed in 2020.

**Table 36. Financial ratios**

	31.12.2020	31.12.2019	31.12.2018	change 2020/2019
Return on equity <sup>(1)</sup>	6.2%*	8.8%*	6.6%*	(2.6 p.p.)
Return on assets <sup>(2)</sup>	0.6%*	0.9%*	0.6%*	(0.3 p.p.)
Net interest margin <sup>(3)</sup>	2.7%	3.0%	2.7%	(0.3 p.p.)
Cost / Income <sup>(4)</sup>	52.8%*	54.8%*	59.6%*	(2.0 p.p.)
Cost of credit risk <sup>(5)</sup>	(0.79%)	(0.57%)	(0.53%)*	(0.22 p.p.)
Net loans and advances / deposits <sup>(6)</sup>	78.7%	79.9%	79.6%	(1.1 p.p.)
Gross loans and advances / Total sources of funding <sup>(7)</sup>	78.4%	81.6%	80.9%	(3.2 p.p.)

\* Normalised values calculated excluding: integration costs (2020: positive value of PLN 15,336 thousand, 2019 - PLN 414,537 thousand, 2018 - PLN 265,804 thousand), allowance for expected credit losses in connection with the acquisition of RBPL's Core Business (2018 - PLN 238,897 thousand) and gain on bargain purchase of RBPL's Core Business (2018 - PLN 291,706 thousand). The impact of integration costs on net profit was estimated using an income tax rate of 19%. In the case of the "costs" category, the amount visible in the financial statements was reduced by the amount of integration costs recorded within general administrative expenses and depreciation. In the case of the "income" category, the income statement figures comprising the result on banking activities were adjusted by the integration costs recorded within other operating expenses. From 2020 onwards, provisions for proceedings relating to CHF mortgage loans are presented as a separate line apart from income, this change has been taken into account for 2019 and 2018.

(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. Due to the significant increase in total assets as at 31.10.2018 and the prospective recognition of the interest income of the acquired RBPL Core Business for the last two months of 2018 in the Bank's interest income - a weighted average number of days was used for the fourth quarter of 2018.

(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 net 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

## 7.6. Average interest rates applied by the Bank

**Table 37. Bank's average interest rates in 2020\***

Product	PLN		EUR	
	2020	2019	2020	2019
<b>Deposits</b>	<b>0.31%</b>	<b>0.77%</b>		
Households and non-commercial institutions	0.36%	0.81%		
Non-financial corporates	0.22%	0.71%		
<b>Loans</b>	<b>3.65%</b>	<b>4.48%</b>	<b>1.26%</b>	<b>1.37%</b>
Households and non-commercial institutions	4.16%	5.17%	2.05%	1.92%
Non-financial corporates	2.52%	3.29%	1.24%	1.35%

\* based on the Bank's obligatory reporting to NBP Department of Statistics





## 8. Description of the activities of BNP Paribas Bank Polska S.A. Group



### 8.1. Distribution channels

#### Branches

As at 31 December 2020, the Bank had 459 retail and business banking branches (including 17 partner branches). The branch network is supported by 15 Wealth Management Centres.

As part of a network optimization project, 236 retail and business banking branches were closed from 31 October 2018 to the end of 2020 (in 2020, 56 banking branches were closed and a one branch was opened - Kęty ul. Kościuszki 23).

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. In total, as at 31 December 2020, the Bank has 179 branches operating in the new format (including and 161 branches transformed and 18 without changes in design).

In 124 branches, (including 2 partner branches), cash services are provided only in self-service devices.

As at 31 December 2020, the Bank had 51 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 with the highest potential.

#### ATM and Cash Deposit Machine (CDM) Network

As at 31 December 2020 the Bank had:

- 462 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
- 140 ATMs supporting only standard withdrawals and VISA or MasterCard transactions.

#### E-banking and mobile banking

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

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.



In October 2020. Bank won second place in the Remote Banking category in the "Newsweek's Friendly Bank" ranking.

## The most important changes in systems and offer for retail customers in 2020

AREA	KEY CHANGES
<b>Payments</b>	<p>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:</p> <ul style="list-style-type: none"><li>▪ BNP Paribas Bank Polska is the first bank on the Polish market to offer its clients a possibility of automatic collection of an <u>Individual Tax Account</u> by filling in a transfer form in online banking, which significantly shortens the time of PIT, CIT and VAT payments.</li><li>▪ Possibility to verify whether the contractor is registered as an active VAT taxpayer - the so-called "<u>white VAT list</u>".</li><li>▪ "Split Payment" transfers can be duplicated from the transaction history - the data of a previously made transfer are automatically completed.</li><li>▪ 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).</li><li>▪ Possibility to suspend/resume a standing order without the necessity to delete and re-create.</li><li>▪ Faster process of setting up a standing order when submitting a domestic transfer order.</li><li>▪ Credit card debt repayment form - presentation of the upcoming payment date of the minimum amount.</li><li>▪ Possibility to make a transfer in a currency other than PLN between customer's own accounts in GOMobile.</li><li>▪ GOonline:<ul style="list-style-type: none"><li>- presentation of information about upcoming scheduled payments in the transaction history view,</li><li>- 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,</li><li>- 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,</li><li>- setting the default authorization method (mobile token).</li></ul></li></ul>



## Sales and self-service processes

### 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 - performed online, including the contract signing stage, 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.
- 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.
- Possibility of adding a card to your Apple Pay and Google Pay mobile payment wallet via GOMobile.
- Possibility of setting automatic repayment and change the credit card billing period in GOMobile.
- Possibility of biometric mobile authorization in card transactions secured with the 3DS key.
- Possibility of downloading PDF statements for accounts and credit cards directly in the GOMobile mobile application.
- Management of marketing consents, the possibility of changing statements regarding marketing consents.
- New options in notification settings, selection of products for which the user wants to receive transaction notifications. The application will inform the user about credits and debits on the account and card payments.
- 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..
- 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.
- Processing of Allegro Renewable Limit instructions – a customer 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.
- Credit limit increase on credit cards for individual customers and Allegro revolving limit holders - the process is completely online (including signing a document confirming the limit change on the Bank's and Customer's side).
- Ability to make credit installment payments and pay off a credit card/allegro limit through a payment from another Bank.
- Presentation in GOonline:
  - credit card installment plan schedule, a service also available to Allegro Revolving Limit holders,
  - Outstanding balances on loans, credit cards and foreclosures,
  - dedicated product offers,
  - information about the account to be repaid, the balance in that account, and insurance coverage for the loans,
  - information about the status of the implementation of the next steps in the Customer's requests for sales processes,
  - information about an active or inactive mobile payment service.

### 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.

- **Mobile process of setting up products for new customers in the Bank's branch.**

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 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).

- 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.
- Presentation in GOonline of information on powers of attorney granted for accounts and deposits of individual customers.
- Possibility to update the ID card through GOonline. The possibility applies to customers who previously had their identity card defined in the banking system.
- A new group of customers "Samodzielniak" - A Child Zone has been added to GOonline for a Parent who opens additional bank products (account/card) for their children, with the ability to view and manage all their children's products. Possibility to access products as a part of the Family Banking offer in GOMobile. The "Samodzielniak" 13+, for whom the parent has consented to access remote channels, gains access to the mobile application with an option to view and access products and functionalities of the child's interest.
- Customer Recertification (September) - providing a fully automated process to collect current personal information, address, ID card and scans from customers and complete a KYC survey through campaign banners on GOonline.

#### *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.
- Possibility to conclude a Brokerage Account Agreement - in August, sales of agreements through GOonline accounted for 24% of sales in the Bank, in November they already amounted to 40% of total sales.
- Investment Portfolios in GOonline - a possibility to place orders for purchase and redemption of Investment Portfolios of BNP Paribas TFI ("Choose Your Portfolio" programme). This also includes the first purchase.
- Purchasing and repurchasing of mutual funds (ordinary registers) through GOonline - in 2020, 5.6 thousand transactions were settled, where 75% were purchases for a total amount of PLN 76 million.

#### *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



## Improvements based on customer feedback

Development plan in the area of Internet and mobile banking is based on the client's voice. Regular feedback e.g. through a customer satisfaction survey 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 option to download a statement in PDF format in accordance with filters defined by the customer.
- 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 notifications and SMS sent automatically after rejecting the transaction.
- 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.

In May 2020, the PI@net internet banking system was deactivated for individual customers from Retail Banking segment, and therefore all customers were transferred to the modern GOonline platform (along with their existing history of communication with the Bank, transfer templates, future-dated transfers and subscriptions to notifications).

In the second half of 2020, however, further customer migrations to the GOonline system were conducted:

- September - Migration of Carrefour customers from PI@net system to GOonline, Carrefour customers are logging into GOonline, where their products are presented in their personal profile: credit cards, instalment and cash loans. Customers who are both BNP and Carrefour Financial Services customers, regardless of the login they log in to GOonline with (BNP login or Carrefour login migrated from PI@nety) have the same view including BNP and Carrefour products. Additionally, users of mobile application Carrefour My Finance were migrated to GOMobile application.
- December - Almost 200,000 Optima customers were migrated from PI@net system to GOoptima, a modern system dedicated to customers from this business line, allowing among others on: closing accounts, transferring to a related account and changing a related account. A GOoptima Customer can log into a GOoptima profile with a dedicated view. A BNP Paribas Customer who also has a GOoptima Account after logging in to BNP Paribas banking can switch to the GOoptima profile.

Table 38. Retail customer data

Specification	Name of the system	31.12.2020	31.12.2019*
Number of customers with access	GOonline & PI@net	2,891,920	2,512,687
Number of clients /of users using online banking	GOonline & PI@net	742,724	754,806
Average monthly number of online transactions	GOonline & PI@net	3,416,891	3,988,788
Number of customers/users using Mobile	GOMobile	669,043	425,743
Number of customers/users using <u>only</u> Mobile	GOMobile	415,430	220,967

\* data as at 31.12.2019 includes information related to the former Core RBPL systems





## Changes in systems and offer for business clients in 2020

### BiznesPI@net

- Create new users directly in the BiznesPI@net system by persons with Administrator authorisation (from the customer's perspective) as part of sales activities enabling remote access management in BiznesPI@net. 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, over 19.5 thousand positive decisions for the amount of PLN 5.1 billion.
- After-sales applications in the application module:
  - 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 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.
- Providing a new method of logging in and authorizing transactions - Mobile authorization in BiznesPI@net (mobile token) - it enables the Customers to authorize operations performed in BiznesPI@net in the GOMobile Biznes application. Such a solution for business Customers is currently offered only by a few biggest banks in Poland.
- A user of GOMobile Biznes and an active mobile token will accept all instructions on their smartphone not only with PIN but also with biometrics (Android Fingerprint and TouchID/FaceID on iOS). For Bank customers this means more possibilities and a chance to choose the authorization form according to their preferences.
- **Switching off the mobile application Mobile BiznesPI@net 30.09.2020** - all users who used it were granted rights necessary to activate the GOMobile Biznes application.
- Implementation in December 2020 of selected modules in BiznesPI@net in a new graphic layout: loans, received Mass Collect, order processing (for new applications and agreements), applications and instructions. The introduced modules are an element of the new GOonline Biznes zone, thanks to which Customers will be provided with a functional view to facilitate monitoring of business finances. The new solutions were developed in cooperation with customers. We have focused on the convenience and maximum independence of the internet banking user. We used the latest technological solutions to increase customer security in electronic channels.

### GOMobile Biznes

- New functionalities:
  - 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 to the execution of permanent orders - a change resulting from the applicable regulations (Payment Services Act - Regulatory Technical Standards - PSD2).

**Table 39. Corporate and SME customer data**

Specification	Name of the system	31.12.2020	31.12.2019*
Number of customers with access	BiznesPI@net	298,876	287,596
Number of active users	BiznesPI@net	143,758	162,224
Average monthly number of transactions	BiznesPI@net	5,753,859	5,606,342
Number of clients / users	Aplikacja mobilna	8,357	18,522

\* data as at 31.12.2019 includes information related to the former Core RBPL systems

## 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 of 31 December 2020, the number of cards issued amounted to 2,433.8 thousand and was 100.8 thousand higher than a year before. The recorded growth in debit cards is mainly due to the introduction of new products to the bank's offers: *My Premium Card (Moja Karta Premium)* - issued to dedicated My Premium Account (Mojego Konta Premium) (Q2 2020), *Starter Bank (Starter Bankowy)* - a card offered at Shell petrol stations (Q3 2020), *Family Banking offer (Q4 2020)* - *Adult Card (Karta do Dorosłości)* issued to persons aged 13-18, *Karta Samodzielniaka and MikroKarta Samodzielniaka* Microcard issued to children aged 7-13.



Table 40. Number of bank cards issued by BNP Paribas Bank Polska S.A.

Thousand	31.12.2020	31.12.2019	change y/y	
			thousand	%
Debit cards – retail customers	1,429.1	1,304.7	124.4	9.5%
Credit cards – retail customers	802.4	832.9	(30.5)	(3.7%)
Debit cards – business	188.5	181.0	7.5	4.1%
Deferred payments cards – business	7.8	7.7	0.1	1.3%
Credit cards – business	6.0	6.7	(0.7)	(10.4%)
<b>Total number of cards issued</b>	<b>2,433.8</b>	<b>2,333.0</b>	<b>100.8</b>	<b>4.3%</b>

## Cooperation with intermediaries

At the end of December 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 339 local intermediaries (based on marketing agreements).

As regards Personal Finance, the Bank cooperated with 13 nationwide intermediaries and 1 online intermediary, on the basis of outsourcing contracts for the acquisition of the cash loan product.

## 8.2. Bank's Transformation Program

In 2020 the Bank began its transformation to Agile methodology, delegating investment responsibility to 60 initiative owners since the beginning of the year. This delegation of responsibility to a lower level supported quick adaptation of the Bank to the COVID-19 crisis. The teams reviewed their priorities in order to be able to respond to new needs both within the organization (remote working) and with respect to customers, in particular in relation to credit moratoria, the government's anti-crisis shield, opening online accounts for individuals using video verification technology (supported by Aflavox and Autenti solutions) and the development of E-Commerce solutions (KYC - "Know Your Customer" - in Open Banking).

The implementation of the electronic signature has been accelerated, with the target to cover all bank-client relationships, paperless operations for car lessees, and an offer to use the electronic signature prepared for small and medium-sized companies - all using technology provided by Autenti. The bank also established a cooperation with Booksy, providing customers with an application for booking online appointments in branches, and accelerated all projects aimed at digitalizing processes.

In 2021, the Bank will continue transformation towards Agile. Classic project management has been completely replaced by a product-based structure with delegated budget and resources.

The coherence of the overdue management and the transformation plan will be coordinated by 5 steering committees:

- Added value delivered to individual customers through multiple channels ("omni channel")
- Added value delivered to legal entities through multiple channels ("omni channel")
- End-to-end operating model, technologies and digital work
- Data, Open Banking and the Green Revolution
- Control and risk management

In 2021 and 2022, the Bank's transformation will move towards full adoption of agile methodologies (Agile @Scale) for product delivery. Our objective is to further improve the time of product introduction on the market, employee engagement and customer satisfaction.



### Main achievements in selected areas of Transformation Program in 2020

AREA	MAIN ACHIEVEMENTS AND EVENTS
<p>Value delivered to individual customers via omni channel</p>	<ul style="list-style-type: none"> <li>▪ Introducing new products and services: digital customer onboarding via "selfie", family banking, bank starter set, Mastercard installments, settling credit card debts via online payments.</li> <li>▪ Expanding digital ordering capabilities: Simplified credit limit increase in GOonline, Click2Call in GOMobile</li> <li>▪ Process improvements, including: a new electronic customer onboarding process, new paperless solutions for cash and lease transactions, and an e-commerce KYC process based on Open Banking.</li> <li>▪ COVID-19 related solutions such as the Shield and Moratorium.</li> <li>▪ At the end of 2020, 50% of our customers had daily banking products and the ability to access them through digital channels, while mobile transactions grew 144% y/y.</li> </ul>
<p>Value delivered to legal entities via omni channel</p>	<p><i>Corporate and SME Banking</i></p> <ul style="list-style-type: none"> <li>▪ Implement digital customer onboarding without the need for paper documentation.</li> <li>▪ The current process is customer-friendly, fully digital with advanced product and service automation, integrated with the KYC ("Know Your Customer") process, and is done with the use of an electronic signature.</li> <li>▪ Providing customers with various functionalities within the BiznesPI@net application (e.g. providing statements, issuing guarantees or letters of credit, Customer Service Center, cash delivery, PFR - Financial Shield program). Currently, 100% of letter of credit requests, 87% of guarantee requests, and requests under the PFR program are digitally processed in the application.</li> <li>▪ Electronic signing of contracts</li> <li>▪ GOMobile Biznes - the first mobile application for corporate customers on the Polish market offering fingerprint and facial recognition authentication. The number of active GOMobile Business users at the end of 2020 – 8,357.</li> <li>▪ Launch (December 2020) of the first version of GOonline Biznes - an online banking system with a new UX / UI based on a modern, open architecture.</li> <li>▪ Implementation (October 2020) of the LEAF consortium loan servicing application.</li> <li>▪ Introduction of new products and functionalities in FX PI@net, including: a possibility to conclude transactions 24/7, onboarding of retail customers, execution of payments (incoming, outgoing, internal) at negotiated exchange rates.</li> <li>▪ Increase in the number of customers using FX PI@net (3 thousand new customers) - growth of approx. 9% y/y.</li> </ul>
<p>End-to-end operating model, technology and digital work (operations, IT, security, HR)</p>	<ul style="list-style-type: none"> <li>▪ Within RPA (robotics process automation), 107 processes were robotized. A new, robust and reliable RPA environment was built, guaranteeing further growth opportunities, increased the share of automated/robotized/simplified processes in the operations area to 21%.</li> <li>▪ Uploading the first application to the Cloud - Autenti's paperless digital document tool.</li> <li>▪ Installation and configuration of new, technologically advanced IT solutions in the Bank's new headquarters.</li> <li>▪ Implementation of the project "Electronic Employee Documentation" - digitalization of employee files and sharing them in a digital version in the HR application TETA HR.</li> </ul>



AREA	MAIN ACHIEVEMENTS AND EVENTS
<p><b>Data, Open Banking and Green Revolution</b></p>	<p><i>Data &amp; Artificial Intelligence</i></p> <ul style="list-style-type: none"> <li>▪ Successfully implementation of RTM (real time marketing) integration with GOonline (October 2020),</li> <li>▪ STER reporting portal - a tool allowing for central provision of standardized management reports for the needs of various groups of recipients in the Bank.</li> </ul> <p>Published management information is structured in domain domains corresponding to the Bank's management areas.</p> <ul style="list-style-type: none"> <li>▪ Introducing the artificial intelligence-based SWIFT complaint handling system (SZREK) reducing the time required to resolve new issues to 26 hours.</li> <li>▪ Launching Artificial Intelligence Lab to support optimization in CRM processes.</li> </ul> <p><i>Open Banking</i></p> <ul style="list-style-type: none"> <li>▪ The first open banking use case in a production environment (a KYC process for an installment loan in an online store).</li> <li>▪ An Open Banking HUB adapted to use external APIs has been launched and already has connections to 6 banks.</li> <li>▪ Development of identity delivery service (automatic verification of Agronomist portal user as a customer of the Bank with the use of the Autenti).</li> </ul> <p><i>Agro</i></p> <ul style="list-style-type: none"> <li>▪ New sections in Agronomist: green changes, Agro on Heels (Agro na Obcasach), agro pricing module, agro property search module, video and online events component.</li> <li>▪ To promote nitrogen reduction, the Bank provided a nitrogen consumption calculator in Agronomist and conducted a nitrogen education campaign.</li> </ul>
<p><b>Control and risk management</b></p>	<ul style="list-style-type: none"> <li>▪ Implement solutions to support the RWA and internal capital calculation process.</li> <li>▪ Implement a dynamic monitoring process to quickly identify customers with worsening economic and financial conditions.</li> <li>▪ Implement solutions that significantly reduce the bank's losses from operational risk (e.g., phishing).</li> <li>▪ Publication of the Bank's first fully digital integrated annual report (<a href="https://raportroczny.bnpparibas.pl/en/">https://raportroczny.bnpparibas.pl/en/</a>).</li> <li>▪ Implementation of a new advanced IT solution that significantly improved the time and accuracy of the budgeting/forecasting process.</li> <li>▪ Sustainable Green FTP Financing (funds transfer pricing) - implementing green / sustainable FTP (principles and process) across products: cash and installment loans, auto loans and mortgages.</li> </ul>



## 8.3. 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:

- Individual customers;
- Premium Bankign Customers: customers investing in the Bank, or through its services, assets of at least PLN 100 thousand or those whose monthly account inflows are at least PLN 10 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:

- 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.

### Main achievements in 2020

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
GROWTH	<ul style="list-style-type: none"> <li>▪ Mortgage - sales growth to PLN 5.6 billion (+30% y/y). Market share 10% in 2020 vs. 8% in 2019</li> <li>▪ Personal accounts - sales increase to 257 thousand (+2% y/y). My Premium Account - 16.5 thousand new accounts in 2020.</li> <li>▪ Microfinance - sales increase to PLN 3.45 billion (+8% y/y). Market share: 11.3% from 8.7% a year earlier (11-month data)</li> <li>▪ Investments (TFI and structured certificates) - sales increased to PLN 4.2 billion (+24% y/y)</li> <li>▪ Financing for Residential Housing Communities - sales up to PLN 176 million (+120% y/y)</li> <li>▪ Payment terminals (POS) - growth in sales to 4.2 thousand units (+34% y/y)</li> </ul>



STRATEGIC PILLAR	MAIN ACHIEVEMENTS
SIMPLICITY	<ul style="list-style-type: none"> <li>▪ Facilitates for Customers introduced in connection with COVID-19 pandemic:               <ul style="list-style-type: none"> <li>- loan moratoria - allowing individual clients to defer full principal and interest loan installments by 3 months or principal installments by 6 months</li> <li>- adjustment of risk assessment principles in line with the changing environment</li> <li>- making sales and post-sales processes more flexible in order to enable remote handling and purchase of products</li> <li>- PFR 2.0 Shield - over 14 thousand Micro entrepreneurs benefited from the offer</li> </ul> </li> <li>▪ Mortgage loan               <ul style="list-style-type: none"> <li>- shortening the time of issuing a credit decision from 17 to 5 days for applications filed at a bank branch</li> <li>- automation of the real estate valuation process in the largest cities in Poland</li> <li>- dedicated IVR path for mortgage loans - direct connection with a consultant, dedicated customer service team</li> <li>- simplified communication with the customer - direct contact with the credit decision-maker</li> <li>- SMS messages to customers reminding them about the approaching date of releasing the last credit tranche</li> <li>- on-line mortgage: the customer generates the documents for the mortgage by him or herself and verifies creditworthiness</li> </ul> </li> <li>▪ Cash loan - shortening the time of releasing funds from 6 to 2 hours (automation of the process at the Branches)</li> <li>▪ Transformation of the claims area, including: reduction of the number of claims by 44% y/y, reduction of claim handling time by 48%, increase in NPS ratio from the claim handling process by 11 pp y/y</li> <li>▪ Prosta Polszczyzna (Simple Polish) - over 220 simplified messages together with the Prosta Polszczyzna (Simple Polish) Workshop</li> </ul>
QUALITY	<ul style="list-style-type: none"> <li>▪ Increase in customer satisfaction (NPS indicator)               <ul style="list-style-type: none"> <li>- Bank: 24 (+9 Q3/Q2)</li> <li>- GOMobile: 34 (+13 Q3/Q2)</li> <li>- GOonline: 24 (+7 Q3/Q2)</li> <li>- Branches: 28 (+11 Q3/Q2)</li> </ul> </li> <li>▪ A 9% increase y/y in the number of Customers thinking that the Bank listens to their voice and acts based on the feedback received (ZOOM Finance, Kantar)</li> <li>▪ Launch of Customer Lab - a place for testing customers' expectations before implementation of planned product and process solutions</li> <li>▪ 49 improvements implemented thanks to Customer Excellence Board platform</li> <li>- Newsweek's Ranking Friendly Bank - a place on the podium in all categories</li> <li>- Forbes Company Friendly Bank Ranking - 3rd place</li> <li>- Forbes: Special Mention for the most innovative Private Banking in Poland</li> <li>- 2020 Service Quality Star Award</li> <li>- Institution of the Year - "Best service quality in a branch", "Best service quality in remote channels"</li> <li>- Golden Banker in the "Credit Card" category - We were ranked 3rd, promoted to 5th place (from 9th place in 2019) in the "Best Multi-Channel Service Quality" category</li> <li>- Commerce Polska Awards - award in the category Best e-Banking Implementation - as the first bank in the world we have implemented the possibility of making appointments in branches using the booking application Booksy</li> <li>▪ Declaration of Responsible Sales - joining the signatories of the Declaration of Responsible Sales</li> </ul>





STRATEGIC PILLAR	MAIN ACHIEVEMENTS
DIGITALIZATION	<ul style="list-style-type: none"> <li>▪ ZOOM Finance Kantar research, Bank's online banking evaluation:               <ul style="list-style-type: none"> <li>- 90% of Customers think it is easy to use</li> <li>- 89% of Customers think they can handle all issues</li> </ul> </li> <li>▪ Migration of over 211 thousand retail customers to one GOonline platform (closing the PI@net system for retail customers)</li> <li>▪ GOonline / GOMobile - more than 1 million active users, +19% y/y</li> <li>▪ 3DS implementation - mobile authentication with biometrics</li> <li>▪ Open-Banking (credit) - quick and easy identity confirmation process (KYC) for e-commerce customers,</li> <li>▪ GOMobile: fully remote process for cash credit and account opening using selfie and video verification</li> <li>▪ GOMobile v2.4: implementation of a new version and new functionalities for the mobile application (e.g. setting a PIN number for the card in the application during the video verification process)</li> <li>▪ GOonline:               <ul style="list-style-type: none"> <li>- implementation of remote opening of brokerage accounts - nearly 40% of accounts opened through this channel</li> <li>- providing access to the credit limit increase process</li> <li>- full credit card management and ordering process</li> <li>- available after-sales instructions for the mortgage e.g. insurance policy update, early loan repayment notification</li> <li>- for Wealth Management Clients: dedicated graphic design, Click2Call, automatic Client identification, redirection to a dedicated consultant, contact details to a supervisor</li> </ul> </li> <li>▪ Automation of credit decisions for business Customers for a loan up to PLN 100 thousand - shortening the time of granting the loan from 4 hours to several minutes</li> <li>▪ Full digitalization of the application process for long-term rental of vehicles by Arval Service Lease Polska</li> <li>▪ GOinvest implementation - 360' view for Premium and Wealth Management clients</li> <li>▪ Expansion of mobile payment offer with Garmin Pay and Fitbit Pay</li> <li>▪ Implementation of e-signature and remote signing of contracts based on the Autenti solution</li> <li>▪ Digital authorization of cash operations (deposits and withdrawals) in branches for individual customers using a smartphone and the Autenti solution</li> <li>▪ Fully digital in-branch account opening process at the end of the third quarter for new individual customers</li> <li>▪ Starter Kit - process with video verification, cooperation with Shell</li> </ul>

## 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.

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

As of the end of 2020, there were 3 tariff plans in the **personal account offer for retail customers**:

- *Konto Otwarte na Ciebie (Open Account for You)* - flagship current account, which was **ranked first in the Money.pl ranking of personal accounts**,
- *My Premium Account* - a new current account for Premium Banking clients,
- *Private Banking Account* for Private Banking customers.

