

# Report of the Supervisory Board

on the Appraisal of the Separate Financial Statements of BNP Paribas Bank Polska S.A. for the year ended 31 December 2020, the Consolidated Financial Statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended 31 December 2020, and of 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), CSR and Sustainability Report presenting non-financial information of BNP Paribas Bank Polska S.A. and BNP Paribas Bank Polska S.A. Capital Group for the year 2020 and on the motion of the Management Board on the distribution of profit for the fiscal year 2020 together with the assessment of adequacy and effectiveness of the internal control system in BNP Paribas Bank Polska S.A. in 2020



**BNP PARIBAS**



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## 1. ASSESSMENT OF THE FINANCIAL STATEMENTS OF THE BNP PARIBAS BANK POLSKA S.A. FOR 2020

Pursuant to Article 382 § 3 of the Code of Commercial Companies and § 20 paragraph 1 item 2) letter a), of the Articles of Association of the Bank, the Supervisory Board of BNP Paribas Bank Polska S.A. conducted an assessment of the Separate financial statements of the Bank for the year ended 31 December 2020, the Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Group in 2020 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. in 2020), and the motion of the Management Board on distribution of profit for the fiscal year 2020.

The aforementioned assessment has been made based on:

1. The separate financial statements of the Bank for the year ended 31 December 2020 covering:
  - a) separate statement of financial position prepared as at December 31, 2020 showing total assets PLN 115 668 150 thous.
  - b) separate statement of profit or loss for the period from January 1, 2020 to December 31, 2020 showing net profit of PLN 731 060 thous.
  - c) separate statement of other comprehensive income for the period from January 1, 2020 to December 31, 2020 with a total positive comprehensive income of PLN 861 707 thous.
  - d) separate statement of changes in equity for the period from January 1, 2020 to December 31, 2020 disclosing an increase in equity by PLN 869 236 thous.
  - e) separate statement of cash flows for the period from January 1, 2020 to December 31, 2020 showing a net cash outflow of PLN 1 314 602 thous.

and

2. notes to financial statements.
3. Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Group in 2020 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. in 2020).
4. Motion of the Management Board on the profit distribution for the year ended 31 December 2020.
5. Report of independent statutory auditor from audit of the separate financial statements of BNP Paribas Bank Polska S.A.

The Supervisory Board states as follows:

Based on the assessment of the financial statements of BNP Paribas Bank Polska S.A. for the year ended 31 December 2020, the Supervisory Board has concluded that these financial statements, in all material aspects, have been prepared:

- a) in accordance with the International Financial Reporting Standards approved by the European Union;
- b) based on properly maintained accounting records;
- c) in accordance with the provisions of the law governing preparation of the financial statements and provisions of the Bank's Articles of Association influencing the form and content of the financial statements;
- d) within the set deadline;

and give a fair and clear view of all information material for the evaluation of the financial result of business activities for the period from 1 January 2020 to 31 December 2020, as well as the economic and financial position of BNP Paribas Bank Polska S.A. as at 31 December 2020.

### **SUPERVISORY BOARD ASSESSMENT**

After becoming acquainted with the Financial statements of BNP Paribas Bank Polska S.A. for the year ended on 31 December 2020 prepared by the Management Board, and the Report of the independent statutory auditor for audit of the financial statement of BNP Paribas Bank Polska S.A. for the year ended

on 31 December 2020, the Supervisory Board decides to give a positive opinion to the Financial statements of the Bank for the year ended on 31 December 2020, and