Within Konto Otwarte na Ciebie account it is possible to issue three debit cards:

- *Otwarta na Dzisiaj (Open for Today card)* - dedicated to people with lower income who are looking for cheap and transparent financial solutions,
- *eWorld Open Card* - for people who frequently shop online, use remote access channels to the bank and are concerned about safety in cyberspace; the card comes with free Cyber Assistance Insurance
- *Cards Open to the World* - addressed to people who frequently travel abroad, appreciate the convenience and lower costs associated with foreign currency transactions



Since the introduction of the new offering in 2019, 429,000 new personal accounts have been opened under the product - Konto Otwarte na Ciebie, of which approximately 250,000 will be opened in 2020. Sales were characterized by very high debit card penetration - only 6% of customers did not choose any of the account debit cards offered. The main sales channel for Konto Otwarte na Ciebie in 2020 were the bank's branches (approximately 80% share of sales), the remaining figure consists of customers who opened the account through online applications and remote processes.

In April 2020, the Bank introduced the possibility of opening an Konto Otwarte na Ciebie through the GOMobile application using selfie. The new process, using video verification to confirm customer identity, is simple and intuitive. When applying for an account, users must enter their basic information and then take a photo of both sides of their ID card. In the next step, the system will ask for three pictures of your face. During this process, you need to move your head according to the instructions appearing in the application, so that the system can be sure that you have not put, for example, a photo. After positive verification, the data is confirmed and the necessary documents are sent to the 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 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 0.55 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. At the end of 2020, a system migration of the BGŻOptima online platform to the new GOonline ecosystem was performed and the brand itself was rebranded, replacing it with a new one - "GOOptima". At the end of 2020, the average nominal interest rate on the deposit portfolio in this segment was reduced to 0.12%. The volume of deposits accumulated by BGŻOptima accounted to PLN 2.7 billion, which, compared to the end of 2019, constituted a decrease of PLN 1.3 billion - the change is in line with the strategy to encourage Optima customers to use the Bank's offer in the basic segment.

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 as well as stock exchange products available within the brokerage account. 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 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;
- Continues the cooperation of the Investment Product Experts in video calls with customers who want to benefit from the investment offer in branches. With the cooperation of the Expert, 200 million PLN of investments were sold in 2020;
- Implemented a new account product for children under 13 and youths between 13 and 18 years old - *Konto dla Samodzielnika*, complemented by three debit cards with the Mastercard logo: *Karta do Dorosłości Card* for young people, the *Samodzielnik Card* dedicated to children between 7 and 13 years of age and the unique *Samodzielnik Minicard* together with a smartband to enable contactless transactions;



- Expanded its mobile payment offering to Garmin Pay and Fitbit Pay. Thereby, the Bank already offers five different mobile payment instruments. In addition to the recently implemented - these are also Apple Pay and Google Pay and BLIK payments;
- Started the sale of Starter Bank, a unique solution for customers visiting selected Shell fuel stations. They can choose the preferential offer of the Open Account for You which gives a chance to get 10% refund for shopping at Shell petrol stations. When choosing BNP Paribas Bank Starter, customers receive an instruction on how to open an account and a non-personalized payment card that they can use after opening the account, without waiting for the delivery;
- expanded its offering for Residential Housing Communities with the investment loan secured with EBI 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 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 dodatkami”, „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 customers, in 2020, focusing on reorganising the rules of selling this offer. The process was fully digitalized - a dedicated Bank website was implemented and the possibility to apply for a lease through remote channels, using the Virtual Branch
- 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 2020 included mortgage loans in PLN, personal account loans (renewable loans), consumer finance products (described in more detail in Chapter 8.4. Personal Finance of this Report).

In 2020, the Bank noted record results in the sale of mortgage loans. The volume of concluded contracts amounted to almost PLN 5.6 billion vs. 4.3 billion in 2019). This resulted in an increase in market shares to 10% in 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

### Product Offer

Services provided within Wealth Management are dedicated to customers with assets exceeding PLN 1 million and a dedicated 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 that includes immediate family members or assets held in private companies and other investment vehicles, the so-called "family approach".

BNP Paribas Wealth Management benefits from over 40 years of experience in servicing wealthy customers, market position and best practices of the BNP Paribas Group, which is number 1 in the field of Wealth Management in the Euro Zone. The group's know-how, its stable financial position and many years of experience in developed markets are the best recommendation. This approach makes it easier to precisely manage the local area and create solutions perfectly tailored to the needs of our clients who, in addition to ongoing services, receive comprehensive support in the creation, protection and transfer of private and corporate assets. The offering of BNP Paribas Group is distinguished by a unified approach to customer relations with the bank under the "One Face To Customer" philosophy, dedicated to entrepreneurs looking for a reliable bank for private and corporate services.

As part of the established model of cooperation with the most demanding Clients of the Wealth Management segment, we consistently provide professional service through a dedicated Advisor holding an international EFPA certificate and substantive support of specialized experts in the form of direct contact with stockbrokers, currency dealers and a dedicated credit team, as well as wealth planning experts.



The offer for Wealth Management clients is also being constantly developed, while ensuring access to a wide, comprehensive and individually tailored range of everyday banking solutions - with a special emphasis on the unique and prestigious credit card Mastercard World Elite - as well as investment solutions, brokerage services, investment advice, asset management services, access to foreign exchange dealers, or customized lending solutions and support for succession and family wealth planning.

The offer and the approach to cooperation with Customers in the scope of investment solutions are distinguished by access to market analyses and investment reports delivered by international specialists within the BNP Paribas Wealth Management Group, thus the Bank using the global experience of the Wealth Management Group is able to offer Customers the highest quality product solutions.

In 2020, to meet new global challenges, BNP Paribas Wealth Management launched the "myImpact" project aiming to implement an innovative approach to our Clients' investments. We want to raise awareness of responsible and sustainable investments, taking into account ESG (Environmental - Social, - Governance) criteria, or investments supporting the achievement of Sustainable Development Goals by the UN agenda. Through the "myImpact" questionnaire, BNP Paribas WM customers have the opportunity to specify their values and priorities in order to consciously make a positive impact on the environment and social surroundings through their investment and financial decisions.

A major challenge in 2020 was to adjust the realities of daily cooperation with Customers to non-standard conditions caused by the COVID-19 pandemic. Caring for the safety of Customers and employees, a number of process solutions were implemented to enable effective cooperation with Customers using remote contact channels. The implementation of the electronic Autenti platform, enabling Wealth Management clients to sign selected banking documents remotely, was treated as a priority. This solution was positively evaluated by clients. We also developed the possibility of placing orders for various types of instructions over the phone. Additionally, Wealth Management Clients have been provided with a new Click2Call functionality - using the GOMobile application, a WM Client has the possibility to call a dedicated Private Line call center directly. It should be noted that a number of meetings with customers were held thanks to the introduction of electronic communication platforms.

BNP Paribas Wealth Management takes care of Customers' finances both as regards individual and business areas. Wealth Management customers - entrepreneurs - receive expert support in aspects of government support programs. A Competence Centre for the Financial Shield has been established exclusively for Wealth Management Clients. Clients can benefit from free consultations provided by a Wealth Management expert in the area of the PFR Financial Shield and other support instruments, e.g. from the Industrial Development Agency or BGK.

## Prizes for BNP Paribas Wealth Management w 2020

In February 2020 BNP Paribas Wealth Management received the highest 5-star rating in the prestigious Forbes magazine private banking ranking. The Forbes 5 stars were awarded mainly for the open product architecture and the quality of services provided. Customers appreciated in particular the professional and individual approach to asset management and successive development of original solutions not only in the investment area, but also, for example, in the area of succession or legal and tax planning. BNP Paribas Wealth Management was also appreciated for the access to global markets and international investment offer.

In November 2020 BNP Paribas Wealth Management was awarded two more prestigious prizes - the international title of "Best Private Bank in Poland" and the Forbes award as "Most Innovative Private Banking" on the Polish market.

The "Best Private Bank in Poland" award in the prestigious Global Private Banking Awards 2020 ranking is granted by the British magazine The Banker and Professional Wealth Management (PWM), which belongs to the Financial Times group. The way private banking services are provided is one of the key factors considered by the jury in the evaluation process. Such indicators as portfolio management, wealth management, asset allocation, business development strategy, customer service, business model or innovation level were analyzed. According to the international jury, BNP Paribas Wealth Management services clearly stood out on the Polish market as compared to other banks. The international jury selected the winners of the ranking on the basis of applications sent by institutions, market analyses, opinions of independent analysts and senior managers, and most importantly customers using private banking services. The Global Private Banking ranking is one of the most comprehensive studies in the field of private banking as it takes into account all aspects of the offer for Private Banking clients. It has been organized since 2009 in 36 categories, recognizing the best representatives from individual countries where private banking services are highly developed and subject to high competition. The results of the Global Private Banking Awards 2020 ranking were announced at the online Gala on November 5, 2020 in London.



BNP Paribas Wealth Management owes its success, which resulted in receiving the Forbes "Most Innovative Private Banking" award on the Polish market, mainly to an active development of remote channels and solutions such as: implementation of remote exchange of documents signed electronically together with Autenti, introduction of a number of new functionalities in GOonline Internet banking and in the GOMobile application, enabling customers to quickly and conveniently perform the most important operations, which was particularly important and appreciated in the time of the pandemic.

## Business customer offer

With respect to the offers addressed to business customers, the Bank provides products that enable a complementary service as regards both financing business operations and 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 Deposit 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 will receive 1000 PLN to spend on advertisement on OLX - the largest advertising platform in the country. 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.

In July 2020, an agreement was signed with Moneta, providing individual and business customers holding accounts at the Bank with the opportunity to deposit cash at 120 new branches, located in cities where this service had not been offered before.

**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 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.

Following the conclusion by the Bank of an agreement with the Consortium of the Foundation for Energy Efficiency, the Bank's customers, i.e. Housing Associations, were given an opportunity to prepare, through the Bank, technical documentation in the form of energy audits and construction designs. On the basis of audits and building designs, Customers have the opportunity to implement thermomodernization investments resulting in building energy savings. The bank's new offer also includes substantive support for investments and preparation of documentation related to the application for BGK's premium. The offer for the preparation of an audit and / or construction project for the client distinguishes the bank from the competition and makes the current proposal addressed to Housing Associations much more attractive.

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 gu

In 2020, the offer of long-term car rental models for micro-enterprises 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. The Agricultural Guarantee Fund, covering up to 80% of the loan amount.

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.

During periods of economic freezes associated with COVID-19 restrictions, the Bank maintained stable lending by selectively evaluating transactions while taking into account the credit risk present.

In the first half of 2020 the bank conducted „Biznes Ofensywa” and „Agro Ofensywa” marketing campaigns and in the second half of 2020 a marketing campaign that promoted a special offer of loans with a de minimis guarantee from Bank Gospodarstwa Krajowego with no loan granting commission. The credit proposal was targeted at entrepreneurs and aimed at improving access to financing and offsetting the negative effects of the COVID-19 pandemic.

## Bank guarantees

In 2020, the Bank issued 21 bank guarantees at the request of business customers for a total value of PLN 2.7 million.





## Commercial volumes

As at 31 December 2020, Retail and Business Banking deposits on a consolidated level amounted to PLN 54,410,430 thousand and were by PLN 4,159,509 thousand, i.e. 8% higher than at the end of 2019. Current accounts increased by PLN 7,742,217 thousand, and volumes in savings accounts by PLN 4,047,663 thousand. The decrease was recorded in terms deposits (by PLN 7,708,543 thousand). The percentage share of each of the three basic product categories has changed: share of current accounts and savings accounts increased (by 11 p.p. to 49% and by 5 p.p. to 37%, respectively) while term deposits decreased (by 16 p.p. to 13%).

**Table 41. Deposits and Loans in Retail and Business Banking<sup>3</sup>**

in PLN'000	31.12.2020	31.12.2019	change y/y	
			PLN'000	%
Current accounts	26,585,909	18,843,692	7,742,217	41%
Savings accounts	19,999,727	15,952,064	4,047,663	25%
Term deposits	7,262,965	14,971,508	(7,708,543)	(51%)
Overnight deposits	561,829	483,658	78,172	16%
<b>Accounts and Deposits</b>	<b>54,410,430</b>	<b>50,250,921</b>	<b>4,159,509</b>	<b>8%</b>
Consumer loans	9,201,574	9,115,130	86,444	1%
Investment loans	6,536,849	6,577,174	(40,325)	(1%)
Overdrafts	2,761,187	3,422,192	(661,005)	(19%)
Mortgage loans	22,397,224	18,455,414	3,941,810	21%
Lease receivables	1,880,074	1,307,745	572,329	44%
Credit cards	1,163,198	1,316,580	(153,382)	(12%)
Other loans	5,193	19,489	(14,296)	(73%)
<b>Net loans and advances</b>	<b>43,945,299</b>	<b>40,213,725</b>	<b>3,731,574</b>	<b>9%</b>

As at 31 December 2020 the value of the loan portfolio in the Retail and Business Banking segment on a consolidated level amounted to PLN 43,945,299 thousand, which means an increase by 9% (PLN +3,731,574 thousand) compared to the end of 2019. In terms of value, the largest increase was recorded in housing loans (+21%, PLN +3,941,810 thousand).

In the analysed period, the volume of FX mortgage loans (withdrawn from the offer in 2008-2009) amounted to PLN 4,872,443 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 change in the value of the portfolio was affected by the weakening of the PLN against CHF (the exchange rate increased from 3.9213 at the end of 2019 to 4.2641 at the end of June 2020). The value of the portfolio in CHF decreased by 8.4% compared to the end of 2019.

## Gross profit of Retail and Business Banking segment

In 2020, the Retail and Business Banking segment recorded a negative gross result of PLN 313,616 thousand (compared to PLN 22,118 thousand profit in 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 risk provisions for proceedings concerning housing loans in CHF (an increase by PLN 136,043 thousand y/y) 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 2020 amounted to PLN 2,240,675 thousand and was 1% lower than in 2019. This result represented 47.6% of the Group's result on banking activities in the period under review. Personal Finance generated 32.0% of the result on banking activity of the Retail and Business Banking segment.

<sup>3</sup> 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.

Table 42. Gross profit of Retail and Business Banking segment<sup>4</sup>

in PLN '000	12 months ended 31.12.2020	12 months ended 31.12.2019	Change y/y	
			PLN'000	%
Interest income	1,714,399	1,812,522	(98,122)	(5%)
Fee and commission income	468,236	418,889	49,347	12%
Trading and other income	58,040	26,387	31,653	120%
<b>Income on banking activity</b>	<b>2,240,675</b>	<b>2,257,797</b>	<b>(17,122)</b>	<b>(1%)</b>
Net impairment losses	(512,572)	(321,477)	(191,095)	59%
Provisions for legal risk of CHF portfolio	(168,156)	(32,113)	(136,043)	424%
Operating expenses and amortisation and depreciation	(1,223,999)	(1,211,818)	(12,181)	1%
Expense allocation	(483,811)	(573,069)	89,258	(16%)
<b>Operating result</b>	<b>(147,862)</b>	<b>119,320</b>	<b>(267,182)</b>	<b>(224%)</b>
Tax on financial institutions	(165,753)	(141,437)	(24,316)	17%
<b>Gross profit of the segment</b>	<b>(313,616)</b>	<b>(22,118)</b>	<b>(291,498)</b>	<b>1,318%</b>

## 8.4. 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,
- **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 as well as through Internet Banking System and the Mobile Banking System,
- **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 e-commerce platforms, such as Allegro,
- **car loans:** financing new and used vehicles, offered mainly by authorised car dealerships, second-hand car dealerships and brokers operating in the vehicle financing market,
- **leases** (operating and finance) and **lease advance:** offered mainly by authorised car dealerships and second-hand car dealerships in cooperation with BNP Paribas Leasing Services Sp. z o.o.,
- **long-term vehicle rental** in cooperation with Arval Service Lease Polska Sp. z o.o. offered by selected authorised car dealers and brokers operating in the vehicle financing market.

The segment is also responsible 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).

<sup>4</sup> Information based on the segmentation note included in the Consolidated report of BNP Paribas Bank Polska S.A. Capital Group for the period ended 31 December 2020.



## MAIN ACHIEVEMENTS IN 2020

- Introduction of a remote process of applying for and concluding cash loan agreements via a recorded phone call
- Significant increase in reach of cash loan availability through online and mobile banking
- Introduction of a new Visa Platinum credit card
- Implementation of "Pay in installments" under "Mastercard Instalments" - the only Bank on the Polish market offering this product
- Launch of a simplified process for increasing credit card and Allegro limits, also by using e-banking
- Launch of a remote credit card sales process for customers with access to internet and mobile banking
- Cooperation with a new trading partner - Decathlon - in the field of credit card and instalment loan sales
- Implementation of a new business partnership with Media Saturn Holding based on the sale of an installment loan with a so-called Banking Services Package
- Implementation of the cooperation program with Ford: offer for retail customers and micro enterprises
- Implementation of HRV credit (High Residual Value, financing with repurchase with high residual value of the vehicle)
- Implementation of a cooperation program with authorized Jaguar and Land Rover dealers; car loan, leasing and long-term rental offers
- Implementation of „paperless” process in all channels of leasing sales
- Implementation of remote application process for car loans
- Efficient handling of credit moratoria (in 2020, over 88,000 processed applications)
- Implementation of cash loans sale in the Contact Center chat channel on e-banking platform
- Implementation of Click2Call functionality enabling customers logged into GOMobile application to make direct, authorized telephone contact with Contact Center
- Implementation of an innovative process of personal customer identity (KYC) identification for credit products based on open banking solutions resulting from the PSD2 regulations

## Product offer

### Cash loans

In 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%,
- consolidation loan solutions allowing for a comprehensive conversion of liabilities into a cash loan;
- wider availability of the cash loan in the internet and mobile banking system with a range of modifications, e.g. the maximum available loan amount was increased to PLN 80,000 and a counter-offer was introduced to increase the availability of the loan offer;
- a cash loan multi-offer allowing, in three simple steps, to additionally sell a credit card to a cash loan;
- promotion offers supported by marketing campaigns (“Back to school”, “Black Friday”) and 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.



## Credit cards

In 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
- New functionalities of online banking:
  - the possibility to repay credit card debt from external banks,
  - Allegro revolving limit repayment process for customers with a personal account,
  - SMS notification package - a service immediately informing about potential events on the credit card account,
  - innovative "pay in installments" service under Mastercard Instalments allowing to spread the transaction already at the terminal. The Bank is a precursor and the only entity offering this service to its clients in the market,
  - simplified, fully remote credit card limit increase process,
- credit card retention process at Contact Center level.

## Instalment loans

Currently, the Bank offers instalment loans through more than 10,000 retail partners (online and in traditional stores) that provide funding for purchases. Customers can sign "paperless" contracts, implemented in cooperation with the Autenti company (64% of all contracts was signed in this formula).

The Bank has been regularly 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):

- Over 20.5 thousand finalised photovoltaic installations (since launching the product),
- Active cooperation with more than 490 partners involved in the sale and installation of photovoltaic installations,
- PLN 493 million loans granted in the photovoltaic for prosuments program (as at 31.12.2020, since launching the product),
- Supported by the European Investment Bank guarantees on the loan portfolio

## Cooperation with partners

- continuation of cooperation with Allegro
- May 2020 – launching cooperation with a chain of sports stores DECATHLON (market leader with 60 stationary stores and a dynamically developing Internet store). Under this cooperation the Bank offers its customers a personalised credit card, which allows them to make purchases in instalments, and an instalment loan within the available limit.
- October 2020 - launching cooperation with a new partner - Media Saturn Holding (a leader in sales of electronic and household goods). Under this cooperation, the Bank offers its customers an installment loan together with an additional service - the Banking Services Package.

The Bank encourages customers with installment loans to use online and mobile banking by providing a number of features, such as the possibility to pay off installment debt from accounts at other banks.



## Car loans, leasing advances

In 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. Additionally, by the end of the year, the Bank initiated a cooperation with authorized Jaguar and Land Rover dealers.

In 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,
- the process of remote signing of a credit application with an advanced electronic signature in cooperation with Autenti,
- the process of filing a credit application over the phone during a recorded telephone conversation for Dealers and Brokers,
- Promotional offers with partners:
  - HRV credit (High Residual Value, high residual value vehicle finance) for Ford, Hyundai and Opel with a high balloon rate and a dealer repurchase guarantee: Ford Opcje, Easy Move On, Opel Flash Credit respectively,
  - credit with obligatory CPI (Credit Protection Insurance) for dealers and commissions, brokers and Bank's branches
  - a 50/50 promotional credit for Opel and KIA and a promotional loan with a reduced interest rate for Kia; a 3-month and 6-month grace period loan to Hyundai, Kia, Opel, Ford,
  - new promotional offer of a loan for "green" electric cars, promotional 50/50 loan with RRP=0% in Opel sales network,
  - implementation for Ford sales network of a refinancing offer for a loan in FCE's portfolio - F(Ford) C(Credit) E(Europe).

## 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 2020 the following were introduced into the car leasing offer:

- the "paperless" process for individual business activities using the Autenti electronic signature for all channels: dealer, importer, second-hand dealership, broker,
- launching lease sales for authorized Jaguar and Land Rover dealers
- 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.
- launch of the HRV (High Residual Value) in the Opel network - Opel Flash Leasing,
- initiating cooperation with a new partner - McLaren,
- adjusting processes according to the amendment of the Civil Code in terms of consumer protection for entrepreneurs,
- many products offer, of which worth mentioning are:
  - 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;
- launching a new offer for Opel with low RV values: Operating Leasing Promo and Leasing 100%; a new offer of promotional leasing for KIA for "green" cars with electric drive: operating leasing with subsidy KIA 100%, operating leasing Green Promo High RV KIA, new offer with subsidy for Ford Mondeo 101%.

### Long term vehicle rental

In 2020 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.
- launching sales of long-term rental products for individual and corporate customers for new Jaguar and Land Rover dealerships.

## 8.5. 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 the end of 2020, the Brokerage Office sold units in almost 700 funds managed by 22 investment fund management companies. As at the end of 2020, the value of investment fund management company assets distributed by BNP Paribas Bank Polska amounted to PLN 5.2 billion.

Total fee and commission income of the Brokerage Office in the analysed period amounted to PLN 89.5 million compared to PLN 65.2 million in 2019.

**Table 43. Share of the Bank's Brokerage Office in WSE trading volume**

		31.12.2020		31.12.2019	
		volume	share	volume	share
Shares	PLN million	3,750.81	0.63%	1,581.58	0.42%
Bonds	PLN million	135.56	4.39%	82.80	2.73%
Contracts	number	169,368	0.83%	186,901	1.45%
Investment certificates	PLN million	1.48	1.35%	1.14	1.06%
Options	number	25,943	3.53%	9,978	2.12%
Structured products	PLN million	497.47	8.96%	376.35	14.36%





## 8.6. SME Banking

### Segmentation

The Small and Medium Enterprises Banking Area (SME) comprised in 2020 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

As part of the sales network in the SME Banking Area, in 2020 there were 8 SME Banking Regions comprising 50 SME Business Centres located in 37 local markets with the greatest 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, internet and mobile banking channels offered by the Bank, and can also count on telephone operational and information support from a website dedicated to this purpose Business Service Zone.

### Main achievements in 2020

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
GROWTH	<ul style="list-style-type: none"> <li>▪ Increase in SME Banking gross profit y/y thanks to maintaining a good quality of the loan portfolio and the related low cost of risk as well as lower general operating expenses</li> <li>▪ Positive y/y growth in cash management and foreign exchange revenues</li> </ul>
SIMPLICITY	<ul style="list-style-type: none"> <li>▪ Normal business and operational activities with extensive use of a secure remote working formula, online and mobile banking channels and remote customer service tools;</li> <li>▪ Transparent product package offer for SME customers.</li> </ul>
QUALITY	<ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ More than 113 thousand SME customer orders handled in 2020;</li> <li>▪ Customer service teams 100% adapted to remote working;</li> <li>▪ Procedures and processes to enable effective remote customer service in the new reality of COVID-19.</li> </ul>



STRATEGIC PILLAR	MAIN ACHIEVEMENTS
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">DIGITALISATION</p>	<ul style="list-style-type: none"> <li>▪ New version of the GOMobile Biznes mobile application;</li> <li>▪ Another major step in the development of BiznesPI@net Internet Banking, including:               <ul style="list-style-type: none"> <li>- releasing the first iteration of the new Internet Banking for SME and Corporate Banking customers: application adapting to different resolutions (RWD), credit module, MVP for Self Service area, authorization module for applications and agreements, Masscollect module, built in cooperation with our Customers in a new UX/UI and in an open architecture based on microservices</li> <li>- a new authorization/authentication method - a mobile token made available from the GOMobile Biznes application.</li> </ul> </li> <li>▪ Implementation of a fully remote customer onboarding process based on the electronic signature, without the necessity to visit the Bank and use paper documents;</li> <li>▪ Introducing the possibility of signing most documents as part of the after-sales service with an electronic signature;</li> <li>▪ Further automation of post-sales processes, including automation of billing and collection of key fees.</li> </ul>

## Product offer

The Bank has a rich and flexible product offer addressed to clients from the SME segment, which allows for the adjustment of many parameters to the individual needs of the client.

The offer includes products such as:

- **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 - Profit Box, Turbo Box, FX Box, Multi Box oraz Agro Box;
- **Internet and mobile banking:** BiznesPI@net, GOMobile Biznes, FX PI@net, BNP Paribas Connect Host to Host - integration of the financial and accounting system with the Internet banking system;
- **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. With regard to guarantees and letters of credit, 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 2020

The Small and Medium-sized Enterprises Banking area started 2020 with fully integrated teams and systems following the migration of clients to system targets, with a plan to dynamically expand the scale of business operations. In pursuing this objective, the SME area in the first quarter of 2020 focused mainly on acquiring new customers and increasing lending.

The situation changed in mid-March 2020, when, due to the outbreak of the COVID-19 pandemic, a number of restrictions were introduced, including a temporary lockdown and a freeze on the economy, which made it necessary to change priorities and operate in completely different conditions than before.

Adapting to the new reality, the SME Banking area in 2020 focused on 3 key elements:

### Ensuring the safety of customers and employees

The sales teams adapted to the working conditions during the epidemic, among other things, split-team and remote working was introduced, remote signing of contracts with the client using qualified and electronic signature functionality (Autenti).

### Providing remote access to the Bank

- launch of a new on-boarding process for customers - a new tool providing a digital process for opening a new customer's file, accounts and related products in a fully secure and integrated manner,
- development of e-credit application,
- customer proximity policy - use of alternative contact channels (telephone, e-mail, electronic communicators (skype, webex),
- further development of functionalities of BiznesPI@net electronic banking including: e.g. enabling independent creation of users and management of their rights in the system by all Biznes PI@net users within the user management module, launching the module of product applications and post-sale instructions, digital signing of agreements,
- 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 4.7 thousand SME clients received a total subsidy of almost PLN 2.4 billion via the Bank; (ii) provision of BGK's de minimis guarantee to secure a loan up to 80%, which benefited 0.5 thousand customers for a total amount of PLN 766 million.

Starting from the third quarter of 2020 with the unfreezing of the economy, the Small and Medium Business Banking Area focused on returning to business operations by:

- focusing on the acquisition of new credit volumes based on the potential identified in Q2,
- improving cooperation and transactionality in particular with lower activity customers by focusing on cross-sell of cash management and FX transactions,
- adjustment of pricing policy in the area of loans and cash management to the new macroeconomic conditions,
- increasing the level of deposits and deposits on accounts with simultaneous actions aimed at optimising the Bank's margin.

These measures resulted in improved sales performance in the third quarter: new customer acquisition returned to pre-pandemic levels and new loan sales were 15% higher than in the first quarter 2020. Also in the fourth quarter, despite a spike in the spread of the virus in the second wave of Covid-19 and with continued market uncertainty, the SME area maintained positive trends in new business acquisition. To sum up 2020, the economic slowdown and the difficult conditions of the pandemic did not allow new sales volumes to be realised at levels comparable to the previous year: for the whole of 2020, the acquisition of new SME customers amounted to 1.4 thousand companies, down by around 30% compared to the previous year, while new loan sales of PLN 2.5 billion were 49% lower compared to 2019.



## Bank guarantees and letters of credit

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

In 2020, at the request of SME customers, the Bank issued:

- 752 bank guarantees for a total value of PLN 139.8 million.
- 129 import letters of credit with a total value of PLN 27.7 million and handled 170 export letters of credit with a total value of PLN 110.8 million issued by third-party banks.

## Commercial volumes

As at 31 December 2020, SME Banking deposits on a consolidated level amounted to PLN 12,284,023 thousand and were PLN 1,828,635 thousand i.e. 17% higher than at the end of 2019. The biggest change in the structure of the portfolio compared to the end of 2019 was the increase in the share of current accounts (by 21 p.p., to 94%) with a simultaneous decrease in the share of overnight deposits (by 9 p.p., to 0.4%) term deposits (by 8 p.p., to 5%) and savings accounts (by 3 p.p., to 0.7%).

**Table 44. Deposits and loans – SME Banking<sup>5</sup>**

PLN '000	31.12.2020	31.12.2019	change y/y	
			PLN '000	%
Current accounts	11,579,704	7,696,177	3,883,527	50%
Saving accounts	88,948	438,094	(349,146)	(80%)
Term deposits	569,106	1,308,463	(739,357)	(57%)
Overnight deposits	46,266	1,012,655	(966,389)	(95%)
<b>Accounts and Deposits</b>	<b>12,284,023</b>	<b>10,455,388</b>	<b>1,828,635</b>	<b>17%</b>
Investment loans	4,597,869	5,198,315	(600,446)	(12%)
Overdrafts	1,713,592	2,608,743	(895,151)	(34%)
Lease receivables	607,948	606,050	1,898	0%
Factoring	841	1,095	(254)	(23%)
Other loans	1,338	1,561	(223)	(14%)
<b>Net loans and advances</b>	<b>6,921,588</b>	<b>8,415,764</b>	<b>(1,494,176)</b>	<b>(18%)</b>

As at 31 December 2020 the value of the loans and advances portfolio in the SME Banking on a consolidated level amounted to 6,921,588 thousand and was lower by 1,494,176 thousand and by 18% than at the end of 2019. The largest decline in value was in overdrafts.

## Gross result: SME Banking segment

In 2020 the gross result of the SME segment was PLN 106,012 thousand (compared to PLN 83,511 thousand in the previous year, an increase of 27% y/y).

The improvement in the result was mainly due to lower risk costs compared to the same period last year.

The net banking income on SME banking activity in 2020 amounted to PLN 444,085 thousand and was lower by 8% compared to the previous year. This result constitutes 9.4% of the Group's total income on banking activity in the analysed period.

<sup>5</sup> See: footnote on p. 107

Table 45. Gross result: SME Banking segment<sup>6</sup>

PLN '000	12 months ended 31.12.2020	12 months ended 31.12.2019	change y/y	
			PLN '000	%
Interest income	264,110	303,549	(39,439)	(13%)
Fee and commission income	112,460	121,395	(8,935)	(7%)
Trading and other income	67,515	60,308	7,206	12%
<b>Income on banking activity</b>	<b>444,085</b>	<b>485,252</b>	<b>(41,167)</b>	<b>(8%)</b>
Impairment losses	(15,875)	(75,005)	59,130	(79%)
Operating expenses and amortisation and depreciation	(136,130)	(149,695)	13,564	(9%)
Expense allocation	(150,494)	(141,920)	(8,574)	6%
<b>Operating result</b>	<b>141,586</b>	<b>118,633</b>	<b>22,953</b>	<b>19%</b>
Tax on financial institutions	(35,574)	(35,122)	(452)	1%
<b>Gross profit of the segment</b>	<b>106,012</b>	<b>83,511</b>	<b>22,501</b>	<b>27%</b>

## 8.7. 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 were provided in 2020 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.

<sup>6</sup> See: footnote on p. 108



## Main achievements in 2020

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
GROWTH	<ul style="list-style-type: none"> <li>▪ Total revenue growth y/y despite an unprecedented economic freeze in 2020 related to the COVID-19 pandemic</li> <li>▪ Very good gross result</li> <li>▪ y/y increase in cash management income, including in particular commission income</li> <li>▪ Development of activities in the area of financing and servicing of trade transactions: y/y increase in the volume of guarantees and letters of credit, increase in the bank's income from this product group</li> </ul>
SIMPLICITY	<ul style="list-style-type: none"> <li>▪ Business and operational activities with extensive use of a secure remote working formula, online and mobile banking channels and remote customer service tools</li> </ul>
QUALITY	<ul style="list-style-type: none"> <li>▪ Cooperation based on relations with clients - Advisors and Product Specialists available locally</li> <li>▪ Further development of customer service processes in a dedicated unit of the Business Service Centre ( Customer Service central) - a wide range of customer support and after-sales services, an incentive system based, among others, on the criterion of customer service quality, development of tools supporting customer service</li> <li>▪ Customer Service teams 100% fit for remote working</li> <li>▪ Procedures and processes to enable effective remote customer service in the new reality of COVID-19</li> <li>▪ Further development of the Trade Finance Business Desk - a dedicated team handling trade finance transactions on an ongoing basis</li> </ul>
DIGITALISATION	<ul style="list-style-type: none"> <li>▪ Development of Internet banking Business PI@net:               <ul style="list-style-type: none"> <li>- launching the first version of the new internet banking service for SME and Corporate Banking customers: application adjusted to different resolutions (RWD), credit module, MVP for Self Service zone, authorization module for applications and agreements, Masscollect module, built in cooperation with our customers in the new UX/UI and open architecture based on microservices</li> <li>- a new authorization/authentication method - a mobile token made available from the GOMobile Biznes application.</li> </ul> </li> <li>▪ Further digitalisation of processes in the area of commercial transaction handling - implementation of a guarantee text generator.</li> <li>▪ 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. In the second half of 2020, inclusion of clients who are non-residents or Polish residents represented by foreigners</li> <li>▪ Implementation of electronic signature functionality to sign most documents.</li> </ul>

## 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, 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 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 2020, 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.

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 1.0): 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 1.4 billion;



- **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 leasing and factoring products offered by other BNP Group companies operating in Poland.

In the second half of 2020, the Bank's Corporate Banking activity focused on returning to new business, within the framework afforded by tightening and remote working conditions. Business activities produced very good sales results in new loan production, which in the second half of 2020 was 108% higher than in the first six months of the year. As a result, new loan sales reached 2019 levels throughout 2020.

In the last quarter of 2020 the Bank continued a series of popular information, education and business conferences aimed at supporting small and medium-sized enterprises and corporations in foreign expansion - the so-called Foreign Trade Programme (PHZ). The main theme of the PHZ is to share knowledge about foreign markets, their specifics and to support Polish entrepreneurs and show positive examples of foreign expansion into new markets. The 2020 PHZ meetings concerned the German market and markets in the Far East, while the last conference was devoted to the British market and the subject of Brexit. All conferences were conducted in the form of webinars and met with very high interest from clients.

In 2020 further digitalisation and process optimisation activities were continued:

- a new version of the Biznes PI@net system was implemented and functionalities were 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 which 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.

## Bank guarantees and letters of credit

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

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

- issued 5,839 bank guarantees, with a total value of PLN 3,296 million,
- opened 1,350 import letters of credit with a total value of PLN 680.2 million and handled 408 export letters of credit with a total value of PLN 685.4 million issued by other banks for those customers.

## Commercial volumes

As at 31 December 2020, deposits from Corporate Banking customers amounted to PLN 23,267,474 thousand and were lower by PLN 1,809,641 thousand (by 7%) than at the end of 2019. The share of current accounts in the portfolio structure increased (by 35 p.p., up to 93%), while the share of term deposits and overnight deposits decreased compared to December 2019 (by 13 p.p., down to 6% and by 21 p.p., down to 1% respectively).

The net value of the Corporate Banking segment's net loan and advances portfolio on a consolidated basis amounted to PLN 22,122,328 thousand as at 31 December 2020, i.e. 4% below the end of 2019.

Table 46. Deposits and loans – Corporate Banking<sup>7</sup>

in PLN '000	31.12.2020	31.12.2019	change y/y	
			PLN '000	%
Current accounts	21,685,411	14,708,158	6,977,253	47%
Savings accounts	1	40,131	(40,130)	(100%)
Term deposits	1,455,836	4,816,244	(3,360,408)	(70%)
Overnight deposits	126,226	5,512,583	(5,386,357)	(98%)
<b>Accounts and deposits</b>	<b>23,267,474</b>	<b>25,077,115</b>	<b>(1,809,641)</b>	<b>(7%)</b>
Investment loans	13,764,266	12,512,879	1,251,386	10%
Overdrafts	6,036,725	7,928,093	(1,891,368)	(24%)
Leasing receivables	1,985,018	2,436,026	(451,008)	(19%)
Factoring	334,945	189,394	145,551	77%
Other loans	1,375	2,831	(1,456)	(51%)
<b>Loans and advances (net)</b>	<b>22,122,328</b>	<b>23,069,224</b>	<b>(946,895)</b>	<b>(4%)</b>

## Gross profit of Corporate Banking segment

The Corporate Banking segment generated in 2020 a gross profit of PLN 542,411 thousand (compared to PLN 587,737 thousand in 2019, down by 8%).

The net banking income of Corporate Banking segment amounted to PLN 1,092,555 thousand and was higher by PLN 13,810 thousand or 1% than in 2019. This result accounted for 23.2% of the Group's result on banking activity in the analyzed period.

Table 47. Gross profit of Corporate Banking segment<sup>8</sup>

in PLN '000	12 months ended 31.12.2020	12 months ended 31.12.2019	change y/y	
			PLN '000	%
Interest income	569,678	593,204	(23,525)	(4%)
Fee and commission income	285,997	253,248	32,749	13%
Trading and other income	236,879	232,292	4,587	2%
<b>Income on banking activity</b>	<b>1,092,555</b>	<b>1,078,744</b>	<b>13,810</b>	<b>1%</b>
Net impairment losses	(68,331)	(51,986)	(16,345)	31%
Operating expenses and amortisation and depreciation	(261,585)	(271,432)	9,847	(4%)
Expense allocation	(124,395)	(77,858)	(46,537)	60%
<b>Operating result</b>	<b>638,243</b>	<b>677,468</b>	<b>(39,225)</b>	<b>(6%)</b>
Tax on financial institutions	(95,832)	(89,731)	(6,101)	7%
<b>Gross profit of the segment</b>	<b>542,411</b>	<b>587,737</b>	<b>(45,326)</b>	<b>(8%)</b>

<sup>7</sup> See: footnote p. 107

<sup>8</sup> See: footnote p. 108



## 8.8. Agro area

### Product offer for the Agro subsegment

BNP Paribas Bank Polska has a comprehensive offer for the food and agro segment, including accounts, deposits, loans and farmers insurance (both voluntary and obligatory).

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 preferential loans. 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.

### Crop insurance

In 2020, the Bank sold obligatory crop insurance under the Agreement with Concordia Polska Towarzystwo Ubezpieczeń S.A. amounting to PLN 27.1 million, which means a decrease by 15% compared to the previous year. The weaker result in 2020 was mainly due to reduced sales in the autumn season, resulting from a reduction in the budget for crop insurance subsidies. In 2020, the premium subsidy for farmers from the state budget amounted to 65% of the premium.

In connection with the merger of Concordia Polska TU S.A. with Generali Group, at the end of December 2020 an agreement was signed between the Bank and Concordia/Generali, guaranteeing further development of cooperation in terms of insurance offered by the Bank.

### Guarantee from the Agricultural Guarantee Fund

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), which is completely cost-free for the customer.

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.

Benefits of new collateral for the customer:

- can be the sole collateral for: (i) an investment loan intended e.g. for the purchase and installation of photovoltaic sets or the financing of irrigation installations on farms, or a working capital loan to finance the first production cycle, as well as loans of up to PLN 250,000 for micro-farmers and PLN 300,000 for farmers and companies from the SME and corporate banking segments;
- 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;
- the possibility of applying an interest rate subsidy to loans secured by a FGR guarantee. This solution has been implemented in the Bank for revolving and non-revolving working capital loans for farmers and agri-food processors intended to finance current operations. In the first year from disbursement, BGK finances part of the interest (the surcharge is no more than 2% of the loan amount). The maximum loan amount is EUR 200 thousand in PLN;
- lower margin than in commercial financing.

### 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.

## Preferential loans

In October 2020, the Agency for Restructuring and Modernization of Agriculture (ARiMR) launched a line of investment loans with partial repayment of capital for the purchase of agricultural land by young farmers, i.e. persons who are under 40 years of age on the date of application for the loan, have professional qualifications in agriculture, or will commit to complete them within three years of signing the loan agreement. The product is dedicated to farmers who are beginning their agricultural activity or who have been running their farms for no longer than 24 months.

The ARiMR applies aid to loans up to a maximum of EUR 20,000 and no more than 60% of the loan granted, payable in two instalments: 80% of the aid immediately after realization of the investment, and 20% after 5 years from the date of granting the loan. The loan may not exceed PLN 5 million, own contribution - minimum 10%, interest rate - commercial, commission - up to 2% of the loan amount

## Sales support

In 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. They held 600 meetings with current and potential customers of the Bank, over 380 expert opinions were prepared 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).

Special tasks necessary to make decisions in a crisis situation in the Agro segment were executed, 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 of the hydrological situation in the country - determining the causes and current effects of water shortage on crops, forecasting crops in 2020 and its impact on the portfolio of Agro customers,
- periodical reports on the current weather situation and its impact on the schedule of field works, harvest and preparation for the next season, as well as forecasts of demand for financing; a report on the systemic review of greenhouse producers (the entire portfolio of SME clients above PLN 1 million),
- analysis of the situation of the Bank's customers in the context of rising feed prices and the outbreak of avian influenza (HPAI),
- Participation in meetings and webinars on sustainable agriculture,
- Participation in the organization of the 15th Agroconference - Food & Agro Conference 2020.

As part of activities in the area of risk management, the following have been developed:

- 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.



## Agro Offensive

From 15 January to 31 May 2020, 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.

## Portal Agronomist.pl

Agronomist is a comprehensive and modern internet portal created with the cooperation and for the needs of entities from the agri-food sector. It is a unique platform in the agri-food sector which gathers in one place sector knowledge and provides access to a wide range of professional IT tools useful for farmers and processing companies. Every day it provides several thousand registered users with information on the situation in the agri-food sector, both on a local and global level.

In 2020, new functionality was implemented that is unique in the marketplace while meeting the needs of the customers:

- 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,
- a tool for comparing prices on marketplaces and buying stations,
- organic nitrogen production and consumption calculator,
- agricultural real estate module issued by the Bank's customers.

At the end of December 2020, there were 3,700 registered users on the platform, and in 2020 over 397 thousand entries were recorded.

In October 2020, BNP Paribas Bank Polska S.A. joined the Cool Farm Alliance, an international business and science consortium that produces metric tools for estimating GHG emissions from agricultural production.

## Improvements for customers 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;
- replacing information obtained during visits to customers' farms with data gathered via telephone conversations.





## 8.9. Corporate and Institutional 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 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 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.



## 8.10. Other banking activity

Other banking activity of the Bank 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).

The year 2020 was a special year due to the impact of the COVID-19 pandemic on the activities of companies, the behaviour of individual customers and the financial sector as a whole. The activities of the ALMT Division focused on monitoring the Bank's liquidity position while maintaining its profitability and ensuring that settlements and customers' access to cash were managed smoothly. The Bank participated in activities supporting the fight against pandemics by purchasing additional issues of bonds issued within the framework of introduced financial shields. Internal product behaviour models affecting the Bank's interest rate and liquidity risk profiles were adjusted on an ongoing basis. ALMT division worked closely with business lines through regularly organized meetings and consultations in order to optimize the Bank's product structure and maintain the Bank's profitability at the maximum possible level in the current macroeconomic conditions.

## 8.11. Information technology and cyber security

The most challenging task in the New Technology and Cyber Security Area in 2020 was to achieve the Bank's transformation objectives while implementing changes resulting from the outbreak of the coronavirus pandemic (COVID-19). Thanks to a smooth take-up and good coordination of activities, the planned work was carried out. In a short period of time, the possibility of remote work was made available to the Bank's employees, while ensuring a high level of security and compliance with regulatory requirements. The banking systems were upgraded to include the possibility of handling the Government Anti-Crisis Shield.

The development activities of the New Technologies and Cyber Security Area focused on three areas:

- Projects for business lines - as support in achieving sales targets, as part of the second stage of the Bank's Transformation;
- Projects related to the optimization of the Bank's current operations, including the use of the agile approach in the organization and changes resulting from the dynamically changing reality in the field of cyber security and infrastructure;
- Projects related to post-integration of the banks - data and resource security processes.



## The most important projects delivered in the IT field within each area in 2020

### I. PROJECTS FOR BUSINESS LINES

#### Retail Banking and Personal Finance

- Migration of Customers and products from the previous, discontinued PI@net electronic banking system to the modern GOonline platform. The migration carried out in phases concerned both customers of the Bank's core business and customers of Optima and Carrefour.
- Enhancement of the GOonline mobile application with new services for Customers, including:
  - Enhancement of the GOonline mobile application with new services for Customers, including:
    - the ability to automatically download an individual tax account (as the first Bank in Poland),
    - A Simple Loan Calculator for self-calculation of creditworthiness and analysis of offers,
    - a function of verifying whether a counterparty is on the white VAT taxpayer list, remote application for access to FX PI@net that enables to conclude FX transactions
  - access to remote processing of instructions for the Allegro Renewable Limit,
  - repayment of a credit instalment from an account in another Bank,
  - support for MIFID surveys and transactions on investment funds,
  - new layout and additional information for Wealth Management clients,
  - new sales processes - account with a limit, structured deposit, brokerage account..
- Development of GOMobile's user-friendly mobile banking environment, by providing the ability to open an account remotely using a selfie, pay for public parking and bus passes, and increased intuitiveness for managing existing products. Providing the ability for already authenticated users to call the Infoline via the mobile application.
- Enhancing the functionality of the platform for Bank employees to serve customers - GOone, among others, by launching a digital onboarding process in branches using QR code generation, integration with OCR and a platform for secure electronic signature - Autenti.
- Use of an appointment-making application - Booksy - as a world first in the banking sector.
- Implementation of mechanisms improving transaction processing - paperless in the application for handling payments in branches.
- Extending the offer for micro and agro sector - possibility of refinancing a loan from another bank and new insurance of micro and agro loans in R@tat.
- Continuation of the development of cooperation with car dealers - a new car loan offer for FORD brand customers.
- Implementation of Garmin Pay and Fitbit Pay watch payments into the offering.
- Development of cooperation with retail partners - complementing the credit offer with value-added services (Banking Services Package).
- Launching credit moratoria as part of the Bank's offer for customers struggling with the effects of pandemics.
- Mortgage online - a new portal allowing independent remote generation of an individualised list of documents needed to apply for a mortgage loan and to check creditworthiness.
- Implementation of the Bank's new offer - a bank starter available at Shell petrol stations, enabling remote account opening and use of the Bank's offer on preferential conditions.
- Introduction of an offer (accounts, cards) and functionalities for minors "Samodzielniak".
- Implementation of GOinvest - a tool supporting sales and service of investment products.
- Activities in response to or related to pandemics - participation in the ARKA project - applying for subsidies under the Crisis Shield; implementation of the possibility of granting credit holidays related to pandemic situations and their full service.

**I. PROJECTS FOR BUSINESS LINES****Corporate and SME Banking**

- Implementation of the first stage of the new version of GOonline Biznes electronic banking for corporate and SME customers. Built on microservices and Open shift solutions, the platform is based on a new UX and UI, which was developed on the basis of a series of consultations with end users of the system. It includes a new user management module that allows customers to create users themselves and manage their rights in the system. GOonline Business has a developed Customer self-service zone as well as the ability to submit several electronic product applications.
- Implementation of a new version for corporate mobile banking GOMobile Biznes, including modern biometrics, new types of payments, state-of-the-art security in the form of a mobile token (T-pro).
- Implementation of systemic solutions handling customers' applications for grants under the PFR Shield including electronic signature, data transfer to PFR, disbursement of funds.
- Providing customers with the ability to use the National Tax Administration's new VAT Taxpayer List ("White List").
- Expansion of SEPA payments with new functionalities in the European standard.
- Enabling international payments in Polish zlotys through adaptation to the Polish Direct Debit.
- Implementation of the SWIFT GPI service - possibility of tracking transactions by the Customer based on a new application that cooperates with the BNP Paribas Group solutions.
- Automation of processes within the service of LORO/NOSTRO accounts.
- Implementation of ePayment service of PayByLink type (BlueMedia).
- Digitalization of a new onboarding and post-sales process for SME and Corporate Banking segments.

**Corporate and Institutional Banking**

- Development of the GOFx transaction platform to include remote onboarding for retail and micro-business customers, tenor for fx swap and fx forward transactions and 56 additional currency pairs for SPOT transactions.
- Implementation of new product support on the FXPL@NET platform for the Bank's Customers. Dual currency deposit as a form of investing free cash based on financial derivatives (FX options).
- Development and implementation of a new FXPLUS application servicing foreign payments for Customers who do not have accounts in foreign currencies, including exotic ones.
- Enabling customers to convert loans according to the NBP average exchange rate through the implementation of a new exchange rate table applicable to conversion of foreign currency loans of individual customers
- Implementing solutions to meet the reporting obligation implemented by the Regulation on Securities Financed Transactions (SFTR).
- Implementation of a system ensuring the Bank's participation in the WIBOR model quoting process.
- Development of CRM application for Customer Advisors and Dealers, including
  - implementation of a module enabling efficient management of users - accesses and privileges,
  - implementation of improvements for Pipeline functionality, connecting the application with Outlook mail,
  - implementation of the 360 Client view,
  - implementation of reporting tools,
  - Continuation of work on the CRM mobile application, module for generating sales campaigns in a new form, connection of CRM to Call Center systems.
- Development of systems aimed at implementing a new product in the Bank's offer - a loan with a fixed interest rate through the use of the IR CAP mechanism.
- Development of the Custody and Custodian systems with functionalities allowing better adjustment to market requirements and acceleration of customer service in this area.
- Implementation of the compliance module for verification of the statutory funds limit in the system in the area of custody operations.



II. PROJECTS RELATED TO THE BANK'S DAILY OPERATIONS

Cross-cutting projects for business lines and regulatory projects

- Implementation of the Artificial Intelligence Lab platform, with over 13 analytical models performing optimization tasks in CRM processes
- Implementation of a new Big Data platform enabling the offering of new services requiring the processing of large sets of information
- Implementation of RADAR (Risk Data Aggregation and Risk Reporting Program) - adjustment of the reporting model to the BNP Group standards resulting from the BCBS (Basel Committee on Banking Supervision) regulations.
- Further development of Corporate Data Warehouse - application of agile approach, implementation of new governance. Application of Data Vault 2.0 methodology to build a new generation scalable data warehouse combining relational data with unstructured data.
- Continuing to work on increasing the use of the agile approach in new projects and within current operations. Implementation of agile approach for IFRS9 development in response to new market challenges
- Implementation of e-signature for individual and corporate clients.
- Implementation of a new Farmer rating system integrated with banking systems (Venus, Cash for BIK) combined with implementation of new scoring algorithms for the Farmer segment.
- Continuous development of the functionality of the Customer Relationship Management system - CRM, including the provision of a reporting module.
- Implementation of improvements in end-of-day processes and a solution to implement changes in repositories without technical interruptions in the main banking system

Infrastructure Projects

- Migration of employees to the formula of remote work - provision of equipment, implementation of RemotePC access, optimisation of solutions for effective work (development of VPN solution).
- Preparation for adoption of cloud solutions: conducting a dedicated training program, investment in tools, analytical work on planning migration to the cloud.
- Raising the standards and efficiency of working environments (migration of operating systems, mailboxes).
- Update and expansion of the ServiceNow platform supporting IT and business processes in the Bank.
- Unification of Sharepoint environment - migration to a new platform version.
- CMDB database automation - integration with tools in the area of hardware, middleware and databases.
- Commissioning of the new Bank's headquarters fully equipped with modern technologies (workstations, LAN, and WiFi).



## II. PROJECTS RELATED TO THE BANK'S DAILY OPERATIONS

### Cyber-security projects

- Coordination of the Bank Security Committee's activities related to crisis management during the COVID-19 pandemic and ensuring maximum protection for the Bank's employees and clients.
- Introduction of a secure ICT environment adapted to the possibility of implementing remote working on a continuous basis for all Bank employees.
- Confirming the quality and cyber resilience in line with the standards of the regulator and BNP Paribas Group by obtaining positive assessments from the audit of KNF and BNP Group.
- Maintenance of ISO27001 certification in the Security area confirmed by a surveillance audit.
- Preparation of a series of BNP Security Talks webinars and e-learning trainings for Customers and the Bank's employees.
- Organisation of physical security / anti-terrorism trainings for the Bank's employees.
- Enhancing security in the software development lifecycle (Secure development lifecycle in DevSecOps organisation) by applying a set of modern tools (including Sonatype IQ/SonarQube).
- Reorganisation of the security patch and vulnerability management process, including revitalisation of the Nessus system.
- Implementation of Secfense solution (system under industrialisation) for two-factor authentication (2FA).
- Significant reduction of manual operations in Security Operating Centre (SOC) team processes thanks to the implementation of the SOAR automation and response platform.
- Convergence towards Elastic Search from the costly security log collection and storage tool in use.
- Automation of the business continuity management and risk analysis process with the BCM Logic platform.
- Definition and testing of the Critical Assets Recovery (CAR) process.

## III. OTHER

### Post-integration activities

- Continuation of work related to the integration of the Banks in the post-integration phase in terms of securing data from exRBPL systems. Selecting the target architecture and starting the process of withdrawal of selected systems:
  - Completion of data archiving for decommissioned applications,
  - Consolidation of post-integration infrastructure,
  - unified network for wireless and wired access to laptops.
- Unification of the card operations processing service - one service provider for all cards issued by the Bank.





## 8.12. Operations and business support

THE MOST IMPORTANT PROJECTS IN THE AREA OF OPERATIONS AND BUSINESS SUPPORT IMPLEMENTED IN 2020	
COVID-19	<ul style="list-style-type: none"> <li>All operations and planned activities were delivered on time and to service levels, despite the pandemic and remote working.</li> <li>Branches and buildings of the Head Office were adapted to work under pandemic conditions.</li> <li>Intensive disinfection work (ozone treatment) of office areas and selected branches was carried out on an ongoing basis. Necessary health and safety equipment was purchased and supplied to the entire Bank (approximately 1.6 million masks; 3 million gloves; 30,000 litres of disinfectant fluids; 1,500 protective glass panes).</li> </ul>
OPERATIONS TRANSFORMATION PROJECT	<ul style="list-style-type: none"> <li>Migration and centralisation project of operational functions and processes completed on time despite pandemic</li> <li>Relocation of all transformational processes in the area of retail operations, corporate operations, financial market transactions, clearing and support to the Head Office in Ruda Śląska</li> <li>Some expert functions remained in Warsaw and Kraków, i.e. handling interbank financial market transactions, process management, operational reporting and units dealing with robotisation, automation and business support. Work on process simplification and automation continued.</li> </ul>
TRANSFORMATION OF BRANCHES AND HQs	<ul style="list-style-type: none"> <li>56 retail and business banking branches were closed and 23 were opened in a new format providing for modern and automated customer service.</li> <li>The Bank's operational headquarters in Ruda Śląska were revitalised and a new head office in Warsaw was commissioned, thus optimising office space and related costs.</li> <li>New offices in Katowice for PF Operations and corporate business services</li> </ul>
OPTIMISATION PROJECTS	<ul style="list-style-type: none"> <li>29 new robots (RPA) were implemented to support employees in 107 processes in the areas of operations, PF, complaints, administration and risk, which, together with the use of Artificial Intelligence, made it possible to shorten the process for external and internal customers and reduce labour intensity for employees.</li> <li>In parallel, projects were carried out to automate and optimise the following processes: credit for corporate and SME customers, microenterprises, mortgage loans and complaints, KYC, account closures, Treasury Back Office, card authorisations, internal controls, among others. Automation work was also carried out within the banking systems and external systems handling payments, obligatory reporting and bailiff seizures.</li> <li>As part of the implementation of the CSR and sustainable development strategy, the Bank implemented green solutions, such as: signing an agreement to purchase electricity from renewable sources (hydroelectric power plants), developing an eco fleet (increasing the number of hybrid B-class cars to 70% in 2020), building awareness of the carbon footprint, as well as optimising energy consumption in buildings.</li> <li>In 2020, the first EVA chatbot to support purchasing processes, which was awarded in the 2020 <b>Purchasing Leader</b> competition, became operational.</li> </ul>



## 8.13. Cooperation with financial institutions

As at 31 December 2020, the Bank maintained correspondent relationships with approximately 1,000 banks, including 54 nostro accounts with other banks for 25 major currencies.

During the period under review, the Bank maintained 18 loro accounts exclusively in PLN for foreign banks. The loro accounts maintained in the Bank's books constitute an external source of acquiring cost-free working capital for the Bank's operating needs. Through these accounts, customer transfers and bank-to-bank transfers are primarily executed.

In 2020, the Bank continued its cooperation with other domestic and foreign financial institutions, brokers and banks, which enabled it to enter into a wide range of treasury and deposit transactions. A number of agreements were concluded with new and existing counterparties in these segments and steps were taken to introduce new agreements, in line with the recommendations of ISDA and the ZBP (Polish Banking Association).

### Agreements with the National Bank of Poland concluded in 2020

- Agreement to act as a Money Market Dealer concluded on 14 December 2020.
- Agreement "Currency swap transactions" concluded on 30 December 2020.



## 8.14. Entities of BNP Paribas Bank Polska S.A. Capital Group in 2020

### 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 authorisation of the Polish Financial Supervision Authority in the field of creation and management of investment funds, as well as intermediation in the sale and redemption of units and shares in foreign funds.

In 2020, the following significant corporate events took place:

- distinctions for funds managed by the Company awarded by the industry portal Analizy Online: (i) BNP Paribas Obligacji - the prestigious Alfa 2019 award in the best Polish long-term debt securities fund category, (ii) BNP Paribas Konserwatywnego Oszczędzania – an award in the Polish debt securities fund category;
- The Company participated in the next two phases of the implementation of the Employee Capital Plans (ECP) programme scheduled for 2020 and concerning companies with 20-49 and 50-249 employees. Due to the SARS-CoV-2 outbreak, the two phases were combined, and the implementation completion date was set for October / November 2020;
- Due to low interest from clients the Society has liquidated the following funds:
  - Avantage FIZ fund, which was removed from the register of funds on 23 June 2020,
  - the BNP Paribas Zdywersyfikowanych Aktywów sub-fund of the BNP Parasol SFIO. The liquidation of the sub-fund was opened on 16 June 2020.

As at 31 December 2020 the entity managed the following funds:

- BNP Paribas FIO (until 15.01.2020 the fund operated under the name of BGŻ BNP Paribas FIO) – it started operating in March 2016. The fund consists of 7 sub-funds with diversified investment policies, which enable customers to invest in different asset classes both on the local and global markets. BNP Paribas FIO also offers an Individual Retirement Account BNP Paribas - IKE as well as Individual Pension Insurance Account: BNP Paribas - IKZE. As at the end of 2020, the fund's assets amounted to PLN 3,394.2 million.
- BNP Paribas Parasol SFIO (until 29.09.2019 the fund operated under the name of BGŻ SFIO) – it was acquired from Ipopema TFI in January 2016, after obtaining the relevant consent of the Competition and Consumer Protection Office. The fund consists of 3 sub-funds. The fund's assets at the end of 2020 amounted to PLN 421.5 million.
- BNPP FIO (until 29.09.2019, the fund operated under the name of BNP Paribas FIO) – established in 2005; the fund comprises 3 sub-funds investing mainly on the Polish market. As at the end of 2020, the fund's assets amounted to PLN 53.8 million.
- BNP Paribas Premium SFIO (until 03.02.2020 the fund operated under the name of Spectrum SFIO) – established in July 2014, with 4 separated sub-funds (1 of which – BNP Paribas Aktywny – is currently being liquidated). The management of the fund was taken over following the merger with Riviera TFI. The value of assets at the end of December 2020 was equal to PLN 77.2 million.
- FWR Selektowny FIZ – established in May 2014, the management of the fund was taken over following the merger with Riviera TFI. FWR Selective FIZ is a portfolio of absolute rate of return funds, including foreign funds, supported by investments in equity funds and alternative assets funds (e.g. debt, real estate). The value of the fund's assets amounted to PLN 4.4 million as at the end of 2020.
- BNP Paribas PPK SFIO with 9 separated sub-funds (the so-called target date funds, TDF), created to offer Employee Capital Plans (PPK) to clients. At the end of 2020, the fund's assets amounted to PLN 49.2 million.

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



Table 48. Basic financial data of BNP Paribas TFI S.A.

PLN '000	31.12.2020	31.12.2019	31.12.2018
Balance sheet total	36,734	37,781	18,992
Long-term investments	44	327	608
Equity	30,147	29,066	12,961
including: net financial result	1,147	54	2,622

BNPP TFI has a share capital of PLN 16,692.9 thousand divided into 695,538 shares with par value of PLN 24 each. As at 31 December 2020, the its equity amounted to PLN 30.1 million and is sufficient to ensure security of the entity's daily operations.

As at 31 December 2020 TFI managed assets with a total value of more than PLN 4,000 million (compared to PLN 3,185 million at the end of 2019), representing an increase in assets of 25.6% y/y despite a significant decline in net asset value in the first half of 2020, due to the SARS-CoV-2 epidemic. The epidemic had a negative impact on sentiment in the financial markets, where nervousness prevailed. Significant declines were experienced by virtually all asset classes. This situation also had an impact on the reduction in the value of units of funds managed by the Society and prompted clients to withdraw their savings from the funds and convert them into cash. The value of redemptions of fund units recorded by the market of investment funds in March was one of the highest in history. However, the second half of the year brought an improvement of the situation. Reductions in interest rates by central banks and improved sentiment in the financial markets resulted in an increased inflow of funds into investment funds.

Despite the difficult situation related to the SARS-CoV-2 epidemic, the Company recorded net inflows of PLN 739.6 million throughout the year and achieved a positive net financial result of PLN 1,147 thousand at the end of 2020.

## 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

However, the events related to the COVID-19 outbreak were negatively reflected in the dynamics of new sales in 2020. The Company was most affected by the problem in the second quarter of 2020, as was the case in the leasing industry as a whole. From the third quarter onwards, the situation very quickly began to improve and finally, in the second half of the year, the realised results of new sales were already slightly different from those achieved in the corresponding period of 2019. Summing up the entire year 2020, the Company concluded almost 15.5 thousand new contracts for the amount of PLN 1,975,034 thousand, which represented a decrease of 15% compared to 2019.

During the economic lockdown (March-May), the possibility to defer instalments for up to 6 months was introduced into the offer for existing customers. The Company, together with the Bank, applied the EBA guidelines in this regard. The impact of exposures with applied moratoria at the peak (June 2020) reached a maximum of 16% of the balance sheet value of the portfolio. By 31 December 2020, all moratoria had been terminated and the negative impact in terms of repayment difficulties among the customers who benefited from this solution is very limited.

Despite the circumstances related to the pandemic, the value of the Company's assets at the end of 2020 increased by 17% compared to 2019.



Table 49. Basic financial data of BNP Paribas Leasing Services Spółka z o.o.

PLN '000	31.12.2020	31.12.2019	31.12.2018
Balance sheet total	4,028,835	3,439,131	2,413,330
Long-term investments*	3,610,100	3,139,626	1,833,087
Equity	1,459	(2,752)	7,244
including: net financial result	4,211	(9,996)	(14,490)

\* *receivables due to granted financing*

Despite the lower than planned value of newly concluded contracts, with the still growing scale of the portfolio, the scale of revenues realised in 2020 was also growing. The value of revenues increased by 19.2% y/y and reached in this period a record level in the history of the Company - PLN 69,040 thousand.

The Company also shows better cost efficiency parameters thanks to the economies of scale it realises.

In the context of the COVID-19 pandemic situation, one of the most significant risk factors was the degree to which customers were meeting their repayment obligations to the Company on time. As a result of the measures taken, such as the aforementioned extension of instalment repayments or the intensification of repayment monitoring and collection activities, the Company even managed to improve the quality of its portfolio compared to 2019, reducing the impact of the pandemic on credit risk costs.

In 2020 the Company recorded a net profit of PLN 4,211 thousand, thus restoring a positive equity balance.

## BNP Paribas Group Service Center S.A.

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

- **providing financial intermediation services to the Bank**, consisting in:
  - providing 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,
  - registration of documents in the Bank's sales system,
  - informing customers of the credit decisions issued by the Bank,
- **services auxiliary to insurance brokerage**, consisting in administration and performance of group insurance agreements concluded by the Bank,
- **agency services for insurance services**,
- **providing IT services** related to the development of banking and financial applications and systems to the BNP Paribas Group entities,
- comprehensive **management of loyalty programs** for parties connected to the Bank,
- **providing marketing services** for employees of the Bank's partners on the Bank's request.

As part of the implementation of the integration process and due to the similar nature of the action, on 31.12.2019 (date of entry in the National Court Register) BNP Paribas Group Service Center S.A. was merged with BNP Paribas Financial Services Sp. z o.o. where BNPP GSC acted as the acquirer.



Table 50. Basic financial data of BNP Paribas Group Service Center S.A.

PLN '000	31.12.2020*	31.12.2019**	31.12.2018
Balance sheet total	41,630	45,401	29,354
Short-term investments	34,364	35,644	22,536
Equity	34,411	38,926	23,701
including: net financial result	8,515	13,032	12,621

\* - unaudited date

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

## 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. till the end of November 2020 had the status of a National Payment Institution (based on the authorization of the Polish Financial Supervision Authority of 22 September 2015), which authorized to keep payment registers and carry out interbank transfers by customers. On 1 December 2020, the Company resigned from its status as a National Payment Institution in connection with the closure and termination of its currency exchange and fast transfer platform - Rkantor.com.

The Company's business is focused solely on the activities related to software development and consultancy in the following fields: IT, data processing and website management (hosting). The Company, as important part of the BNP Paribas Bank Polska innovations ecosystem, is conducting number of open banking projects, for example:

- development of API compliant with PSD 2 requirements,
- development of CRM applications and applications for servicing syndicated loans (LEAF),
- development of an Internet trading platform for currency exchange (Nowa FX PI@net)

Pursuant to a resolution of the Extraordinary Shareholders' Meeting, in June 2020 the Company's share capital was increased by PLN 1.5 million through the creation of 3,000 new shares. The Company's share capital now amounts to PLN 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 outbreak, the Company has been operating remotely since 12 March 2020. This situation does not have any material impact on the quality of services provided or on the Company's financial result.

As a result of the recognition of costs incurred in connection with the closure of the FX platform www.Rkantor.com, the Company recorded a net financial loss in 2020.

The net loss for 2020 resulted in negative equity. In the current circumstances, the Group does not intend to recapitalize the Company due to the expected improvement in the Company's profitability and capital position.

As of 1 December 2020. The Company ceased to be a National Payment Institution and is therefore not subject to the prudential regulation of the PFSA's capital standards.

Table 51. Basic financial data of BNP Paribas Solutions Sp. z o.o.

in PLN '000	31.12.2020	31.12.2019	31.12.2018
Balance sheet total	4,316	74,419	76,442
Short-term investments	1,339	69,701	74,211
Equity	(1,236)	2,989	3,638
including: net financial result	(5,725)	(660)	(772)

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





Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. („the Company”) 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;

In the fourth quarter of 2020, the Company has completed the disposal of its property.

**Table 52. Basic financial data of BFN Actus Spółka z o.o.**

In PLN '000	31.12.2020*	31.12.2019	31.12.2018
Balance sheet total	42,589	56,827	56,129
Long-term investments	0	56,577	55,868
Equity	42,429	48,252	47,688
including: net financial result	(5,809)	564	1,113

\* -non-audited data

### **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.

During the pandemic and the imposed restrictions, the Company introduced the preparation of take-away catering services, including meals for medics from the covid ward of the hospital in Sochaczew.

### **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.



## 9. Key risks management



### 9.1. The risk management system

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 (incl. Country risk, residual risk, settlement risk and concentration risk)
- counterparty risk
- market risk
- interest rate risk in the banking book
- liquidity and refinancing risk
- operational risk (including legal risk, non-compliance risk, ryzyko business continuity risk and IT risk)
- business risk (including financial result risk and strategic risk)
- reputation risk
- model risk
- insolvency risk (incl. excess leverage)
- CSR/ESG 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.

## Strategy for using financial instruments

The Group's core business activities focus on financial products offered to customers: individuals, entrepreneurs and enterprises, public and budgetary entities, non-bank financial institutions. On the liabilities side, short-term fixed-rate deposits as well as current and savings accounts dominate. On the asset side, the Group offers the following credit products: housing loans, cash loans, credit cards, overdrafts, investment and working capital loans, preferential loans with subsidies, factoring, leasing, guarantees, foreign trade finance transactions (e.g. letters of credit) - the vast majority of credit products are medium and long-term instruments, bearing interest based on short-term market rates.

The Group uses financial market instruments primarily to manage liquidity, interest rate and currency risks arising in its core business, in line with its internally adopted risk appetite and medium and long-term market trends.

The Group also offers access to financial market instruments to its customers to hedge market risks - currency, interest rate or commodity price - that exist in their core business activities.



## 9.2. Principal types of risk

### 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.

## Impact of the COVID-19 pandemic on credit risk

Due to the outbreak of the COVID-19 pandemic in 2020, the Bank has taken a number of actions regarding, i.a.

- the possibility for customers to request temporary deferrals of principal and interest payments on loans under non-statutory and statutory moratoria,
- review of the credit portfolio with special attention paid to sensitive industries, particularly strongly affected by the consequences of the pandemic.

The Bank actively participated in the work of the banking sector, regulators and arrangers of government aid directed at entrepreneurs, launched a number of solutions allowing customers to electronically apply to the Bank and benefit from aid programmes related to the consequences of the pandemic, and carried out ongoing monitoring of the number of customers and credit exposures affected by the consequences of the pandemic, including ongoing decisions regarding individual customers as to the type and structure of customer financing adequate to their current situation and available aid programmes.

The Bank also cooperated with Bank Gospodarstwa Krajowego with regard to liquidity guarantees offered to the Bank's Customers and loan interest subsidy programmes.

As a partner of the Polish Development Fund programme, the Bank provided customers with the technical possibility to apply for financing from these programmes via electronic banking.

In the period until 30 September 2020 the Bank focused on making the fullest possible use of available assistance programmes for Customers (non-statutory/private and statutory moratoria), including granting temporary deferment of instalment payments on loans, processing customer requests in this regard on an ongoing basis. After 30 September 2020 until the end of 2020, customer requests for deferment of instalments could be submitted and processed, but only in case of statutory moratoria. Since mid-January 2021, the Bank again has offered customers non-statutory moratoria.

The Bank has monitored the behaviour of exposures covered by moratorium support. Exposures subject to statutory credit holidays are transferred to Phase 3. For exposures subject to non-statutory credit holidays the Bank applies stricter criteria for classification into Phase 2. For this pool of exposures, overdue more than 3 days within a horizon of 3 months after the end of the moratorium is an indication of a significant increase in credit risk (Phase 2), which results in the calculation of write-downs over the life horizon of the exposure.

As at 31.12.2020, the total gross value of loans and advances covered by the Group's ongoing and expired moratoria amounted to PLN 7,251,102 thousand of which statutory moratoria amounted to PLN 135,935 thousand. The balance of expired moratoria at the end of 2020 amounted to PLN 6,949,777 thousand and the balance of active moratoria amounted to PLN 301,325 thousand.

Details of moratoria granted by the Bank and the Group are presented in the Note on Credit Risk of the Standalone and Consolidated Financial Statements for the year ended 31 December 2020.



## Restructuring and debt collection

In 2020, a total of PLN 829.0 million of receivables were collected, of which:

- PLN 287.7 million - as a result of collection activities (corporate entities PLN 26.2 million, SMEs PLN 21.4 million, micro-enterprises PLN 103.2 million, individual customers PLN 104.3 million, mortgage loans PLN 32.6 million),
- PLN 417.2 million - as a result of portfolio restructuring (corporate entities PLN 243.2 million, SME PLN 174.0 million),
- PLN 124.1 million - as a result of sale of impaired portfolio.

## 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.

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 2020, the limits specified in Article 395 of the EU Regulation No. 575/2013 were not exceeded. As at the end 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 15%.

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 2020, similarly as at the end of 2019, is characterised by concentration towards such industries as: Agriculture, Forestry, Hunting and Fishing (in accordance with the section defined in the PKD). As at the end of 2020, they accounted for 26% of the Bank's exposure towards institutional clients, while in at the analogical period-end of the previous year they constituted 28% of the Bank's exposure.

As at the end of 2020, the largest share of non-performing loans was observed in the following industries: Entertainment and Recreation activities (21%), Accommodation and food service activities (20.5%).

**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 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 year-end 2020, transactions related to foreign credit activity of the Bank represented 54% of the Bank's exposure toward countries, treasury transactions (including deposits and derivatives) represented 14%, while the remaining part, i.e. 32%, was related to international trade transactions (letters of credit and guarantees). France accounted for 33% of the exposure, the Netherlands and Luxembourg for 11% each, Czech Republic for 8% and Switzerland for 7%. The remaining exposures were concentrated in Belgium, Germany, Turkey and Austria.





## 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 December 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.

## 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).

The global crisis triggered by COVID-19 and the ensuing turmoil in the financial instruments market forced a significant reduction in open interest rate positions. However, the result from trading activities did not deviate from the assumptions adopted in Budget 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.

## 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 31 December 2020. Utilisation of set limits is below the maximum values.

**Table 53. Interest rate gap (in PLN million)**

Term	Gap
1M	(6,822)
3M	13,296
6M	3,598
1Y	(1,219)
2Y	(7,215)
3Y	(10,296)
5Y	(9,465)
10Y	(369)

The average length of capital investment and non-interest bearing current accounts as at 31 December 2020 was exceeding 5.8 years.

The sensitivity of interest income at interest rate curves shifts by + 50bp as at 31 December 2020 is presented in the table below:

**Table 54. Sensitivity of interest income (in PLN million)**

1st year	2nd year	3rd year
41.2	35.7	49.5

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 55. Supervisory test of the Bank's equity economic sensitivity**

Scenario	PLN million	% of own funds
+200bp	-591.2	-3.77%
-200bp	+253.7	+1.62%

At 31 December 2020, the Group applies fair value hedge accounting (macro fair value hedge). The hedged risk is interest rate risk, and in particular changes in the fair value of fixed-rate assets and liabilities caused by changes in a specific reference rate. The hedged items are fixed rate current accounts in PLN, EUR and USD. Hedging instruments are plain vanilla interest rate swaps (IRS) in PLN, EUR and USD under which the Bank receives a fixed interest rate and pays a variable rate based on WIBOR 6M, WIBOR 3M, EURIBOR 3M, EURIBOR 1M, USD LIBOR 1M, USD LIBOR 6M.

In addition, the Group applies fair value hedge accounting (micro fair value hedge) as at 31 December 2020. The hedged risk is interest rate risk, in particular changes in the fair value of fixed-rate assets and liabilities caused by changes in a specific reference rate. The hedged items are: fixed coupon bonds PS0422, DS1029, WS0428, FPC0427, PFR0925. Hedging instruments are plain vanilla interest rate swaps (IRS) in PLN, under which the Bank pays a fixed interest rate and receives a variable rate based on WIBOR 6M.



## 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 December 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 56. Structure of loan portfolio financing**

in PLN million	31.12.2020
<b>Net loans and advances</b>	<b>71,987</b>
<b>Total sources of funding</b>	<b>103,615</b>
Customer deposits, including:	91,467
- retail customers	53,982
- corporate	30,153
- non-banking financial institutions	2,703
- public sector institutions	4,629
Amounts due to banks	2,916
Debt securities issued	0

As at the end of 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. At the end of 2020, the Bank has raised a 2.3 PLN billion subordinated loan to meet the MREL requirement.

As at 31 December 2020, the structure of open long-term lines of credit was as follows:

**Table 57. Structure of loans from the BNP Paribas Group**

in PLN million	31.12.2020
CHF	150
EUR	200
PLN	2,740

**Table 58. Structure of loans from the EBRD, EIB and CEB**

in PLN million	31.12.2020
PLN	161

**The net liquidity coverage ratio (LCR)** at the end of 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 1,390 million.



## 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. Operational risk management in subsidiaries is carried out within dedicated units / persons appointed for this purpose. The manner and methods of operational risk management in subsidiaries are organised adequately to the scope of operations of the entity and its business profile, in accordance with the principles in force at the Bank.



## 10. Statement of compliance with corporate governance principles



### 10.1. Compliance with corporate governance principles in 2020

#### Legal and regulatory basis for the corporate governance

Corporate governance in BNP Paribas Bank Polska S.A. results from legal acts (in particular Code of Commercial Companies, Banking Law and laws regulating capital market) and recommendations included in the documents: "Best Practices for WSE Listed Companies" and "Principles of Corporate Governance for supervised institutions".

In accordance with § 70, par. 6, point 5 of the Regulation of the Minister of Finance of 29 March 2018 concerning current and periodic information reported by issuers of securities and conditions for recognizing as equivalent information required under the law of a non-member state (consolidated text: Journal of Laws of 2018, item 757), the Management Board of BNP Paribas Bank Polska S.A. presents the following information regarding compliance with corporate governance principles in 2020.

#### Corporate governance principles applicable to the Bank

##### Principles of corporate governance for supervised institutions

The Bank is subject to "Principles of Corporate Governance for supervised institutions" of 22 July 2014, issued by the Polish Financial Supervision Authority. The Principles defines internal and external relations of supervised institutions, including relations with the shareholders and customers, their organisation, functioning of internal control, and key systems and internal functions, and also statutory bodies and the principles of their cooperation. The Principles are available on the website of the Polish Financial Supervision Authority on: [https://www.knf.gov.pl/dla\\_rynku/regulacje\\_i\\_praktyka/zasady\\_ladu\\_korporacyjnego](https://www.knf.gov.pl/dla_rynku/regulacje_i_praktyka/zasady_ladu_korporacyjnego).

Principles of Corporate Governance for supervised institutions were adopted by the Bank's Management Board and Supervisory Board in December 2014 and by the General Shareholders' Meeting in February 2015.

The Bank's position with respect to the application of Principles of Corporate Governance for supervised institutions was updated in 2017 and expressed in the Resolution of the Bank's Management Board dated 26 April 2017, subsequently confirmed by the Supervisory Board on 11 May 2017 and adopted by the General Shareholders' Meeting on 22 June 2017. The aforementioned position is published on the Bank's website: <https://www.bnpparibas.pl/relacje-inwestorskie/lad-korporacyjny/zasady-ladu-korporacyjnego-knf>.

The Bank's annual statement on the application of Principles of Corporate Governance for supervised institutions is available in the "Report on the activities of the Supervisory Board of BNP Paribas Bank Polska S.A. and its committees" together with the assessments indicated in Principle II.Z.10 of the Best Practices for WSE Listed Companies 2016 and the assessment of the Bank's compliance with the "Principles of Corporate Governance for supervised institutions of 22 July 2014 issued by the Polish Financial Supervision Authority".



## Best Practices for WSE Listed Companies

Since 1 January 2016, the Bank is subject to the “Best Practices for WSE Listed Companies 2016”, as adopted by the Warsaw Stock Exchange Supervisory Board Resolution No. 26/1413/2015, dated 13 October 2015.

The document of Best Practices for WSE Listed Companies 2016 is available on the Warsaw Stock Exchange website at: <https://www.gpw.pl/dobre-praktyki>.

In its Resolution No. 7/BZ/3/2016 of 20 January 2016, the Bank’s Management Board adopted the principles of corporate governance described in the “Best Practices for WSE Listed Companies 2016”, with individual exceptions.

Pursuant to § 29 par. 3 of the Warsaw Stock Exchange Rules, on 26 January 2016, the Bank published a report on its non-application of some detailed principles described in the “Best Practices for WSE Listed Companies 2016”.

## Management Board’s statement of compliance with corporate governance principles in 2020

### Principles of Corporate Governance for supervised institutions

BNP Paribas Bank Polska S.A. in 2019 follows the Principles of Corporate Governance for supervised institutions” with exemption regarding application of § 8 item 4 of the Principles:

*„supervised institution should, if this is justified by the number of shareholders, drive at facilitating participation of all the shareholders in the meetings of the statutory body of the supervised institution, though, i.a., ensuring that active participation in a meeting of the statutory body is possible via electronic means of communication”.*

#### Bank’s commentary:

Due to the current shareholder structure as well as due to the impossibility of completely eliminating the legal as well as organisational and technical risks associated with providing shareholders who do not attend the General Meeting in person with real-time bilateral communication and voting using electronic communication means, the Bank decided not to use the possibility of electronic participation of shareholders in the General Shareholders’ Meeting, limiting itself to recording the General Shareholders’ Meeting and real-time transmission via the Internet.

At the same time, in 2020 (due to, among others, the situation related to the COVID-19 outbreak), the Regulations of the General Shareholders’ Meeting of BNP Paribas Bank Polska S.A. were amended, allowing organisation of General Meetings and shareholders’ participation using electronic means of communication, including in particular: recording and broadcasting the General Shareholders’ Meeting debates via Internet, real-time bilateral communication allowing shareholders to speak during the General Shareholders’ Meeting debates and to exercise their voting rights during the General Shareholders’ Meeting debates in person or by proxy.

## Best Practices for WSE Listed Companies

Based on information from the responsible business units, an analysis has been made of the Bank’s compliance in 2020 with the “Best Practices for WSE Listed Companies 2016”. The Bank applies the recommendations and principles described in the “Best Practices for WSE Listed Companies 2016” with the exceptions listed below:

- the current status is that the Bank partially applies recommendation IV.R. regarding transmission of the General Shareholders’ Meetings and possibility to participate and vote in the General Shareholders’ Meetings via electronic means of communication. Amended Regulations of the General Meeting enables the organisation of General Shareholders’ Meetings and the active participation of shareholders via means of electronic communication. Given the current shareholder structure and potential legal and organisational risks, the Bank applied the above principle partially, limiting itself to real-time transmission of General Meetings (started in 2020 in accordance with principles I.Z.1.16., I.Z.1.20., IV.Z.2.).
- the Bank partially applies principle V.Z.5. – Supervisory Board’s approval before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party. The Bank applies the principle that the Supervisory Board approval



is required to conclude a significant agreement with a related party (currently all shareholders with at least 5% of the total vote are related parties),

- the following principles and recommendations do not apply to the Bank: I.Z.1.10 (the Bank does not publish financial projections), III.Z.6. (the internal audit function and the Audit Committee of the Supervisory Board are established in the organizational structure of the Bank) and IV.R.3. (all securities issued by the Bank are listed only on the Warsaw Stock Exchange).

The Management Board of the Bank hereby declares that the Bank and its governing bodies complied in 2020 with the corporate governance principles determined in the "Principles of Corporate Governance for supervised institutions" and the "Best Practices for WSE Listed Companies 2016" in the scope adopted by the Bank.

In the reporting period, the corporate governance principles adopted by the Bank were not violated.



## 10.2. Shares and shareholders

As at 31 December 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, was as follows:

**Table 59. Shareholder structure as at 31.12.2020**

Shareholder	Number of shares	% interest in share capital	number of votes at the General Shareholders' Meeting	% share in the 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%
<b>Total</b>	<b>147,418,918</b>	<b>100.00%</b>	<b>147,418,918</b>	<b>100.00%</b>

In 2020 there were no changes in the shareholder structure.

As at 31 December 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 F series shares, 8,000,000 G series shares, 5,002,000 H series shares, 28,099,554 I series shares, 2,500,000 series 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 31 December 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.

### Number of shares in BNP Paribas Bank Polska held by members of the Bank's Supervisory Board and members of the Management Board

As at 31 December 2020 and as at the date of this annual report, i.e. 26 February 2021:

- Mr Przemysław Gdański - President of the Management Board - held 500 shares of BNP Paribas Bank Polska, which has not changed as compared to the date of submitting the Consolidated interim report for three quarters of 2019, i.e. 10 November 2020,
- other members of the Management Board or Supervisory Board of the Bank did not declare holding any shares of BNP Paribas Bank Polska S.A., and there were no change in this respect from the date of submitting the Consolidated interim report for three quarters of 2020, i.e. 10 November 2020.



## 10.3. Governing bodies of the Bank

### General Shareholders' Meeting

In 2020 were held 2 General Meetings of BNP Paribas Bank Polska S.A.

- **The 31 January 2020** - The Extraordinary General Meeting of BNP Paribas Bank Polska SA. (EGM), which adopted a resolution on the introduction of an incentive program for persons with a significant influence on the Bank's risk profile. Under the programme, these persons will be entitled to subscribe for new series M shares of the Bank, and the rights to subscribe for these shares will result from the subscription warrants granted. Therefore, the EGM also adopted a resolution regarding the issue of subscription warrants and a conditional share capital increase through the issue of series M shares and an appropriate amendment to the Articles of Association. Due to the nature of the issue, existing shareholders were deprived of pre-emptive rights to the subscription warrants and series M shares. In addition, subject to the approval of the Polish Financial Supervision Authority, the EGM authorised the Management Board to purchase the Bank's own shares from the persons covered by the programme and decided to create a reserve capital for this purpose.
- **The 29 June 2020** - The Annual General Meeting of BNP Paribas Bank Polska SA. (AGM), which approved the financial statements, the management report and the non-financial information of the Bank for 2019 submitted by the Board of Executives and the Supervisory Board. The AGM resolved the distribution of the net profit for 2019 (transferring the entire profit to the reserve capital) and discharged the members of the Management Board and Supervisory Board for the performance of their duties in 2019. Furthermore, the AGM adopted the amended Regulations of the General Meeting of BNP Paribas Bank Polska S.A. (including the possibility of holding the General Meeting using electronic means of communication) and appointed new members of the Bank's Supervisory Board (Ms Lucyna Stańczak-Wuczyńska and Mr Vincent Metz), as well as adopted a resolution on changing the remuneration of the Supervisory Board members. In addition, the AGM adopted a resolution amending the resolutions of the EGM of 31.01.2020 due to the planned legal changes resulting from the mandatory dematerialisation of securities and their registration in the KDPW depository.

The General Shareholders' Meeting of BNP Paribas Bank Polska SA held on 29 June 2020 was for the first time ever broadcast in real time via the Internet. The recording of the meeting is available on the Bank's website in Polish and English versions.

### Procedures of the General Shareholders' Meeting and its key powers

General Shareholders' Meeting of BNP Paribas Bank Polska S.A. is held in accordance with the provisions of the Code of Commercial Companies Code, Banking Law, Act on public offerings and conditions governing the introduction of financial instruments to organized trading and on public companies, Bank' Statute, Regulation of the General Meeting of BNP Paribas Bank Polska S.A, including the "Best Practices for WSE Listed Companies".

General Meetings are convened as ordinary or extraordinary general meetings. General Meeting is convened, in a manner defined in the Bank's Statute, by the Bank's Management Board or - in cases defined in the Statute – by the Supervisory Board or by a shareholder or shareholders representing jointly at least 1/20 of share capital. General Meeting is convened by an announcement published on the Bank's website (<https://www.bnpparibas.pl/relacje-inwestorskie/walne-zgromadzenie> (English version: <https://www.bnpparibas.pl/investor-relations/general-meeting>)). From the date on which the General Meeting is convened, the Bank shall post the draft resolutions and the required information on the Bank's website in accordance with the provisions of the Commercial Companies Code.

The General Meeting may be held in a manner that allows the shareholders to participate in the General Meeting via electronic means of communication, whereas the course of the General Meeting is broadcast live via the Internet and recorded and published on the BNP Paribas Bank Polska SA website. The above rule was introduced to the Regulations of the General Meeting of BNP Paribas Bank Polska S.A. in 2020, under the provisions of "Best Practices for WSE Listed Companies".

General Meeting adopts resolutions on matters reserved to its competence, in particular those arising from the abovementioned laws and internal regulations. Draft resolutions are submitted to the General Meeting by the Bank's Management Board, after opinion of the Supervisory Board.

Votings at the General Meeting are held via electronic vote counting device which ensure that the number of votes cast corresponds with the number of shares held and, in cases of secret voting, eliminates the possibility to identify the manner of voting by the individual shareholder. One vote is attached to each share.



## Shareholders' rights and the method of their execution

Rights of the BNP Paribas Bank Polska S.A. shareholders and method of their execution are set forth in Regulation of the General Meeting of the Bank and stem from the provisions of the Code of Commercial Companies.

Shareholders' participation in the General Meeting is connected in particular with the following rights:

- each shareholder may request that a list of shareholders should be sent to him via electronic mail to the indicated electronic mail address. A shareholder has the right to inspect a list of shareholders in the Bank's registered office and request copy of a list,
- a shareholder may demand that copy of motions regarding matters being on the agenda of the General Meeting should be released to him within one week prior to the date of the General Meeting and request information from the Bank's Management Board regarding matters being on the agenda of the General Meeting in cases and with exceptions set forth in the Code of Commercial Companies,
- a shareholder may review the book of minutes from the General Meeting and also demand that copies of resolutions certified by the Management Board be released to him,
- shareholder may demand secret voting and appeal against resolutions of the General Meeting in cases set forth in the Code of Commercial Companies,
- a shareholder shall have the right to attend the General Meeting and exercise voting rights in person or by a proxy. The Regulation of the General Meeting also provide the possibility to participate in the General Meeting by means of electronic communication.

A shareholder or shareholders representing jointly at least 1/20 of the Bank's share capital may request that Extraordinary General Meeting be convened, as well as that certain matters be put on the agenda of this General Meeting.

## Introduction of amendments to the Statute

Any amendment to the Bank's Statute requires a resolution of the General Shareholders' Meeting and an entry in the Register of Entrepreneurs of the National Court Register. Amendments to the Statute in respect of the matters specified in article 34.2 of the Banking Law of 29 August 1997 (consolidated text: Journal of Laws of 2016, item 1988, as amended) require consent of the Polish Financial Supervision Authority

The Management Board's motions which aim to amend the Bank's Statute and those concerning other matters to be examined by the General Shareholders' Meeting, should be submitted in advance to the Supervisory Board to provide the opinion.

Resolutions of the General Shareholders' Meeting to amend the Statute, in particular, change the Bank's name, registered office, business profile as referred to in § 5 par. 2 of the Statute, increase or reduction of the Bank's share capital, issue of convertible bond or bond with priority right to acquire shares of the Bank, as well as subscribe warrants, liquidation or dissolution of the Bank, and the sale of all or part of the bank, require the majority of 3/4 of votes cast. A resolution regarding a merger of the Bank with another bank or another credit institution requires 2/3 of votes cast at the General Shareholders' Meeting (§ 13 par. 2 of the Statute).

In accordance with § 20 par. 1, point 1m) of the Bank's Statute, immediately after the General Shareholders' Meeting adopting amendments to the Bank's Statute has been held, the Supervisory Board shall draft the consolidated text of the Statute and introduce other editorial changes to the Statute, as specified in the relevant resolution of the General Shareholders' Meeting.





## Amendments to the Bank's Statute in 2020

Following the decision taken in January 2020 on issue of subscription warrants and conditional increase of the share capital through the issue of series M shares, The Extraordinary General Meeting of BNP Paribas Bank Polska SA also amended the Bank's Statute accordingly. A paragraph (§ 29a) was added to the Bank's Statute which specifies that the Bank's share capital was conditionally increased by an amount not exceeding PLN 576,000 through the issue of not more than 576,000 series M ordinary bearer shares, indicates the holders of warrants as persons entitled to subscribe for series M shares and the dates for exercising the rights to subscribe for these shares.

## Supervisory Board

The Bank Supervisory Board shall be composed of five to twelve members appointed for a joint five-year term of office by the General Meeting. At least half of the members of the Bank Supervisory Board should have good knowledge of the banking market in Poland

According to the Bank's Statute, at least two members of the Supervisory Board should be independent members. As at 31 December 2020, four members of the Supervisory Board met the independence criteria (the criteria for independence of a member of the Supervisory Board are set out in § 16, par. 4 of the Bank's Statute). The status of independent member of the Supervisory Board was held by the following persons: Ms Lucyna Stańczak-Wuczyńska, Ms Magdalena Dziewguć, Mr Jarosław Bauc and Mr Mariusz Warych.

**Table 60. Composition of the Supervisory Board as at 31.12.2020 and 31.12.2019 with information on the independence of members**

Office held in the Supervisory Board	Composition of the Supervisory Board as at 31.12.2020	Composition of the Supervisory Board as at 31.12.2019
Chairman	Józef Wancer	Józef Wancer
Vice-Chairman	Lucyna Stańczak-Wuczyńska* <i>independent member</i>	Jarosław Bauc <i>independent member</i>
Vice-Chairman	Jean-Paul Sabet	Jean-Paul Sabet
Member	Francois Benaroya	Francois Benaroya
Member	Stefaan Decraene	Stefaan Decraene
Member	Magdalena Dziewguć <i>independent member</i>	Magdalena Dziewguć <i>independent member</i>
Member	Vincent Metz	Michel Falvert
Member	Sofia Merlo	Sofia Merlo
Member	Piotr Mietkowski	Piotr Mietkowski
Member	Jarosław Bauc <i>independent member</i>	Monika Nachyła
Member	Stéphane Vermeire	Stéphane Vermeire
Member	Mariusz Warych <i>independent member</i>	Mariusz Warych <i>independent member</i>

\* On 10 December 2020 the Supervisory Board made a written decision to elect Ms Lucyna Stańczak-Wuczyńska as Vice-Chairman of the Bank's Supervisory Board and at the same time recalled Mr Jarosław Bauc from this function

Changes in the Supervisory Board of the Bank in the period between 1 January and 31 December 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 effect from 19 March 2020,
- On 29 June 2020, the Extraordinary General Meeting of the Bank appointed Mr Vincent Metz as a member of the Supervisory Board of the Bank until the end of the current five-year joint term of office of the Supervisory Board members,
- On 29 June 2020, the Extraordinary General Meeting of the Bank appointed Ms Lucyna Stańczak-Wuczyńska as a member of the Supervisory Board of the Bank as of 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 effect from 30 November 2020.



In 2020, the Supervisory Board of BNP Paribas Bank Polska S.A. held 15 meetings (including 8 in writing) and adopted 93 resolutions. The attendance rate of the Board members was 83.29%.

In 2020, the Supervisory Board fulfilled its obligations under the law and the Bank's Statute as expressed in the Framework Work Plan of the Supervisory Board for 2020. In addition, the Supervisory Board was kept informed of the most important events and decisions of the Board of Directors, also with regard to the situation related to the COVID-19 pandemic, and thus had adequate knowledge of the Bank's position, the macroeconomic situation and the market environment and their impact on the achievement of the assumed results and the Bank's development plans.

The composition of the Supervisory Board of BNP Paribas Bank Polska S.A. guaranteed a high level of qualifications, competence and extensive professional experience, ensuring an appropriate level of collegial supervision over all areas of the Bank's activity, as well as comprehensive examination and opinion-forming on the issues presented, and a broad representation of opinions with respect to the assessment of the Board of Executives' work and the Bank's functioning.

The competences and professional experience of the individual members of the Bank's Supervisory Board are presented on the website <https://www.bnpparibas.pl/english-info/bank-authorities>.

## Profiles of the members of the Supervisory Board:

### 1. Józef Wancer – Chairman of the Supervisory Board

A graduate of economics at City College of New York University and management and interpersonal relations at Webster University in Vienna. For nearly 25 years he worked for Citibank as vice-president and in managerial positions, among others in the bank's subsidiaries in Japan, Austria, Great Britain and France. He was an independent consultant who participated in the establishment of Citibank in Warsaw. In 1992 he organised the Agricultural and Industrial Bank. Mr. Józef Wancer has long and extensive experience as a member of Management Boards in banks (Raiffeisen Centrobank in Warsaw, Bank BPH, BGŻ) and a member of Supervisory Boards (Powszechny Bank Kredytowy (PBK), Alior Bank). Since September 2013 he has been working for BNP Paribas Bank Polska S.A. (formerly BGŻ), where he served as President of the Management Board and then Chairman of the Supervisory Board. For his outstanding achievements in banking during the transformation period, Mr. Józef Wancer was awarded the Golden Cross of Merit and the Polonia Restituta Order of Poland.

### 2. Lucyna Stańczak-Wuczyńska – Vice-Chairman of the Supervisory Board (independent member)

A graduate of Economics at the Warsaw School of Economics, Faculty of Finance and Statistics and post-graduate Advanced European Studies at the College of Europe in Bruges, Belgium. Since the beginning of her nearly 30-year professional career, Ms Lucyna Stańczak-Wuczyńska has been involved in banking. In 1992-1996 she worked at IBP Bank S.A. in corporate banking, then in 1996-1997 in Credit Lyonnais Bank Polska, in corporate finance. In 1997 she became Vice President of the Structured Finance Department at ABN Amro Bank Polska. Since 2000, Ms Lucyna Stańczak-Wuczyńska has been associated with the European Bank for Reconstruction and Development ("EBRD"), initially as a Senior Banker responsible for investments in the energy and infrastructure sector, and since 2008 as EBRD Country Director in Poland. Since 2014, she has been Regional Director of EU-Banks, Financial Institution, Central and Southern Europe region. In her professional career, Ms. Lucyna Stańczak-Wuczyńska has held a number of corporate governance positions, has been a member (or observer) of Supervisory Boards and a member of Audit and Risk Committees at Polkomtel Sp. z o.o., Alior Bank S.A., Polskie Inwestycje Rozwojowe, among others, currently at Erste Bank, Hungary and is a member of the Advisory Board of Concordia 21 Private Equity Fund. Since December 2020, she has been a member, then Vice-Chairman of the Supervisory Board of BNP Paribas Bank Polska S.A.

### 3. Jean-Paul Sabet – Vice-Chairman of the Supervisory Board

A graduate of the French business school Hautes Etudes Commerciale in Paris. He started his career in the companies of the Paribas Group, where he sat on the bodies of the companies, in 1996-1998 he held the position of Executive Director and member of the Management Board in Société Centrale d'Investissements, then he was a member of the Management Board of Klépierre S.A. (a company specialising in commercial real estate investments). Between 2004 and 2006 he was a member of the Executive Committee of Retail Banking of the BNP Paribas Group in France, where he was responsible for finance and strategy. Since 2006 he worked in Banca Nazionale del Lavoro in Italy where he supervised the process of integration of this company into the BNP Paribas Group and then in the years 2008-2009 he held the position of COO in this company. Since 2010 he has been working in the area of International Retail Banking (IRB), covering the retail banking of the BNP Paribas Group outside the Eurozone, and since January 2013 he has been the Deputy Head of IRB, controlling the strategy and development of this segment. Among other things, he oversees retail banking in Central and Eastern Europe and Asia, including Turkey. In



addition, he serves as a member of the Supervisory Board of L.D.C., Chairman of the Supervisory Board of JSC "UkrSibbank" and sits on the Board of Directors of the following companies: BNP Paribas Yatirimlar Holding (Chairman since 2010), TEB A.S., TEB Holding A.S., BNP Paribas Fortis Yatirimlar Holding. Mr Jean-Paul Sabet was Chairman of the Supervisory Board of BNP Paribas Bank Polska from 2013 to 2015. Since September 2014, he was Chairman of the Supervisory Board of BNP Paribas Bank Polska S.A. (then BGŻ S.A.). Until August 2015, he was Chairman of the Supervisory Board of BNP Paribas Bank Polska S.A., then Deputy Chairman of the Supervisory Board.

#### **4. Francois Benaroya – Member of the Supervisory Board**

He graduated from the École Polytechnique and the École Nationale de la Statistique et de l'Administration Economique in Paris. He also holds a Master's degree in Economics from Tilburg University in the Netherlands. He is also a graduate of the Kennedy School of Government at Harvard University. He started his career in 1994 at the French Ministry of Finance as Deputy Director of the Emerging Markets Department. He then served as Economic Advisor for Russia and the Commonwealth of Independent States at the French Embassy in Moscow. Between 1999 and 2001 he worked as Director of the International Trade Analysis Department at the French Ministry of Economy, Finance and Industry, then as Deputy Director of the Cabinet of the Minister for European Affairs. He has been with the BNP Paribas Group since 2004 when he took the position of Deputy Head of Corporate Banking Development. In the years 2007-2011 he worked for the Ukrainian bank in the BNP Paribas Group - UkrSibbank as the Deputy Head of Retail Banking and then as the Head of Retail Banking and Vice-President of the Bank's Board of Executives. He then held the position of Director of Retail Banking of the International Retail Banking business line of BNP Paribas Group. In 2014, he became Managing Director for the Integration of BNP Paribas Bank Polska and Bank BGŻ. Then, from April 2015, he was Vice President of the Management Board of BNP Paribas Bank Polska S.A. responsible for the Integration Area, and from September 2015 for the Retail and Business Banking Area. Since September 2017, he has taken up a position in the IRB management of the BNP Paribas Group, where he is responsible for the Central and Eastern Europe and Turkey area. In addition, he serves as Chairman of the Supervisory Board of Ukrsibbank and as a member of the Supervisory Board of TEB AS.

#### **5. Stefaan Decraene – Member of the Supervisory Board**

Graduated in Applied Economics from the Catholic University of Leuven, Belgium. He started his career in 1988 at Bacob Bank, then became Head of Investment Banking at Artesia Banking Corporation in 1998, later being appointed CEO of Artesia Securities. He was then involved in Wholesale Banking at Dexia Bank Belgium, after which he served as CEO of Artesia Bank Netherlands, then from 2002 he was a member of the Executive Board of Dexia Bank Netherlands and Dexia Bank Belgium. From 2006 to 2011, he held the position of President of the Management Board of Dexia Bank Belgium, being also a member of the Management Board of Dexia S.A. He has extensive knowledge in retail and commercial banking as well as in the area of asset management, insurance and investment services. He served as Chairman of the Belgian Federation of the Financial Sector (Febelfin) from December 2008 to August 2011. Since September 2015, a member of the Supervisory Board of BNP Paribas Bank Polska S.A

#### **6. Magdalena Dziejguć – Independent Member of the Supervisory Board**

A graduate of the Faculty of Law and Administration at Adam Mickiewicz University in Poznań and the European School of Law and Administration in Warsaw. A graduate of the University of Minnesota/ School of Economics in Warsaw. She also completed postgraduate studies at SWPS University of Humanities and Harvard Business School. She started her professional career in 1997-1999 in sales at Scala Polska, a global leader in ERP software. Next, she worked for Orange Polska, responsible for business development, and later the Orange B2B Corporate Market Office. In the years 2007-2012, she worked for Plus GSM, holding the position of Director of the Strategic Customer Department, Director of the Business Sales Department, Director of the Key Customers Department and then B2B Managing Director, where she was responsible for the management of the entire B2B sales processes and sales support processes. From September 2011 to August 2012, she was an investment advisor at MCI Management (VC and Private Equity). From 2012 to 2014, her professional activity was associated with Exatel, where she was Marketing Director and Vice President of the Board, responsible for Sales, Marketing, PR, Product Development and HR. Since September 2014 until now, she has been working at Google and has been the director of Google Cloud business development in the region of Central and Eastern Europe (Poland, Czech Republic, Slovakia and Hungary). Ms Magdalena Dziejguć, in her professional career to date, has held the positions of member of the Board of Trustees of SWPS University of Humanities and Social Sciences (2016-2019), member of the Supervisory Board of the Humanites Foundation (2014-2018), member of the Supervisory Board of PGE Dystrybucja SA (2012-2014), Chairperson of the Audit Committee of the LiderShe Association (2012-2018) and Chairperson of the Supervisory Board of NOM (Independent Interzone Operator) (2012-2014). She is the founder of Digital University (educational foundation) and the start-up Daisy.life. She has been a member of the Supervisory Board of BNP Paribas Bank Polska S.A. since June 2019.



### 7. Vincent Metz – Member of the Supervisory Board

He holds a Master's degree in Economics from the University of Paris - École Polytechnique and a Master's degree in Pure Mathematics from the École Normale Supérieure de Lyon. He started his professional career in 1993 at Compagnie Bancaire (since 1997 Paribas), where he held the position of Director of Financial Models in the Planning and Development Department. Since 1999, he has been associated with the CETELEM Group where he has held various positions (External Development Director, CRM and Global B2C Analysis Director in the Sales Department, Planning and Development Director in the Finance Department). In 2009 he took the position of Director of Product Marketing in the Sales and Marketing Department in BNP Paribas Personal Finance. He continued his career with BNP Paribas Personal Finance as Director of Marketing Analysis and Controlling in the Sales and Marketing Department, Deputy Head of the Key Partner Department and Deputy CEO of the PF Inside Area. Currently, Mr Vincent Metz holds the position of Managing Director of the Latin America Area and PF Inside Area and is a member of the Executive Committee of BNP Paribas Personal Finance. His responsibilities also include overseeing BNP Paribas Personal Finance in six countries. Mr. Vincent Metz is a versatile expert in managing development projects (external development, partner relations). He specialises in financial services, and has extensive experience in sales and marketing, including finance and risk.

### 8. Sofia Merlo – Member of the Supervisory Board

A 1985 graduate of HEC Paris, she started her professional career in September 1985 at Paribas bank in the large companies department. She continued her career in various sales, business and branch manager positions, working with clients from all sectors (corporate clients, associations, private banking). In 1995, she took up the position of recruitment director in the human resources department, then became director of the Corporate Customer Service Centre in Bordeaux, representing the bank in Aquitaine. At the end of 2000, she returned to work in the Group's HR department, initially as a career manager, and in mid-2004 she took up the position of Group career management director. In 2009, she became Sales Director of the French Private Bank and was subsequently promoted to Director of the French Private Bank, while also joining the G100, a group of 100 top executives of the BNP Paribas Group. In January 2012, she was appointed Co-CEO of BNP Paribas Wealth Management. Ms Sofia Merlo also sits on the Boards of Directors of BNP Paribas Fortis, BMCI Morocco and Linedata Services. She has been a member of Club XXI<sup>è</sup> Siècle since 2016 and has also been a member of its Board of Directors since February 2018. Since November 2019, she has been a member of the Supervisory Board of BNP Paribas Bank Polska S.A. As part of her professional activities, Ms Sofia Merlo is committed to promoting women's entrepreneurship both in France and at international level. In 2015, together with the Women Initiative Foundation, she launched the BNP Paribas Women Entrepreneur Program at Stanford University for women entrepreneurs from around the world.

### 9. Piotr Mietkowski – Member of the Supervisory Board

Graduate in economics from Paris Dauphine University. He completed postgraduate studies in "International Economic Relations" at the Institute of Political Science in Paris. He started his professional career as an economist, focusing on emerging markets and European issues. Afterwards he worked in the Business Development Department of BNP Paribas and in Corporate Finance Department where he was responsible for CEE region. Mr. Piotr Mietkowski is currently the Managing Director of Investment Banking for Central and Eastern Europe, CIS, Greece and Turkey at BNP Paribas Group and a member of the Supervisory Board at BNP Paribas Bank Polska S.A. (since September 2015).

### 10. Jarosław Bauc – Independent Member of the Supervisory Board

A graduate of the University of Łódź and the University of Windsor in Ontario, Canada. He completed internships at the London School of Economics and Wirtschafts-Universität Wien. He holds a PhD in economics from the University of Łódź. In 1982-1991, he was a researcher at the University of Łódź. In 1992-1997, he was an advisor and project manager at the Centre for Social and Economic Research (CASE), on behalf of which he was a consultant to the National Bank of Estonia (in 1995), USAID advisor to the Ministry of Finance of Mongolia (in 1996), to the Ministry of Finance of Romania (in 1997) and Georgia (in 2000). In 1998-2000 he served as Secretary of State and First Deputy Minister of Finance of the Republic of Poland. In 1998-2000, member of the Monetary Policy Council. From 2000 to 2001, held the post of Poland's Minister of Finance. He sat on the management and supervisory boards of a number of companies. In particular, he served as chairman of the boards of Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura (in 2002-2003), Skarbiec Investment Management (in 2004-2005), Skarbiec Asset Management Holding (in 2004-2006) and Skarbiec Towarzystwo Funduszy Inwestycyjnych (in 2004-2006). In addition, in the years 2006-2007 and 2008-2011, he served as President of the Management Board and CEO of Polkomtel, then as a member of the Management Board of that company. From August 2013 to December 2013, he was Vice-President of the Management Board of HAWC. Then (from December 2013 to December 2015), he served as Vice President of the Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA. He served on the Supervisory Board of BNP Paribas Bank Polska since 1 July 2010 and as Deputy Chairman of the Board since 30 August 2010. In September 2014, he was appointed to the Supervisory





Board of Bank BGŻ. Until December 2020, he held the position of Vice-Chairman of the Supervisory Board of BNP Paribas Bank Polska S.A. and is currently a member of the Supervisory Board.

#### 11. **Stéphane Vermeire** – Member of the Supervisory Board

A graduate of Solvay Business School in Brussels, he holds a master's degree in management from Kellogg Graduate School of Management, Northwestern University in Chicago. He started his professional career in 1994 in the Belgian office of McKinsey & Company and has been working in the banking sector ever since. Between 2001 and 2012, he worked for the Dexia Group, where he held the following positions: Head of Sales Development at Dexia Asset Management, Advisor to the Management Board and Head of Projects, Strategy and Subsidiaries at Dexia Bank in Belgium, Head of Strategy and Group Development at Dexia SA and member of the Management Board of Dexia Credit Local, managing public and wholesale banking. Since 2013, he has been with BNP Paribas Fortis, where he was General Manager in charge of Private Banking and Asset Management and member of the Executive Committee of BNP Paribas Wealth Management Group. In December 2015 he became a member of the Executive Committee of BNP Paribas Fortis and since April 2018 he has been a member of the Executive Board of BNP Paribas Fortis. He has been a member of the Supervisory Board of BNP Paribas Bank Polska S.A. since August 2018.

#### 12. **Mariusz Warych** – Independent Member of the Supervisory Board

Graduated in economics from the Faculty of Economics and Foreign Trade at the University of Łódź (1996). Received a diploma in Finance and Accounting from Hogeschool van Utrecht in the Netherlands (1995). Participated in the ACCA (Association of Chartered Certified Accountants) programme (1997-1998). He also obtained the CIA (Certified Internal Auditor) diploma (2007). In his professional career to date, he has held the following positions: Director of Enterprise Risk Management at Deloitte Advisory (2011-2012), member of the Supervisory Board and Audit Committee at Jastrzębska Spółka Węglowa S.A. (2011-2012), Internal Audit Director for Central and Eastern Europe and Russia at AVIVA (2008-2011), Regional Coordinator for Central Europe at KBC GROUP N.V. (2004-2008), finance director at Citileasing sp. z o.o. and Handlowy-Leasing S.A. (2003-2004), external auditor at Ernst & Young (New York, London, Toronto, Vancouver, Warsaw) (1996-2002). Since 2009, he has chaired the Club of Audit Managers in Poland. In addition, he was a financial advisor to the Canadian-Polish Congress (British Columbia Branch) in Vancouver, Canada, where he also hosted a radio show on NOFA Polish Radio in Vancouver, Canada. His areas of expertise include: management, supervision and evaluation of business performance, identification and resolution of financial and operational weaknesses, management of risks associated with achieving business objectives, internal audit, business training and independent membership of supervisory boards and audit committees. In addition, he serves as a member of the Supervisory Board and Chairman of the Audit Committee of Selena FM S.A. Since June 2013 he has been a member of the Supervisory Board of BNP Paribas Bank Polska S.A.

## Principles of functioning of the Supervisory Board

The Supervisory Board of BNP Paribas Bank Polska S.A. acts according to the provisions of the Banking Law, Code of Commercial Companies, Bank's Statute and By-Laws of the Supervisory Board, text available on the Bank's website.

The Supervisory Board exercises constant supervision over all aspects of the Bank's operations, in particular by evaluating the Management Board's reports on the activities of the Bank and Bank's Group as well as the financial statements of the Bank and Bank's Group for the previous financial year, as regards their compliance with accounting books and documents as well as facts, and evaluation of the Management Board's motions to distribute profits or cover losses. Additionally, the Supervisory Board is responsible for oversight of internal control system implementation as well as assessment of the appropriateness and effectiveness of the internal control system in place at the Bank.

In order to make the resolution of the Supervisory Board effective, it is required that all of the members of the Supervisory Board are notified about the meeting and at least a half of the Supervisory Board members is present at the meeting, including the Chairman or Vice-Chairman. The Supervisory Board adopts resolutions by simple majority of votes in the open voting. Secret voting is applied to resolutions on matters specified by law or regarding personnel decisions. The Supervisory Board may adopt resolutions in writing, without convening a meeting or using means of direct remote communication, in particular through the telephone, audiovisual and electronic means of communication.



## Supervisory Board Committees

The Supervisory Board appoints internal committees composed of members of the Supervisory Board. The Committees have a consultative and advisory function for the Supervisory Board. The Committees activity is aimed at supporting the Supervisory Board through preparation in a working mode of opinions, recommendations and draft decisions concerning motions submitted for the Supervisory Board decision.

BNP Paribas Bank Polska S.A. established the following Supervisory Board Committees:

- the Audit Committee
- the Risk Committee
- the Remuneration Committee
- the Nominations Committee

Scope and operating mode of the abovementioned committees are determined in their regulations set forth by the respective resolutions of the Supervisory Board.

Annual reports on activities of the Supervisory Board and its internal committees are approved by the Ordinary General Meeting of BNP Paribas Bank Polska S.A. and published on the Bank's website.

**Table 61. Composition of the Supervisory Board and Supervisory Board Committees as at 31.12.2020**

Full name	Function held in the Supervisory Board	Supervisory Board Committees			
		Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Józef Wancer	Chairman			Member	Member
Lucyna Stańczak-Wuczyńska	Vice-Chairman, Independent Member	Member	Member	Member	Member
Jean-Paul Sabet	Vice-Chairman			Chairman	Chairman
Jarosław Bauc	Independent Member	Member			
Francois Benaroya	Member	Member	Chairman	Member	Member
Stefaan Decraene	Member				
Magdalena Dzięguć	Independent Member				
Vincent Metz	Member				
Sofia Merlo	Member				
Piotr Mietkowski	Member				
Stéphane Vermeire	Member				
Mariusz Warych	Independent Member	Chairman	Member		

## Audit Committee

The Bank's Audit Committee is responsible for supporting the Supervisory Board in monitoring of financial information reliability, monitoring of internal control system effectiveness, monitoring of external audit function as well as ensuring effectiveness of the Bank's internal audit function by supervising activities of the Internal Audit Line, ensuring flow of information and efficient cooperation between external auditor (certified auditor), internal audit and the Supervisory Board and preparing annual reports on activities of the Committee, including assessment of risk in areas being subject to Committee's supervision, undertaken actions and their results.

The Audit Committee supervises the activities of the statutory auditor. It issues recommendations to the Supervisory Board on the selection or resignation from the services of the entity authorised to audit financial statements, monitors compliance with the auditor's independence and objectivity principles, the principles of information exchange, supervises the auditor's work and performs a periodic evaluation of the external auditor's performance.

The Audit Committee is composed of four members, three of whom are independent members of the Supervisory Board who meet the independence criteria set out in the Ordinance of the Minister of Finance on the Audit



Committee and § 16 par. 4 of the Bank's Statute, as well as the provisions of the Act on Statutory Auditors, Audit Firms and Public Supervision.

The Supervisory Board has appointed the Audit Committee in compliance with all legal provisions relating to the appointment, composition and functioning of the Audit Committee, including those relating to the fulfilment by its members of the independence criteria and the requirements to have knowledge and skills in the industry in which the company operates and in accounting or auditing.

### Composition of the Audit Committee as at 31.12.2020

- Mariusz Warych – Chairman of the Committee (independent member)
- Jarosław Bauc – Member of the Committee (independent member)
- Francois Benaroya – Member of the Committee
- Lucyna Stańczak-Wuczyńska – Member of the Committee (independent member)

All members of the Audit Committee have adequate knowledge, competence and many years of experience in the financial and accounting sphere.

- Mr Mariusz Warych – competence in accounting, auditing and internal audit, confirmed by a CIA diploma. Participant of the ACCA Coursework programme. Many years of experience as an independent member of supervisory boards and audit committees (JSW, Selena FM, Ukrsibbank Ukraine). External auditor at Ernst & Young - auditing banks in Poland, UK, Canada and USA. He assessed the functioning of Audit Committees. Chairman of the Heads of Audit Club in Poland. He gained his knowledge and skills as a Citi Group CFO in leasing companies and as a KBC regional coordinator supervising KBC's operations in Poland..
- Ms Lucyna Stańczak-Wuczyńska – economic education and experience in the field of banking and finance gained during her 30-year work experience in the banking sector, in commercial banking and EBRD. During her professional career, Ms Lucyna Stańczak-Wuczyńska held a number of corporate governance positions, was a member (or an observer) of supervisory boards and a member of audit and risk committees (e.g. Alior Bank). She gained her industry knowledge and skills through many years of managing (as Director of EU Banks Team at EBRD in London) the portfolio (debt and equity) of a significant group of banks in 12 countries of the European Union, in Central and Southern Europe.
- Mr Jarosław Bauc – holds a PhD in economics. He gained his experience serving on the management and supervisory boards of a number of companies (Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura, Skarbiec Investment Management, Skarbiec Asset Management Holding and Skarbiec Towarzystwo Funduszy Inwestycyjnych, Polkomtel, HAWA, PGNiG). He has a comprehensive knowledge of finance and banking in Poland and abroad.
- Mr Francois Benaroya – with a degree in economics, he gained knowledge and experience in banking during his long-term employment in the banking sector on senior positions within the BNP Group. He was a member of the Board of Executives of BNP Paribas Bank Polska S.A. responsible for Integration Area, then for Retail and Business Banking. He serves on Supervisory Boards (Ukrsibbank Ukraine, TEB AS) and in the IRB management of the BNP Paribas Group where he is responsible for CEE and Turkey.

Detailed information on the education and professional experience of the Committee members is presented in the Supervisory Board section and on the website <https://www.bnpparibas.pl/english-info/bank-authorities>.

In the regular members of the Audit Committee meetings also attend, i.e.: President of the Management Board, Member of the Management Board supervising the Finance Area, Member of the Management Board supervising the Risk Area, Managing Director of the Internal Audit Division and Managing Director of the Compliance Division.

The Committee meets depending on the needs arising from its tasks, including each time before the publication of the Bank's results and financial reports, but at least four times a year.

In 2020, 6 meetings of the Audit Committee were held.

In accordance with its mandate, in 2020. The Committee discussed, among other things, the 2019 financial statements, the 2019 Group Activity Report and the report containing non-financial information for 2019, the quarterly and half-yearly reports on financial performance in 2020, and periodically assessed the performance of the external auditor. It took note of the action plan of the Internal Audit Division and the Compliance Monitoring Division and the periodic reports on the activities of the above areas, as well as the annual report on the evaluation of the effectiveness of internal control mechanisms and processes.





Furthermore, the Audit Committee got acquainted with the periodic reports on the status of the monitored audit recommendations and the implementation of the recommendations of the Financial Supervision Authority, verified the updated regulations in the area of accounting, audit and compliance, recommending their adoption to the Supervisory Board.

#### The Audit Committee's supervision of the selection of the audit firm

In September 2017, the Supervisory Board approved the following prepared by the Audit Committee: "Policy on the selection of the audit firm at BNP Paribas Bank Polska S.A." and "Procedure for the selection of the audit firm at BNP Paribas Bank Polska S.A.", as well as the "Policy on the provision of permitted non-audit services by the audit firm, by affiliates of the audit firm and members of the audit firm's network at BNP Paribas Bank Polska S.A.".

The main objective of the Policy and Procedure for the selection of the audit firm is to ensure the correctness and compliance with the applicable legal provisions, including those related to:

- the maintenance of the independence of the audit firm and the key statutory auditor
- applying transparent and non-discriminatory evaluation criteria when selecting an audit firm during the tender process
- ensuring that principles for the appropriate rotation of audit firms and the key statutory auditor are followed, including cooling-off periods.

The fundamental assumption of the Policy on rendering permissible non-audit services by the audit firm, by entities related to the audit firm and members of the audit firm's network at BNP Paribas Bank Polska S.A. is to analyse compliance of the additional service with legal regulations as well as to control and monitor independence of the key statutory auditor and the audit firm. The policy allows for the provision of permitted services, to the extent not related to the Bank's tax policy, following an independence analysis and consent to their provision.

On 12 December 2019, the Bank's Supervisory Board adopted a resolution appointing Mazars Audyt Sp. z o.o. as the audit firm authorised to audit and review the stand-alone financial statements of BNP Paribas Bank Polska S.A. and the consolidated financial statements of the BNP Paribas Bank Polska S.A. Group together with the reporting packages, for the years 2020-2021.

The Audit Committee's recommendation on the selection of the audit firm to audit the financial statements was made following an organised selection procedure that meets the applicable criteria.

In 2020, the audit firm provided permitted non-audit services to the Bank in respect of the review of the Bank's and the Bank Group's half-yearly financial reports and consolidation packages. In assessing the independence of the audit firm and agreeing to provide the service, the Bank used the approval path for the key auditor and the audit firm to conduct the statutory audit of the Bank's and the Bank Group's financial statements as set out in the Certified Auditor Selection Policy.

## Risk Committee

The Risk Committee's responsibility is to support the Supervisory Board in its fulfilment of supervisory duties in the risk management area, particularly including: providing opinion on the Bank's current and future ability to take risk, providing opinion on the risk management strategy in the Bank's operations prepared by the Management Board and on information from the Management Board concerning execution of this strategy, supporting the Supervisory Board in supervision over implementation of risk management strategy in the Bank by executive employees, verifying whether prices of liabilities and assets offered to clients reflect in full the business model of the Bank and its risk strategy, and where these prices do not adequately reflect the risks in accordance with the model and strategy - presenting to the Management Board recommendations on how to ensure the adequacy of prices of liabilities and assets with these risk categories.

The Committee is composed of at least three members of the Supervisory Board.

#### Composition of the Risk Committee as at 31.12.2020

- Francois Benaroya – Chairman of the Committee
- Mariusz Warych – Member of the Committee (independent member)
- Lucyna Stańczak-Wuczyńska\* – Member of the Committee (independent member)

\* until 30 November 2020, the member of the Risk Committee was Ms Monika Nachyła, who resigned with effect from 30 November 2020. Ms Lucyna Stańczak-Wuczyńska has been a member of the Committee since 10 December 2020.



The Committee's meetings are held with the frequency necessary to effectively fulfil its mission, at least semi-annually, on dates determined beforehand by the Chairman.

In 2020, the Committee held 4 meetings.

In fulfillment of its duties in 2020, the Committee discussed periodic reports in the areas of credit risk, market risk and liquidity risk, operational risk and fraud prevention, ALMT risk and legal risk. In addition, it gave opinions and recommended resolutions to the Supervisory Board on, i.a.: risk management strategy, operational risk strategy, investment strategy, policy and principles of the internal capital adequacy assessment process, methodology of the internal capital adequacy assessment process and stress test analysis, risk appetite and recovery plan.

In 2020, with regard to the COVID-19 pandemic, the Committee paid particular attention to aspects of the impact of the pandemic on the Bank, analysing the situation in terms of the Bank's preparedness for the risks associated with the coronavirus pandemic in the areas of the Bank's security, operational risk, credit risk, legal risk, cost of risk and internal control system.

## Remuneration Committee

The Remuneration Committee supports the Supervisory Board in the fulfilment of its supervisory duties in the respect of human resource management by monitoring and overseeing key processes, in particular: HR policy, professional development of employees and remuneration policy. The competences of the Committee include, among others: analysing the performance of the members of the Management Board and proposing recommendations to the Supervisory Board in this respect as well as recommending to the Supervisory Board key performance indicators for the members of the Management Board, giving its opinion and monitoring succession plans for key positions in the Bank, monitoring the level and structure of remuneration for key positions in the Bank and submitting to the Supervisory Board annual information on the employment and remuneration structure in the Bank.

The Committee is composed of at least three members of the Supervisory Board.

### Composition of the Remuneration Committee as at 31.12.2020

- Jean-Paul Sabet – Chairman of the Committee
- Józef Wancer – Member of the Committee
- Francois Benaroya – Member of the Committee
- Lucyna Stańczak-Wuczyńska\* – Member of the Committee (independent member)

*\* Ms Lucyna Stańczak-Wuczyńska has been a member of the Remuneration Committee since 10 December 2020. (until this date, the Remuneration Committee consisted of three members)*

The Committee's meetings are held with the frequency necessary to effectively fulfil its mission, at least semi-annually.

In 2020 the Remuneration Committee held 5 meetings, one of them by written procedure, which, among other things, discussed topics related to the implementation and setting of the annual objectives of the members of the Board of Directors, the remuneration principles and the variable remuneration of the members of the Board of Directors, the granting of incentive awards, the amendment of the Employee Remuneration Policy.

## Nominations Committee

The task of the Nominations Committee is to support the Supervisory Board in fulfillment of its duties with respect to assessing qualifications of candidates for members of the Bank's Management Board and candidates for members of the Supervisory Board, define the scope of duties for a candidate for the Bank's Management Board, as well as requirements regarding knowledge and competencies and expected commitment in terms of time required to perform the function; perform a periodical assessment (at least once a year) of knowledge, competencies and experience of the Bank's Management Board as a whole and of individual Board members; assess the structure, size, composition and effectiveness of the Bank's Management Board; and recommend changes in this respect to the Supervisory Board. The Committee is also responsible for developing and updating and monitoring the effectiveness of the Policy on the assessment of the adequacy of the Supervisory Board members, Management Board's members and persons discharging the most important functions at BNP Paribas Bank Polska SA, reviewing it from time to time and presenting recommendations in this respect to the Board of Executives. Moreover, the Nominations Committee supervises key processes such as succession plans or



professional development of employees, makes recommendations to the Supervisory Board on the process of appointment and succession of persons in key positions, as well as recommendations to reduce or increase the number of members of the Bank's Management Board.

The Committee is composed of at least three members of the Supervisory Board with the appropriate knowledge as well as appropriate competences and experience in the scope of the Bank's activity in order to be able to properly assess the composition of the Management Board / Supervisory Board, including recommended candidates for vacant positions in the Management Board / Supervisory Board.

**Composition of the Nominations Committee as at 31.12.2020**

- Jean-Paul Sabet – Chairman of the Committee
- Józef Wancer – Member of the Committee
- Francois Benaroya – Member of the Committee
- Lucyna Stańczak-Wuczyńska\* – Member of the Committee (independent member)

*\* Ms Lucyna Stańczak-Wuczyńska has been a member of the Nominations Committee since 10 December 2020. (until this date, the Nominations Committee consisted of three members)*

The Committee's meetings are held with the frequency necessary to effectively fulfil its mission, on dates determined beforehand by the Chairman.

In 2020, the Committee held 9 meetings (including 3 in written form) at which, among others, the individual and collective suitability of the Supervisory Board members and the Board of Executives members was periodically assessed and the suitability of new candidates for the Supervisory Board and the Board of Executives members was evaluated. Moreover, the Committee discussed amendments to the Policy of adequacy assessment of the Supervisory Board Members, Board of Executives' Members and Persons performing key functions in BNP Paribas Bank Polska SA.

**Management Board of the Bank**

In accordance with the Statute, the Bank's Management Board shall comprise, as from 1 January 2020 - from four to nine members. The members of the Management Board are appointed for a common term of three years. The members of the Management Board are: President and Vice Presidents of the Management Board, who are appointed, recalled and suspended in their activities by the Supervisory Board. At least two members of the Bank's Management Board, including the President of the Management Board, should have knowledge and experience necessary to enable them to manage the Bank in a stable and cautious way. At least half of the members of the Bank Management Board should have good knowledge of the banking market in Poland, i.e. they should permanently reside in Poland, have a good command of Polish and have gained the required experience on the Polish market. Detailed information on the education and professional experience of the members of the Management Board of BNP Paribas Bank Polska S.A. is available on the Bank's website at: <https://www.bnpparibas.pl/english-info/bank-authorities>.

**Table 62. Composition of the Bank's Management Board as at 31.12.2020 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	<b>Bank Management, Strategy and Agricultural Markets Area</b> , including oversight of the Internal Audit Division, Compliance Division, Marketing, Communications and Public Engagement Division, Legal Division, Strategy and Market Analysis Division, Agrobusiness Division, <b>Human Resources Management Area, Transformation Area</b>
Jean-Charles Aranda	Vice-President of the Management Board	<b>Finance Area</b> , including the Financial Accounting Division, the Capital Management Division, the Management Accounting and Investor Relations Division, the Tax Department, the Asset and Liability Management Division and the Data Governance Department



André Boulanger	Vice-President of the Management Board	<b>CIB Banking Area</b> , including the Financial Markets Division, the CIB Strategic Clients Department, the CIB Support and Business Development Department and the Custody Services Department
Przemysław Furlepa	Vice-President of the Management Board	<b>Retail and Business Banking Area</b> , including Sales Division, Internet Banking Division, Retail and Business Products Division, Credit Decision Department, Retail Banking Budgeting and Analysis Office, Wealth Management Department, Customer Relationship Development Department, Customer Transformation and Experience Development Department, <b>Brokerage Office</b>
Wojciech Kemblowski	Vice-President of the Management Board	<b>Risk Area</b> , including the SME and Agro Customer Risk Division, Systemic Risk Management Division, Corporate Restructuring and Recovery Division, Financial and Counterparty Risk Division, Operational Risk, Credit Control and Fraud Prevention Division, CIB and Corporate Customers Risk Division, Individual Customers and Micro-corporate Risk Division
Kazimierz Łabno	Vice-President of the Management Board	<b>Operations and Business Support Area</b> , including Operations Division, Real Estate and Administration Department, Operations Control Department, Central Procurement Department
Jaromir Pelczarski	Vice-President of the Management Board	<b>New Technologies and Cyber Security Area</b> , including New Technologies, Architecture and IT Support Division, Central Functions IT Development Division, Corporate Banking and Capital Markets IT Development Division, Retail IT Systems Development Division, Project Portfolio Management and IT Organisation Department, Security and Business Continuity Management Division and GSC (SPV) Team
Volodymyr Radin	Vice-President of the Management Board	<b>Personal Finance Banking Area</b> , including Consumer Finance Sales Division, Automotive - Personal Finance Sales Division, B2C Sales Department, New Business Models and Innovations Department PF, Product Development and Customer Relationships Department PF, Partner Services and Insurance Banking Department PF, Operations Department PF, Planning and Finance Department PF
Jerzy Śledziewski	Vice-President of the Management Board	<b>SME and Corporate Banking</b> , including the Sales Network Management Division of Corporate and Agro Banking, the International Enterprises, Public Sector and Institutions Division, the Corporate Banking Credit Decisions Department, the Business Development and Organization Division, Specialised Finance Division, Cash Management Division, SME Sales Network Management Division, SME Product Development, Strategy and Credit Decision Division, Leasing Department, Trade Finance Department, Factoring Management Department, Transaction Advisory Department, Large Corporates Office

The competencies and professional experience of the individual members of the Bank's Management Board are presented on the website <https://www.bnpparibas.pl/english-info/bank-authorities>.

The composition of the Bank's Management Board in the period 1 January - 31 December 2020 has not changed, however, on 12 October 2020, Mr Jaromir Pelczarski resigned from the position of Vice-President of the Bank's Management Board effective 31 December 2020. At the same time, on 12 October 2020, the Bank's Supervisory Board appointed Ms Magdalena Nowicka to the Bank's Management Board as Vice-President of the Management Board as of 1 January 2021 for the duration of the current term of the Bank's Management Board.

Meetings of the Management Board are convened as and when required. They take the form of simultaneous gathering of the members of the Management Board in one place or communication of the members of the Management Board by means of direct remote communication.

In 2020, 63 meetings of the Bank's Management Board were held, at which 163 resolutions were adopted.

In connection with the COVID-19 pandemic, meetings of the Management Board of the Bank were held in a hybrid manner from March 2020, while from October (2nd wave of the pandemic) - they were held exclusively by electronic means of communication.

### Functioning of the Management Board

The Bank's Management Board runs the Bank's affairs and represents the Bank against third parties. Details regarding activities, including competencies of the Management Board, is set forth in § 22 par. 2 of the Bank's Statute and By-Laws of the Management Board (approved by the Supervisory Board of the Bank).

The competence of the Management Board includes all matters not reserved by law or the Statute for the competence of other Bank's bodies. In particular resolution of the Management Board is needed in case of:



- 1) preparing a draft strategy for the development of the Bank and submitting it to the Supervisory Board for approval,
- 2) preparation of the financial plan and acceptance of the report on its implementation,
- 3) adoption of the report on the Bank's activities, the Bank's financial statements and the report on the activities and consolidated financial statements of the Capital Group,
- 4) determination of the human resources policy, including in particular the principles of remuneration, the structure and profile of employment, the principles of the social policy,
- 5) determination of the Bank's product policy,
- 6) determination of the organisational structure of the Bank,
- 7) creation and cancellation of the Bank's committees and determination of their competencies,
- 8) the establishment of commercial proxies,
- 9) determination of the management areas supervised by the particular members of the Management Board,
- 10) determination of the principles of control and internal audit functioning,
- 11) making decisions on the purchase or sale of real estate, a share in real estate, or the right of perpetual usufruct, if their value is lower than PLN 10,000,000 (ten million) but higher than PLN 5,000,000 (five million); however, it is stipulated that the resolution of the Management Board is not required in the case where the purchase or sale of real estate, a share in real estate, or the right of perpetual usufruct is related to the satisfaction of the Bank's claims against its debtor securing the Bank's receivables or a lease agreement in which the Bank acts as a financing party, including in particular in the case of purchase in the performance of a lease agreement, sale after the expiry of a lease term or during a lease term and sale after termination of a lease agreement concerning a given real property, a share in real property or the right of perpetual usufruct, irrespective of the value of a real property, a share in real property or the right of perpetual usufruct
- 12) Deciding on contracting an obligation or disposing of a right the total value of which in relation to one entity exceeds 5% of own funds.

Decisions of the Management Board are made in the form of resolutions adopted by an absolute majority of votes cast.

The Bank's Statute did not grant any special rights to the Management Board with respect to the issue or redemption of shares. However, the Extraordinary General Meeting of the Bank on 31 January 2020 decided to grant conditional authorisation to the Management Board (subject to the approval of the PFSA) for the Bank to purchase the Company's own shares from persons covered by the incentive programme and to create a reserve capital allocated entirely to the purchase of own shares.

The manner of representation of the Bank is determined by the Statute, according to which declarations of will on behalf of the Bank are submitted by:

- a) two members of the Management Board acting jointly or one member of the Management Board together with the commercial representative,
- b) proxies acting within the power of attorney granted, commercial representatives – acting within the competencies resulting from the provisions on commercial representation, and in the case of the establishment of a joint commercial representation, two commercial representatives acting jointly.



## 10.4. Remuneration of the Management Board and Supervisory Board

Individual data on remuneration paid in during the year for individual Management Board Members are as follows:

**Table 63. Remuneration paid to Management Board members in 2020<sup>1</sup>**

Name and surname	Period of service		Basic remuneration	Variable remuneration paid during the year	Phantom shares	Additional benefits	Total
	from	to					
Przemysław Gdański	01.01.2020	31.12.2020	2,020	592	467	135	<b>3,214</b>
Jean-Charles Aranda	01.01.2020	31.12.2020	902	376	155	250	<b>1,683</b>
Andre Boulanger	01.01.2020	31.12.2020	1,022	263	40	126	<b>1,451</b>
Przemysław Furlepa	01.01.2020	31.12.2020	1,067	339	191	294	<b>1,891</b>
Wojciech Kembłowski	01.01.2020	31.12.2020	1,020	538	297	111	<b>1,966</b>
Kazimierz Łabno	01.01.2020	31.12.2020	830	171	0	94	<b>1,095</b>
Jaromir Pelczarski	01.01.2020	31.12.2020	1,037	441	227	107	<b>1,812</b>
Volodymyr Radin	01.10.2020	31.12.2020	679	50	0	590	<b>1,319</b>
Jerzy Śledziewski	01.01.2020	31.12.2020	1,135	425	260	113	<b>1,933</b>
<b>Total</b>			<b>9,712</b>	<b>3,195</b>	<b>1,637</b>	<b>1,820</b>	<b>16,364</b>

<sup>1</sup> remuneration paid to the Management Board Members for the period of performing duties in the Management Board

**Table 64. Remuneration paid to Management Board members in 2019<sup>1</sup>**

Name and surname	Period of service		Basic remuneration	Variable remuneration paid during the year	Phantom shares	Additional benefits	Total
	from	to					
Przemysław Gdański	01.01.2019	31.12.2019	1,920	346	52	77	<b>2,395</b>
Jean-Charles Aranda	01.01.2019	31.12.2019	854	171	78	222	<b>1,325</b>
Daniel Astraud	01.01.2019	31.12.2019	1,566	755	423	274	<b>3,018</b>
Philippe Paul Bezieau	01.01.2019	30.09.2019	687	114	32	144 <sup>2</sup>	<b>977</b>
Andre Boulanger	01.11.2019	31.12.2019	1,021	34	-	123	<b>1,178</b>
Przemysław Furlepa	01.01.2019	31.12.2019	1,000	142	37	186	<b>1,365</b>
Wojciech Kembłowski	01.01.2019	31.12.2019	1,014	351	301	85	<b>1,751</b>
Kazimierz Łabno	01.01.2019	31.12.2019	780	565	-	73	<b>1,418</b>
Jaromir Pelczarski	01.01.2019	31.12.2019	999	291	277	138	<b>1,705</b>
Volodymyr Radin	01.10.2019	31.12.2019	161	-	-	61	<b>222</b>
Jerzy Śledziewski	01.01.2019	31.12.2019	1,107	200	160	78	<b>1,545</b>
<b>Total</b>			<b>11,109</b>	<b>2,969</b>	<b>1,360</b>	<b>1 461</b>	<b>16,899</b>

<sup>1</sup> remuneration paid to the Management Board Members for the period of performing duties in the Management Board

<sup>2</sup> includes equivalent paid for unused holiday leave

Members of the Management Board concluded with BNP Paribas Bank Polska S.A. employment contract for an indefinite period. Terms of contracts were prepared in accordance with the currently applicable laws and internal regulations. Members of the Management Board signed non-competition agreements while working with BNP Paribas Bank Polska S.A. Additionally, 2 members of the Management Board are bound by non-competition agreements for 9 months after termination of work. Members of the Management Board of BNP Paribas Bank Polska S.A. do not receive remuneration for acting as governing bodies of subsidiaries of the BNP Paribas Bank Polska S.A. Group.





According to individual employment contracts, Management Board members have the right to life insurance and a medical care package as well as compensation bonuses. In addition, the additional benefits due to members of the Management Board (based on individual employment contracts) include, among others:

- housing allowance specified in the employment contract,
- covering or reimbursement of costs incurred in connection with posting to work in Poland,
- covering the costs of private travel to the posting country for a Member of the Management Board and members of the family living in Poland (at a specific frequency),
- covering the costs of attending children to schools in Poland,
- one-time allowance related to a change of place of work.

BNP Paribas Bank Polska S.A. does not have any liabilities arising from pensions and benefits of a similar nature, towards the former management and supervisory staff.

Individual data on remuneration paid in during the year for individual Management Board members are as follows:

**Table 65. Remuneration paid to Supervisory Board members in 2020**

PLN'000	Period of service		Remuneration due to the office held in the Supervisory Board <sup>1</sup>	Remuneration due to the office previously held in the Management Board		
	Name and surname	from		to	Variable remuneration	Phantom shares
	Józef Wancer	01.01.2020	31.12.2020	600	-	-
	Jarosław Bauc	01.01.2020	31.12.2020	180	-	-
	Jean-Paul Sabet	01.01.2020	31.12.2020	-	-	-
	Francois Benaroya	01.01.2020	31.12.2020	-	154	90
	Stefaan Decraene	01.01.2020	31.12.2020	-	-	-
	Magdalena Dziewguć	01.01.2020	31.12.2020	150	-	-
	Michel Falvert	01.01.2020	19.03.2020	-	-	-
	Sofia Merlo	01.01.2020	31.12.2020	-	-	-
	Vincent Metz	29.06.2020	31.12.2020	-	-	-
	Piotr Mietkowski	01.01.2020	31.12.2020	-	-	-
	Monika Nachyła	01.01.2020	30.11.2020	150	-	-
	Lucyna Stańczak-Wuczyńska	01.12.2020	31.12.2020	-	-	-
	Stephane Vermeire	01.01.2020	31.12.2020	-	-	-
	Mariusz Warych	01.01.2020	31.12.2020	300	-	-
<b>Total</b>				<b>1,380</b>	<b>154</b>	<b>90</b>

<sup>1</sup> relates only to remuneration for work in the Supervisory Board



Table 66. Remuneration paid to Supervisory Board members in 2019

PLN'000	Period of service		Remuneration due to the office held in the Supervisory Board <sup>1</sup>	Remuneration due to the office previously held in the Management Board		
	Name and surname	from		to	Variable remuneration	Phantom shares
	Józef Wancer	01.01.2019	31.12.2019	600	101	120
	Jarosław Bauc	01.01.2019	31.12.2019	180	-	-
	Jean-Paul Sabet	01.01.2019	31.12.2019	-	-	-
	Francois Benaroya	01.01.2019	31.12.2019	-	344	315
	Stefaan Decraene	01.01.2019	31.12.2019	-	-	-
	Jacques d'Estais	01.01.2019	08.11.2019	-	-	-
	Magdalena Dziewguć	27.06.2019	31.12.2019	64	-	-
	Michel Falvert	01.01.2019	31.12.2019	-	-	-
	Sofia Merlo	15.11.2019	31.12.2019	-	-	-
	Piotr Mietkowski	01.01.2019	31.12.2019	-	-	-
	Monika Nachyła	01.01.2019	31.12.2019	150	15	17
	Stephane Vermeire	01.01.2019	31.12.2019	-	-	-
	Mariusz Warych	01.01.2019	31.12.2019	300	-	-
	<b>Total</b>			<b>1,294</b>	<b>460</b>	<b>452</b>

<sup>1</sup> relates only to remuneration for work in the Supervisory Board

Information on the remuneration of the Management Board and the Supervisory Board members can be found also in note 52 Related party transactions in the Stand-alone Financial Statements of BNP Paribas Bank Polska S.A. for the year ended 31 December 2020.

On 24 August 2018, at the Extraordinary General Meeting, a resolution was adopted as a result of which a member of the Supervisory Board who is simultaneously employed in any entity within the BNP Paribas SA Capital Group or in any subsidiary of any entity being part of the BNP Paribas SA Capital Group, will not be entitled to remuneration for performing the function of a member of the Supervisory Board of BNP Paribas Bank Polska S.A.

## 10.5. Diversity policy

Promoting diversity is an integral part of the Bank's management model and BNP Paribas Group management principles. The management of this area is regulated in the Policy on the assessment of the suitability of members of the Supervisory Board, Management Board and key function holders in BNP Paribas Bank Polska S.A. and Diversity Management Policy in BNP Paribas Bank Polska S.A.

### Diversity Management Policy in BNP Paribas Bank Polska S.A.

The Policy sets out the rules of conduct at BNP Paribas Bank Polska S.A. as regards counteracting discrimination in terms of respect for diversity, taking into account the BNP Paribas Group principles. It applies to all employees in the aspect of every process in the area of human resources management, including the process of recruitment, career planning and development and training of employees. In the Bank the discrimination in employment is unacceptable, whether direct or indirect, in particular due to gender, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnicity, religion, sexual orientation, gender identity and also due to employment type (definite/indefinite period, full-time/part-time).

The Bank promotes diversity aspects through such initiatives as: Diversity Days, Development Festival, talent and development programmes, an inclusive benefits package, as well as adequate rules and tools supporting work organisation. The Bank also places great emphasis on measures to prevent discrimination, mobbing and harassment. The Bank encourages and actively supports grassroots initiatives of employee networks e.g. "Women Changing BNP Paribas", "Dad, you've got it like in the bank"; it also engages in projects of the non-governmental sector that promote diversity and prevent exclusion of particularly vulnerable social groups.



The Bank has again externally verified and evaluated its diversity activities and was included in the second edition of Diversity & Inclusion Rating among leaders in managing diversity and promoting an inclusive organizational culture. The rating developed by the Responsible Business Forum and Deloitte was based on the assessment of four areas of an organisation's maturity in terms of D&I: management basics, programmes and activities, commitment building and performance indicators.

The Bank is also a signatory to two important documents regulating diversity management:

- The Diversity Charter - an international initiative supported by the European Commission, which concerns i.a. the prohibition of discrimination in the workplace and the involvement of all employees and business and social partners in these activities, and
- The BNP Paribas Agreement on Fundamental Rights and Global Social Solutions together with the ILO (International Labour Organization) Global Business and Disability Network Charter, the agreement is a commitment to achieving business results with respect for human rights by, inter alia, promoting diversity and tolerance, ensuring health protection and quality of life at work, gender equality, employment management and change, with a particular focus on principles relating to the employment and working conditions of people with disabilities.

The Bank also pays particular attention to promoting diversity as a service provider. It works with the Integration Foundation to eliminate barriers for its customers with disabilities.

The Bank in its activities is guided by the principles of universal design and implements a policy that puts the customer and his needs - regardless of age and disability - at the centre, rather than procedures.

## Diversity policy with regard to supervisory, governing and administrative bodies

Detailed principles are stipulated in the document "Policy on the assessment of the suitability of members of the Supervisory Board, Management Board and key function holders in BNP Paribas Bank Polska S.A."

Diversity policy with regard to members of the Management Board, Supervisory Board and key function holders in BNP Paribas Polska S.A. aims to reach out to a wide range of characteristics and competences when appointing the members of the Supervisory Board and the Management Board, in order to acquire different points of view and experiences and to enable independent opinions and sound decisions to be issued within the body, thus ensuring the high quality of performance of the tasks of the management and supervisory bodies.

As far as the substantive criteria are concerned, the diversity strategy ensures the selection of persons with diverse knowledge, skills and experience, appropriate to their functions and responsibilities, which are complementary at the level of the entire Management Board and Supervisory Board. The criteria are verified in the suitability assessment process described in the Policy on the assessment of the suitability of members of the Supervisory Board, Management Board and key function holders in BNP Paribas Bank Polska S.A. Moreover, the Diversity Policy covers and uses to achieve the best results differences that, apart from knowledge, competence and professional experience, result from gender, age and geographical origin.

The Bank sets a quantitative target and a timeframe for gender diversity and monitors its implementation

The table below presents the current diversity with respect to gender, age and experience of the Supervisory Board and Management Board members and key managers.

**Table 67. Bank's employment structure by gender, age and experience**

Gender	Women	Men	Total
Supervisory Board	3	9	12
Management Board	0	9	9
Key managers	28	47	75

Age	30-40	40-50	50-60	>60	Total
Supervisory Board	0	2	6	4	12
Management Board	0	2	7	0	9
Key managers	10	53	11	1	75



Experience (years in the Bank)	<5	5-10	10-15	15-20	20-25	>25	Total
Management Board	5	2	1	0	0	1	<b>9</b>
Key managers	24	14	8	16	11	2	<b>75</b>

## 10.6. System of control and risk management in the process of preparing financial statements

The Bank's internal control system complies with the requirements of Polish supervisory authorities and is aligned with the internal control rules applied in the BNP Paribas Group. The Bank maintains and develops an internal control system adjusted to the organizational structure, which includes organizational units and basic organizational units of the Bank and its subsidiaries.

The Bank has adopted the Policy on internal control, approved by the Bank's Management Board and Supervisory Board - with respect to the assessment of adequacy and effectiveness of the internal control system and categorisation of irregularities detected by the internal control system.

The objective of internal control is the effective control of risk, including the prevention or early detection of risks in order to ensure:

- effectiveness and efficiency of the Bank's operations,
- the reliability of financial reporting,
- compliance with the Bank's risk management principles,
- compliance of the Bank's operations with legal regulations, internal regulations and market standards.

The internal control system is an element of the management system at the Bank, consisting of three lines of defence, which includes: control mechanisms and risk control mechanisms, verification of compliance of the Bank's operations with the law and internal regulations as well as internal audit.

The internal control system supports risk management in the processes carried out in the Bank. The scope of responsibility for risk management by specific organizational units/departments of the Bank is defined within three mutually independent lines of responsibility, called "lines of defence", namely:

- 1) the first line of defence consists of organisational units from particular banking and support areas, responsible for the implementation and support of professional and fair behaviour in accordance with applicable rules, standards and regulations, as well as for day-to-day supervision, development and implementation as well as the application of control mechanisms in operational processes, and also for detecting, early warning and whistle-blowing of irregularities. The first line of defence is responsible for managing the risks in the subordinate processes,
- 2) the second line of defence consists of organisational units responsible for risk management, organisational units independent of risk management within the first line of defence and the compliance function, which, taking into account the requirements set by supervisory authorities, business needs, including the risk appetite adopted by the Bank, form the framework and principles of risk management and control; the second line of defence monitors compliance with control mechanisms and is responsible for reporting on risk management and control,
- 3) the third line of defence is an independent and objective internal audit unit which verifies the proper functioning of the first and second lines of defence.

The control function consists of

- 1) risk and control mechanisms,
- 2) independent monitoring of the mechanisms referred to in point 1),
- 3) reporting within the control function.

Risk control mechanisms implemented within the first and second line of defence are adjusted to the Bank's specificity and include in particular principles, limits and procedures related to the Bank's activity.

Horizontal and vertical testing are conducted in accordance with the internal regulations in force in the Bank, approved by the Management Board and Supervisory Board.

The Bank has an Internal Control Coordination Committee as an advisory unit supporting the Bank's Management Board. The main task of the Internal Control Coordination Committee is to supervise the integrity, completeness



and effectiveness of the internal control system and the Bank's operational risk management processes, as well as to manage the main risks related to the internal control system of the Bank and its subsidiaries, including the system supporting the operational risk management process, compliance risk and fraud prevention.

In addition, the Supervisory Board is supported by the Audit Committee, inter alia, in monitoring the effectiveness of the internal control system and the Risk Committee in the area of risk management.

In addition to the above mentioned committees, the Bank has a Risk Management Committee whose primary task is to monitor and supervise the main risks resulting from the Bank's activities, including strategic aspects of credit risk, cross-sectoral aspects of market and liquidity risk, counterparty risk and operational risk.

The purpose of the risk management system is to identify, measure or estimate, monitor and manage risks occurring in the Bank's activities. The main role in the Bank's risk management system is performed by the Management Board, which defines the risk policy and adopts rules of risk management, as well as sets the policy of setting limits for significant risks and risk control procedures. The risk management rules have their source in the Risk Management Strategy defined by the Management Board and approved by the Supervisory Board. The Management Board delegates some of its risk management tasks to the above-mentioned committees. The risk management system is consistent with regulatory guidelines, in particular those set out in the recommendations of the PFSA.

The Bank has an Internal Audit Line responsible for conducting internal audits, whose task is to review and assess, in an independent and objective manner, the adequacy and effectiveness of the internal control system and to provide opinions on the Bank's management system, including the effectiveness of risk management related to the Bank's activities. The Internal Audit Line is supervised by the Audit Committee and within the Bank's organizational structure it is located in the Bank Management Area. The Managing Director of the Internal Audit Line is organisationally subordinated to the President of the Bank's Management Board. The Internal Audit Line regularly submits to the Audit Committee and the Supervisory Board conclusions resulting from the performed internal audits, in particular information on the irregularities found as well as information on the recommendations issued.

The Bank adopted an Accounting Policy consistent with the International Financial Reporting Standards. The Financial Accounting Line and the Management Accounting and Investor Relations Line, supervised by the Vice-President of the Management Board responsible for Finance are responsible for the preparation of financial statements, periodic financial reporting and providing management information. The financial statements are adopted by resolution and approved for publication by the Bank's Management Board.

A key role in the process of assessment of the Bank's financial statements is performed by the Audit Committee, which monitors the financial reporting process and independence of the statutory auditor and the entity authorized to audit financial statements, and recommends that the Supervisory Board approve or reject the annual financial statements. The annual financial statements, upon a positive recommendation of the Audit Committee and the Supervisory Board, are presented to the General Meeting for approval.



# 11. Other information



## 11.1. CSR (corporate social responsibility) and sustainable development

### Selected non-financial indicators

NON-FINANCIAL EFFECTIVENESS INDICATOR	DATA FOR THE BANK FOR 2020
Number of customers of all business lines (increase / decrease compared to the previous year)	3,938 thousand an increase
Number of active customers online (increase / decrease compared to the previous year)	1,302 thousand an increase
Number of retail and business banking branches	459 retail and business banking branches, including 17 partner branches
Number of ATMs and cash deposit machines	140 ATMs 462 dual-purpose machines
Number of branches with "Barrier-free" branch"certificate (increase / decrease compared to the previous year)	51 an increase
Number of Bank employees (persons and per FTE)	9,210 persons 8,845 FTEs
Average number of training hours per employee	18.3 hours
% of women in managerial positions	62% an increase
Number of hours worked by employees as part of social engagement	22,507 hours
Index of electricity consumed by the Bank from renewable energy sources (increase / decrease compared to previous year)	100% an increase
Volume of loans granted under "green" financing (increase / decrease compared to previous year)	PLN 993 million an increase

The key dimension of BNP Paribas Bank Polska S.A. responsibility is to support economic development through responsible finance. The Bank understands it as taking care of the highest ethical standards, monitoring of environmental, social and governance (ESG) aspects of its customers' business and offering products and services that respond to global challenges and local market conditions, thus meeting the changing needs of customers.

### Management of ESG aspects

The current Business Strategy of BNP Paribas Bank Polska S.A. is the "Fast Forward" Strategy adopted by the Board of Executives and Supervisory Board in May 2018. Fast Forward Strategy for the years 2018-2021. **An integral part of all pillars of the current Business Strategy is the CSR and Sustainability Strategy**, which is consistent with the BNP Paribas Group strategy and takes into account local conditions. The Strategy's





implementation activities strengthen the Bank's contribution to the UN Sustainable Development Goals, recognised as a global plan to fix the world.

For more information on the CSR and Sustainability Strategy, please refer to the CSR and Sustainability Report 2020, which is a statement of non-financial information on the activities of BNP Paribas Bank Polska S.A. and the BNP Paribas Bank Polska S.A. Group.

Focusing in its activity on ESG aspects (environmental, social and governance) and wanting to more effectively implement the mission of sustainable development, in October 2020, by decision of the Board of Executives, BNP Paribas Bank Polska S.A. appointed a new function in the organisation - Chief Sustainability Officer (CSO). The CSO reports directly to the CEO, who oversees the implementation of the strategic integration of ESG aspects into the organisation's activities and Strategy. The CSO headed the Sustainability Council established in November 2020. Sustainability Council is tasked with bringing together various competences and undertakings alongside the structures already in place. The Council is responsible for ensuring that the strategic objectives related to the implementation of the 2030 Agenda for Sustainable Development are understood and shared across all areas of the bank and among clients, including through the development of banking products and services.

In BNP Paribas Bank Polska S.A. organisational structures there are units responsible for sustainable development and ESG actions: **Sustainable Development Programmes Office** - an internal competence centre for sustainable finance, and **CSR and Sustainability Office** responsible for coordination of a comprehensive CSR and Sustainability Strategy consisting of four pillars of responsibility: economic, workplace, social and environmental.

The strategic integration of sustainable development into the organisation's activities has been recognised. In 2020, the Bank was awarded the first place in the general classification of the Ranking of Responsible Companies in Poland for the second consecutive year.

## Economic responsibility

A sustainable approach is understood as long-term financing of the economy and building lasting relationships with clients and other stakeholders in line with ethical principles.

### Monitoring and CSR Policies in sensitive sectors

BNP Paribas Bank Polska S.A. seeks to ensure that the financing of economic development simultaneously has a positive impact on the economy and its stakeholders. The Bank distinguishes nine sectors that are particularly sensitive from an ESG risk perspective: coal, mining, defence and security, forestry (pulpwood, palm oil), nuclear, agri-food, fuels in terms of unconventional oil and gas resources, and tobacco. In each of these sectors, the Bank implements CSR Policies and principles towards clients operating in them. In order to become a client of the Bank or obtain financing, an entity has to meet a number of requirements regulated by the CSR Policy for a given sector.

In 2020, 225 CSR analyses were performed at BNP Paribas Bank Polska S.A.

### Withdrawal from financing sectors deemed to be particularly harmful

In relation to the most harmful sectors, the Bank takes strategic decisions to withdraw from serving clients from these sectors. Such sectors include the tobacco sector, from which the BNP Paribas Group announced its exit already in 2017. Another is the coal power sector. In 2020, BNP Paribas Group announced a complete exit from financing the coal-fired power sector and entities materially involved in coal infrastructure by 2030. Restrictions on cooperation with clients operating in the coal sector had already been introduced since 2015. The Bank gradually exited from financing entities not undertaking the energy transition towards renewables. Moreover, continuing the restrictions already introduced since 2017, from 2020 onwards. The Bank completely stopped financing fur farming.

### Responsible products and services

Responsible products and services are understood as meeting the needs of customers, accessible to all, including excluded groups, and having a positive impact on the environment. In 2020, the Bank's products and services with a positive impact included: **Open Account for Non-Profit Business, Offer for Social Economy Enterprises, Offer for Citizens of Ukraine**. The bank also offered a range of **sustainable investment products** and promoted investments based on ESG criteria through the pilot implementation of the "myImpact" tool. In 2020, an offer aimed at parents and the youngest was also launched, "**Konto Samodzielniaka**" ("Account for a self-reliant kid"), as well as the educational campaign "**Misja Samodzielność**" ("Mission Self-reliance"), which supports parents in building financial awareness and making the youngest self-reliant. Products and services supporting the energy transition and combating climate change are described later in this chapter.



## Highest ethical standards

The Bank follows *The BNP Paribas Group Code of Conduct*. Employees' ethical awareness is promoted and developed through various trainings and internal events. There are also active efforts to build corporate and financial sector responsibility - the Bank's representative is a member of the **Banking Ethics Commission at the Polish Bank Association**. The Bank is also a partner and sponsor of awards in the "Ethics in Finance" competition. Since 2016, it has supported successive editions of the Nienieodpowiedzialni (Irresponsible) conference on responsibility in the financial industry. In 2019, together with its partners from the financial industry, the Bank inaugurated the **Declaration of Responsible Selling**, an initiative aimed at raising and promoting the standards of responsibility in relations with customers and providing them with a sense of security. In 2020, after passing an audit, the Bank became a Signatory to the Declaration.

## Supporting client development

In 2020, BNP Paribas Bank Polska S.A. carried out a number of actions to support the development of its customers. As part of supporting the expansion of domestic enterprises into foreign markets, further editions of the **Foreign Trade Programme (FTS)** were held. It is a series of conferences addressed to SME and corporate customers, organised by BNP Paribas Bank Polska S.A. in cooperation with Export Credits Insurance Company (KUKI), Bisnode business intelligence agency and the Polish Investment and Trade Agency (PAIH). Representatives of PAIH's Foreign Trade Offices in Frankfurt and Shanghai also took part in the 2020 Programme events.

In 2019, BNP Paribas Bank Polska S.A. joined the group of Strategic Partners of the **Family Firms Initiative Association (FFA)**. In 2020, Together with IFR, the Bank organised a webinar on employee safety in the era of pandemics and on preparing office spaces for the return of employees to offices. BNP Paribas Bank Polska S.A. actively participates also in the life of French, Belgian, German, Italian and British communities through its membership in chambers of commerce and support for the organisation of events addressed to international companies.

## Activities supporting clients in the Food & Agro sector

In Poland BNP Paribas Bank Polska S.A. is a leader in financing the agri-food sector. It carries out many initiatives supporting sustainable development of customers from this sector. In 2020, the fifth cycle of **Agro Academy** was held and the eighth issue of "**Agro Kurier**" magazine was published. Organised since 2016, **Agroconference** in 2020 adopted an online formula and opened up to international clients, changing into the **Food & Agro Conference**. **Agronomist.pl**, the Bank's free-of-charge platform, launched in April 2019 with farmers and food processors in mind, in 2020 it has been enriched with new functionalities and thematic zones: the "Green Changes" section, presenting good practices and innovative solutions for the transformation of the agri-food sector towards sustainable production; the organic fertiliser production and consumption calculator, which supports nitrogen fertiliser management; the "Agro in high-heels" section and the module on prices of agricultural products at local purchases and markets, for which data is provided by the Ministry of Agriculture and Rural Development.

## Innovation initiatives

In 2020, further editions of **Office Hours** were held - meetings between Bank employees and representatives of start-ups in search of innovative ideas and solutions. Thanks to Office Hours, BNP Paribas Bank Polska S.A. cooperates with a growing number of start-ups, builds a strong network of contacts, and finds more and more innovative solutions that can be useful for customers. During the 17th edition of Office Hours, the Bank's experts looked at more than 800 solutions, 17 of which were implemented in the organisation. These include the **EVA chatbot** implemented in cooperation with SentiOne to support the Central Purchasing Department and the **MIGAM system** for Deaf Customers.

In 2020, BNP Paribas Bank Polska S.A. together with Alior Bank and PKO Bank Polski, jointly representing about 30% of the assets of the Polish banking sector, invested in **Autenti - a Polish fintech offering a platform for electronic contract signing and digital document workflow**. By implementing the solution in the organisation, in 2020 BNP Paribas Bank Polska S.A. signed over 290 thousand internal documents and agreements with contractors and customers.

## Responsibility in the workplace

The Bank's responsibility manifests itself first and foremost in creating a good working environment that supports employees' professional development and commitment. It serves to promote openness, respect for diversity and readiness for professional mobility.



## Organisational culture and communication with employees

The organisational culture of BNP Paribas Bank Polska S.A. is based on the values, as described in **The BNP Paribas Way**, consistent with the BNP Paribas Group. In 2020, the priority in strengthening the organisational culture was to promote diversity, inclusion, as well as collaboration. The Bank implemented a campaign on good collaboration, during which it showed good habits and principles that make it possible to work more effectively and in a good atmosphere. One of the projects in line with the idea of an organisation open to dialogue was **the "Closer" project** implemented in 2020, as part of which employees met representatives of the Management Board. The meetings had a form of online breakfasts, during which ten employees (regardless of their seniority, location or work area) met with two members of the Management Board of BNP Paribas Bank Polska S.A. The meetings were an opportunity to ask questions and discuss selected topics related to the bank's strategy and activity. For nearly three years, meetings under the series **"Przemek Gdański invites for lunch"** have also been held. Every month employees have an opportunity to meet the President of the Management Board. During the meetings, challenges faced by the organisation are discussed.

## Promoting diversity

In October 2020, BNP Paribas Bank Polska S.A. organised **Diversity Days**, which focused on: raising awareness of prejudices and stereotypes; ensuring the quality of communication in everyday relationships (equality language); learning how to communicate well with people with disabilities; preventing violence; promoting the equal role of parents in raising children. In 2020, the Bank took action to promote respect for diversity and build awareness, both among clients and the public through solidarity communication and: programmes strengthening cultural diversity (e.g. cooperation with the Rescue Foundation), equalising opportunities through education (e.g. the "Class" scholarship programme), supporting groups at risk of exclusion (e.g. strategic partnership with the Noble Parcel), as well as measures to increase the accessibility of products and services.

## Supporting employees development

Bank employees and have access to a wide range of development programmes to support responsible and dynamic career management, including **N-WOW ("New ways of working")**, **Zoom for Development**, **Leaders for Tomorrow**, **Well Leading and Digital Ambassadors**. In 2020, the Bank also held **Development Festival**, a virtual event where employees had the opportunity to meet experts and learn about the development programmes on offer. The number of total training participants was over 125.9 thousand, of which: 112.8 thousand employees benefited from e-learning training, 632 participated in external training, 9.4 thousand participated in internal training in the online formula (Skype, Webex), 3 thousand employees benefited from internal training in training rooms.

## Social responsibility

Responsibility in this dimension means actively working for the benefit of the environment in which the Bank operates. It means focusing on areas where the Bank can most adequately contribute to positive social change, i.e. counteracting social exclusion and supporting education and culture, especially in small communities.

## Enhancing accessibility of products and services

BNP Paribas Bank Polska S.A. complies with the requirements of the Act of 19 July 2019 on ensuring accessibility to persons with special needs. For the sake of Customers with disabilities and groups at risk of exclusion, a number of facilities have been implemented:

- Polish Sign Language interpreter service - available free of charge in every branch and via the Infoline.
- The possibility to familiarise with document templates in the form of an audio recording, enlarged printout and printout of documents translated into Braille.
- Each branch is equipped with a magnifying glass for the visually impaired and a frame to facilitate signing.
- ATMs adapted for use by visually impaired persons.
- Branches are adjusted in terms of architecture to the needs of persons with reduced mobility (51 branches with the "Facility without Barriers" certificate).
- In cooperation with the National Institute for Senior Citizenship, the Bank's local Ambassadors educated senior citizens on finance during remote meetings at the Universities of the Third Age.



## Supporting local initiatives

### *Local Grants Programme*

The Local Grants Programme is a model implemented since 2011 by Bank employees to support - through donations - social activities conducted locally by small non-governmental organisations. The purpose of the programme is to improve the quality of life of local communities thanks to the commitment of Bank employees and to reinforce the Bank's position as a reliable local partner. Over 10 years, donations worth over PLN 1.7 million have been made. In 2020, grants were awarded to 60 organisations, each in the amount of PLN 4 thousand.

### *Local Ambassadors of the Bank*

Local Ambassadors of the Bank is a programme created in 2018 by BNP Paribas Bank Polska S.A. to initiate interesting and relevant initiatives for local communities, while building the Bank's brand. The title is awarded to those most committed to helping. At the end of 2020, there were 130 Local Bank Ambassadors across Poland, who in 2020, despite the pandemic, worked a total of 2,800 hours for local communities.

## Mission Education

In the autumn of 2020, BNP Paribas Bank Polska S.A. has launched an interdisciplinary project called Mission Education, which is an umbrella for partner activities and initiatives in the field of education. Its aim is to enhance the public's knowledge in the field of finance, ecology, security, entrepreneurship or psychology. It helps to acquire new skills, discover one's own potential or broaden horizons. The programme includes, i.a.: finance lessons for children and teenagers at schools based on original educational materials prepared by the bank, finance lectures for seniors, webinars on cybersecurity, family workshops "Explore Your Powers" with the Kosmos dla Dziewczynek (Cosmos for Girls) Foundation, subsequent editions of educational podcasts as part of the BNP Paribas Talks series, educational activities in partnership with the Children's University Foundation, webinars with the School of Banking.

## Promoting responsible attitudes

### *CSR Days*

Every year, as part of the European Sustainability Week, BNP Paribas Bank Polska SA organises CSR Days. During the event, employees get acquainted with activities under 4 key pillars of the Bank's responsibility and learn how to change their environment. In 2020, CSR Days were held in June, for the first time in a fully remote formula. During virtual meetings under the motto "Our responsibility connects us", the Bank's employees had the opportunity to learn more about activities for local communities, prevention and ways to build good health, environmental protection and living in accordance with the "zero waste" philosophy.

### *WE ENGAGE*

BNP Paribas Group's ambition is to be a leader in sustainable development and positive impact on the environment. To this end, the WE ENGAGE training course has been developed and started in 2020. It takes the form of a mini-series consisting of six episodes, enhanced by tests of the knowledge gained. To encourage employees to get involved in sustainable development, BNP Paribas has decided to donate €1 to the global Help2Help programme for each employee taking part in the training.

## Strategic partnership - Noble Parcel

In 2020, the Noble Parcel action turned out to be a very important social project due to the pandemic that was ongoing at that time. The action involved 124 leaders with teams from different areas of the bank and BNP Paribas Group companies in Poland. A total of 2,470 employees took part in the preparation of the parcels. Since the beginning of the partnership (since 2018), the bank has supported the Noble Parcel with a donation of over PLN 3 million.

## Employee social engagement and employee volunteering programme

Since 2011, an employee volunteer programme has been operating in the bank under the motto "You can rely on me". In line with the motto, the Bank's employees, with the support of the BNP Paribas Foundation, get socially involved and work for the benefit of local communities. They cooperate with social organisations and implement their own initiatives. Each employee is entitled to two additional days off for volunteering activities per year. Employees can get involved individually or in teams. The programme is coordinated by BNP Paribas Foundation.

**In 2020, employees engaged in volunteering activities 3,509 times, devoting 22,507 hours to social action, including:**

- *Competition for Volunteering Project* - for eight years now, the Bank's employees, in cooperation with non-governmental organisations, have been submitting ideas for volunteering activities through which they



support local communities. Under the "Competition for Volunteering Projects", 36 projects were implemented in 2020, to which the Foundation donated PLN 133 thousand.

- *Financial education BAKCYL* - since 2013, the Bank's volunteers have been teaching young people the basics of finance and entrepreneurship as part of the BAKCYL - Bankers for Youth Financial Education programme, a joint initiative of the banking sector coordinated by the Warsaw Banking Institute. In 2020, employee-volunteers conducted 143 lessons.
- *Social action Good Kilometres* - the Bank also enables employees to help through physical activity. As part of the campaign, they try to cover as many kilometres as possible by practising sport. The result is converted into a donation for an organisation chosen by the employees. In 2020, 348 people covered 70,339 km, so the BNP Paribas Foundation donated PLN 20,000 to Herosi (Heroes) Foundation.
- *Social action Krwinka (Blood Cell)* - since 2011 BNP Paribas Foundation in cooperation with Regional Blood Donation Centres has been organising a blood donation campaign called "Krwinka" ("Blood Cell") during which the Bank's employees in special ambulances donate blood. So far, they have donated 236 litres of blood. In 2020, 31 litres of blood were donated.

## Individual Philanthropy Programme - Support All Year Round

The individual philanthropy programme enables a designated amount to be deducted from salary each month for a chosen cause. All bank employees can participate in the programme. In 2020, the employees' choice supported the Alivia Oncology Foundation and scholarship holders of the "Class" scholarship programme of the BNP Paribas Foundation. As of 2021, financial support will be provided to the Actively Against Depression Association and the SYNAPSIS Foundation. Voluntary payroll deductions are a simple and convenient tool of individual philanthropy enabling employees to engage in supporting important social causes and respond to the needs of NGOs (systematic and predictable financial support).

## BNP Paribas Foundation

The mission of the Foundation is to invest responsibly in people, ideas and projects. By leading and supporting innovative initiatives in the fields of education, culture and social solidarity - we inspire and create stimulating conditions for development in order to build civil society together.

BNP Paribas Foundation was established in 2006 to implement the Bank's social responsibility tasks in three key areas:

- actions in the field of education - equalisation of educational opportunities for groups at risk of social exclusion, mainly through long-standing scholarship programmes;
- social solidarity activities - supporting young refugees, partnerships with NGOs, promotion and strengthening of employee volunteering in the bank;
- initiatives to make culture and the arts more accessible.

### *Klasa (Class) scholarship programme*

The "Class" is an original scholarship programme of the BNP Paribas Foundation addressed to talented primary school graduates from rural areas and small towns in a difficult financial situation. Since 2003, nearly 800 scholarship beneficiaries from over 350 localities have benefited from the programme. In 2020, 100 scholarship beneficiaries participated in the programme.

### *Agrotalenty (Agritalents) scholarship programme*

The comprehensive "Agritalents" programme is a system of scholarship programmes addressed to ambitious young people interested in development in the agricultural sector. BNP Paribas Foundation, together with partners: educational institutions, experts and the Bank's Customers, cooperates to reinforce agricultural education.

### *Wiedza do potęgi (Knowledge to the power) tutorial-scholarship programme*

In 2018, the BNP Paribas Foundation together with the Ocalenie Foundation launched the Knowledge to Power programme aimed at helping refugee youth to continue their education in a new place and to find their way in the Polish educational system. In the 2020/2021 school year, 75 students participate in the programme, 47 of them benefit from the programme thanks to the support of the BNP Paribas Foundation.





### *Dream Up educational programme – education through art*

Since 2015 the Foundation supports the musical, personal and social development of children and young people from Warsaw's Praga district. The project aims to create a long-term socio-cultural initiative on the map of the district. The second edition of the programme (2018-2021) is implemented in partnership with the Praga Południe Cultural Promotion Centre. In 2020, nearly 2,600 hours of music classes were conducted.

### *Encounters with music educational program*

Since the 2011/2012 season, the Foundation has been a partner of the concert series "Encounters with Music", i.e. performances for schoolchildren from smaller towns in seven voivodships in Poland. In the 2019/2020 season, 1,520 performances were successfully carried out in schools, and in the 2020/2021 season 167 performances were carried out by the end of 2020.

## Environmental responsibility

BNP Paribas Bank Polska S.A. minimises its negative environmental impact by: supporting customers in the transition to a low-carbon economy that respects the environment, reducing the negative impact of its operations on the environment, raising awareness and sharing good environmental practices.

### Pro-ecological products and services

BNP Paribas Bank Polska S.A. continues to develop its offering of products and services to help customers make the transition to a low-carbon economy and develop their sustainable and green investments. Already since 2008. Bank has been financing small and medium-sized renewable energy source (RES) projects: wind power plants, agricultural biogas plants, small hydroelectric plants and photovoltaic installations. However, the real acceleration in this area took place between 2018 and 2020, at which time the Bank significantly expanded its know-how, including by hiring engineers to support the Bank's customers in their energy transition.

For the production of energy from renewable sources, BNP Paribas Bank Polska S.A. granted loans totalling PLN 784 million in 2020, of which over PLN 231 million went to prosumers producing energy for their own needs. For initiatives supporting the construction of environmentally friendly buildings with certificates such as BREEAM or LEED (PLN 56 million) and the thermal modernisation of buildings (PLN 60 million). The Bank also promotes the transformation of transport to a greener one and in 2020 provided PLN 21 million in loans for this purpose.

In 2020, a number of eco-friendly products and services and sustainability financing programmes were on offer, including:

SEGMENT	PRODUCT OFFER
Retail customers	<ul style="list-style-type: none"> <li>instalment loan for financing green energy sources</li> <li>Green Mortgage</li> <li>sustainable investment products</li> </ul>
Food&Agro sector customers	<ul style="list-style-type: none"> <li>photovoltaics for the farmer</li> <li>insurance for renewable energy sources</li> </ul>
Housing communities	<ul style="list-style-type: none"> <li>investment loan with BGK bonus for thermomodernisation of real estate</li> <li>EKO-WSPOLNOTA (ECO-COMMUNITY) programme with profit</li> </ul>
Corporate clients	<ul style="list-style-type: none"> <li>investment loan Green Energy</li> <li>technology credit</li> <li>loan with free Businessmax guarantee</li> <li>Union+ loan</li> <li>EKO-FIRMA programme with profit</li> <li>photovoltaic installations leasing</li> <li>RES projects financing</li> </ul>

### *Investment in renewable energy*

Thanks to the cooperation of BNP Paribas Bank Polska S.A. experts with BNP Paribas Energy, Infrastructure and Natural Resources teams from CIB in Brussels and Paris, the financing of **the "Perfect Wind" project developed by Akuo** was launched at the break of 2019 and 2020. The credit facilities included in the project finance formula are intended to finance the construction of a 132 MW wind farm.

In May 2020, BNP Paribas Bank Polska S.A. signed credit agreements with subsidiaries of the **independent power producer Qair Polska** and its partners. The project finance syndicated financing of approximately PLN 630 million will help finance existing and newly built wind and photovoltaic farms.





### *Cyfrowy Polsat's green bonds*

In 2020 the Bank supported the process of issuing the Green Bonds of Cyfrowy Polsat, which is the first non-financial sector company to issue such securities in the Polish market. The Bank acted as co-organiser and joint bookrunner of the bond issue. The issue received a certificate of compliance with the Green Bond Principles 2018, certified by the expert firm Sustainalytics.

### *Financing Equal Business Park*

BNP Paribas Bank Polska S.A. participated with a share of EUR 27.5 million in the financing of the acquisition of the Equal Business Park office complex by Ares/Apollo Rida. The complex, consisting of four buildings offering in total over 60,000 sqm of class A office space, is located in Krakow. Each building is technologically advanced and ecologically constructed, and has a BREEAM Green Building certificate (at the Very Good level).

## Minimising the environmental impact of operations

BNP Paribas Bank Polska S.A. as the Bank of Green Changes strives to minimise the negative environmental impact of its operations. The Bank's priorities include: reduction of the consumption of resources and CO2 emissions, use of energy from renewable sources in the total consumption, development of the banking eco-fleet, implementation of new eco-efficient solutions in the workplace. In 2020, the Bank continued its programme to minimise resource consumption.

### *Minimising paper usage*

In 2020, together with two other banks and VC funds, BNP Paribas Bank Polska S.A. announced an investment in the Polish fintech Autenti offering a platform for electronic contract signing and digital document workflow. Within twelve months, e-signature was implemented in subsequent areas of the bank's operations, which translated into over 290,000 documents signed without the use of paper in all areas of the organisation. Upon the order of BNP Paribas Bank Polska S.A. Autenti issued 420 qualified signatures with remote identity verification and 80 signatures in the traditional method.

In 2020, the Bank decided that from the beginning of 2021 mass correspondence sent to Customers will be carried out on 100% recycled certified paper with certificates such as FSC, EcoLabel and Blue Angel.

### *100% electricity from renewable sources*

In an effort to reduce the carbon footprint of its operations in 2020 The Bank purchased renewable energy guarantees of origin covering 100% of the electricity consumed by the BNP Paribas Bank Polska Group. In addition, the Bank signed an agreement with Respect Energy (formerly TRMEW Obrót), for the purchase of energy for 2021-2022. Under the agreement, 100% of the electricity purchased directly by the bank from 2021 onwards will come from renewable sources, mostly from hydroelectric power plants. This will enable the Bank to make a significant contribution to reducing carbon dioxide emissions into the atmosphere, as well as lowering emissions of sulphur dioxide, nitrogen oxides and particulate matter.

## Promoting eco-attitudes

In April 2020, BNP Paribas Bank Polska S.A. launched the second edition of the educational campaign under the Bank of Green Changes programme on responsible consumption and a sustainable lifestyle. The first edition of the programme, inaugurated a year earlier, proved to have been a success both internally and externally. 3,500 employees took part in the two editions. The Bank is trying to promote environmental care among its customers and partners. The Bank continued a series of eco-podcasts BNP Paribas Talks, supported the Green Ribbon #dlaPlaneta (#forthePlanet) campaign and became the sponsor of the third edition of the Kraków Green Film Festival. In 2020, it implemented a campaign promoting rational nitrogen fertilisation of soils, as part of which it provided farmers with a special calculator free of charge. Thanks to the commitment of customers and partners, continuing the activities started in 2019. The Bank planted a total of more than 60,000 trees.

In 2020, BNP Paribas Bank Polska S.A. joined **the Bio Food Market Development Coalition, an industry consortium of the Cool Farm Alliance (CFA)**. It continued its cooperation, among others, with the UN Global Compact under the "Climate Positive" (previously "SDG 11 - Sustainable city") and with UNEP/GRID-Warszawa within the second edition of the Climate Leadership programme, the Partnership "Together for the environment" and the ECO-MIASTO initiative.

For more information on CSR and Sustainability activities and detailed non-financial information describing the Bank's activities, please refer to the document: "CSR and Sustainability Report presenting non-financial information of BNP Paribas Bank Polska S.A. and BNP Paribas Bank Polska S.A. Capital Group in 2020", published jointly with this Management Board Report on the activities of BNP Paribas Bank Polska S.A. Capital Group in 2020. The Report presents non-financial information on BNP Paribas Bank Polska S.A. and BNP Paribas Bank Polska S.A. Capital Group, in accordance with the Accounting Act guidelines and based on GRI Standards guidelines.



## 11.2. 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.

The Bank sponsors numerous undertakings related to the development of tennis in Poland, both at the professional and amateur level; film festivals, shows and premieres, and cultural events.

### 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.

The bank is a strategic partner of the largest festival of independent cinema in Central Europe - Mastercard OFF Camera. In 2020, due to the pandemic, the festival formula changed. The organisers of Mastercard OFF Camera decided on non-standard forms of screenings. These were: car cinema, "cinema from the window", i.e. film projections on the walls of buildings and films on the player.pl platform, which reached over 100 thousand viewers. The film town also moved to the Internet. There were competitions, meetings with the jury, filmmakers and critics, or discussions about films and series.

In 2020. Bank supported the "Between Us Women" section. It was a tribute to women creators and women protagonists, unfortunately still often neglected by the global cinema. In this thematic block, the audience saw films promoting female solidarity and community. Many of these productions were made by women.

### 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

The Bank, through the Impact Foundation, donated over 520 laptops with routers and Internet access to students in need in order to counteract digital exclusion among children and young people in the midst of a pandemic. The equipment went to the most in-need children from Trzebinia, Chrzanów, Nysa, Łubniany, Bierutów and many others.

## 11.3. Information on certified auditor

Pursuant to the provisions of the Statute of BNP Paribas Bank Polska SA, the entity authorised to audit the financial statements of the Bank and the Bank's Group is selected by the Bank's Supervisory Board based on a recommendation of the Audit Committee.

On 12 December 2019 the Supervisory Board of BNP Paribas Bank Polska S.A. adopted a resolution appointing Mazars Audyt Sp. z o.o. as the audit firm authorised to audit and review the stand-alone financial statements of BNP Paribas Bank Polska S.A. and the consolidated financial statements of the BNP Paribas Bank Polska S.A. Group, including the reporting packages, for the years 2020-2021.



The agreement between BNP Paribas Bank Polska S.A. and Mazars Audyt Sp. z o.o. was concluded on 24 March 2020 for the period necessary to carry out the above-mentioned work. Mazars Audyt Sp. z o.o., with its registered office in Warsaw at ul. Piękna 18, is entered in the list of audit firms maintained by the National Council of Statutory Auditors under No. 186.

The audit firm that audited and reviewed the financial statements of the Bank and the BNP Paribas Bank Polska S.A. Group for 2019 was Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. under an agreement dated 16 April 2018.

**Table 68. Auditor's fee by service type**

PLN '000 (including Vat)	12 months ended 31.12.2020			12 months ended 31.12.2019		
	Bank	Subsidiaries	Total	Bank	Subsidiaries	Total
Statutory audit of financial statements	931	136	<b>1 067</b>	1 175	167	<b>1 342</b>
Other assurance services*	875	429	<b>1 304</b>	2 168	353	<b>2 521</b>
Other services	-	-	-	43	-	<b>43</b>
<b>Total</b>	<b>1 806</b>	<b>565</b>	<b>2 371</b>	<b>3 386</b>	<b>520</b>	<b>3 906</b>

\* The fees related to other assurance services include remuneration of the auditor for reviewing of the interim financial statements as well as reviewing and auditing of the reporting packages for consolidation purposes of BNP Paribas Group, review and audit of funds managed by a subsidiary TFI and assurance services related to the verification of the ESEF.



## 11.4. Legal cases

As at 31 December 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 RBPL did not change the situation of the Bank as RBPL was not a party to this claim. On 23 November 2020, the The Court of Appeal annulled the judgment of the court of first instance and returned the case for a retrial.

### Corporate claims against the Bank (interchange fee)

As at 31 December 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.

### Proceedings for declaring a contract template as prohibited

On 22 September 2020, the Bank received a decision of the President of the Office of Competition and Consumer Protection (UOKiK) No. DZOIK 14/2020, in which the President of the UOKiK:

- declared certain provisions of the template contract (the so-called anti-spread annex) concerning the rules for determining exchange rates as prohibited and prohibited their use,
- obliged the Bank to inform all customers who are parties to the annex about the decision and its consequences and to place information about the decision and its content on its website,
- imposed on the Bank a fine of PLN 26,626 thousand payable to the Financial Education Fund.

The Bank appealed against the decision within the statutory deadline. The Bank established a provision for the aforementioned penalty in the full amount.

### Proceedings instigated by the Bank's customers being parties to CHF foreign currency loan and CHF denominated loan agreements

The carrying amount of mortgage loans granted to individual customers in CHF at 31 December 2020 was PLN 4,822 million, compared to PLN 4,840 million at the end of 2019.



As at 31 December 2020, the Bank was a defendant in 644 pending court proceedings (461 new cases in 2020, including 156 new cases in the fourth quarter of 2020), 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 compensation for abuse of the subjective law by the Bank, including the principles of social coexistence and misleading the customer 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 31 December 2020, the total value of claims pursued in currently pending cases was PLN 217.82 million, and PLN 34.96 million in legitimately concluded and binding cases.

The following judgements were made in 24 proceedings that have been legitimately concluded so far: claims against the Bank were dismissed in 14 proceedings, 2 proceedings were discontinued; in one proceeding the court dismissed the claim; in 6, despite the dismissal of the claim, the court stated in its justification that the agreement shall be annulled, in one, only the claim for low own contribution insurance was awarded, in the remaining proceedings the court dismissed the claim.

The Bank makes provisions on an ongoing basis for pending litigation involving denominated or foreign currency loans, taking into account the current status of judgments in cases against the Bank and the developing line of case law. In the fourth quarter of 2020, the Bank created provisions of PLN 101.7 million for the risk related to CHF loans. The increase in the provision in the fourth quarter 2020 was mainly due to an increase in the number of new lawsuits and an update of the assumptions and parameters of the model used by the Bank. The total value of provisions for proceedings concerning CHF loans created in 2020 amounted to PLN 168.2 million. The increase in the provision was due to the increasing number of new proceedings related to foreign currency or CHF-denominated loans, as well as the observed unfavourable development of the case law line for banks. The total value of provisions created for proceedings concerning CHF loans as at 31 December 2020 amounted to PLN 200.3 million.

The provision is made in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The provision for pending cases is calculated using the individual method, for future cases using the portfolio method. When calculating the provision, the Bank takes into account, among other things, the number of certificates taken by clients for litigation purposes, the estimated probability of clients filing a case, the estimated number of future lawsuits, the number of lawsuits filed, the probability of losing a case, and the Bank's expected loss in the event of an unfavourable judgment. In estimating the number of future cases, the Bank adopted a 4-year forecast period assuming that less than 10% of borrowers with active CHF loans have filed or will file a lawsuit against the Bank.

The Bank estimates the probability of losing a case based on historical judgments separately for the foreign currency and denominated loan portfolios. Due to the observed volatility in case law, the Bank, when estimating the probability of an adverse judgment, only takes into account judgments made after the CJEU judgment of 3 October 2019.

In estimating the loss in the event of a judgment declaring the loan invalid, the Bank assumes that the customer is obliged to return the principal paid without taking into account the remuneration for the use of the principal, that the Bank is obliged to return the sum of the principal and interest instalments paid using the historical rate and that the Bank writes down the credit exposure.

Should the assumed average loss change by +/- 5 percentage points, with all other significant assumptions unchanged, the amount of the provision would change by +/- PLN 9 million.

The average loss assumed in the calculation as at 31 December 2020 increased by 9.3% compared to 31 December 2019.

The Bank performed a sensitivity analysis of the model on the estimate of the number of lost cases. A change in this estimate would have the following impact on the value of the estimated loss for legal risk on CHF loans.

Parameter	scenario	impact on the Bank's loss on account of legal risk
% of lost cases	+5 p.p.	+ PLN 13.7 million
	-5 p.p.	- PLN 13.7 million

The Bank conducted a sensitivity analysis of the model used to estimate the number of future lawsuits. A change in the number of future lawsuits would have the following impact on the value of the estimated loss for legal risk on CHF loans.

Parameter	scenario	impact on the Bank's loss on account of legal risk
Number of lawsuits	+20%	+ PLN 15.5 million
	-20%	- PLN 15.5 million



The Bank also estimated that if the estimated number of lawsuits against the Bank was increased by lawsuits filed by an additional 1% of clients holding CHF loans then the loss on legal risk would increase by about PLN 25 million.

When calculating the expected loss on legal risk related to CHF loans, the Bank used simplifications resulting from a short horizon of available historical data and a relatively small number of cases that ended with verdicts. The Bank will monitor the number of certificates collected and the change in the number of lawsuits and update the provision estimate accordingly.

The Bank also points to a significant discrepancy between the facts (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.

## 11.5. Subsequent events

### January 2021

#### **Provision for legal risk of CHF mortgage loans**

On 07.01.2021 the Bank's Management Board approved the amount of the provision estimate concerning mortgage loan contracts in CHF at the end of 2020 in the total amount of PLN 200.3 million. This means an increase in the value of the provision compared to its carrying amount as at 30.09.2020 by PLN 101.7 million. This amount was charged to the Bank's results in the fourth quarter of 2020.

#### **Recommendation of the PFSA that the Bank suspend dividend payments in the first half of 2021.**

**Adjustment to the requirements regarding the new definition of default under the EBA Guidelines** – detailed information is presented in the Stand-alone Financial Statements of BNP Paribas Bank Polska S.A. for 2020 (Chapter 58 Subsequent events).

## 11.6. 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:

- Stand-alone financial statements of BNP Paribas Bank Polska S.A. for the period of 12 months ended 31 December 2020 and Consolidated financial statements of BNP Paribas Bank Polska S.A. Group for the period of 12 months ended 31 December 2020 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 Group.
- Management Board Report on the activities of the BNP Paribas Bank Polska S.A. Group in 2020 (including the Management Board Report on the activities of BNP Paribas Bank Polska S.A.) contains a true picture of the development and achievements and situation of the Bank's Group, including a description of the basic risks and threats.

### Information of the Management Board, prepared on the basis of a statement of the Supervisory Board or a supervising person, on the selection of the audit firm to audit the annual stand-alone financial statements and the annual consolidated financial statements in accordance with the regulations

The Management Board of BNP Paribas Bank Polska S.A. declares that Mazars Audyty Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw ("Mazars"), an entity authorised to audit financial statements, was selected pursuant to § 20 paragraph 1 point 1 g) of the Statute of BNP Paribas Bank Polska S.A.





by the Supervisory Board of the Bank in accordance with the law, as an entity authorised to audit the consolidated financial statements of the BNP Paribas Bank Polska S.A. Group for 2020 and the stand-alone financial statement of BNP Paribas Bank Polska S.A. for 2020. Mazars and the members of the audit team met the conditions for preparing an impartial and independent audit report on the annual financial statements and the audit report on the consolidated annual financial statements in accordance with applicable regulations, professional standards and professional ethics.

Relevant agreement for the review and audit of financial statements and review and audit of consolidation packages with Mazars was concluded on 24 March 2020.

The Management Board of BNP Paribas Bank Polska S.A. declares that the binding law provisions related to the rotation of the audit firm and the key statutory auditor and the mandatory grace periods have been observed and that the company has in place the "Policy on the selection of the audit firm at BNP Paribas Bank Polska S.A." and the "Audit firm selection procedure at BNP Paribas Bank Polska S.A." and the "Policy on the provision of permitted non-audit services by the audit firm, by affiliates of the audit firm and members of the audit firm's network at BNP Paribas Bank Polska S.A."

## **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.

**SIGNATURES OF BNP PARIBAS BANK POLSKA S.A. BOARD MEMBERS**

26.02.2021	<b>Przemysław Gdański</b> President of the Management Board	<i>signed with a qualified electronic signature</i>
26.02.2021	<b>Jean-Charles Aranda</b> Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
26.02.2021	<b>André Boulanger</b> Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
26.02.2021	<b>Przemysław Furlepa</b> Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
26.02.2021	<b>Wojciech Kembłowski</b> Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
26.02.2021	<b>Kazimierz Łabno</b> Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
26.02.2021	<b>Magdalena Nowicka</b> Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
26.02.2021	<b>Volodymyr Radin</b> Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
26.02.2021	<b>Jerzy Śledziewski</b> Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>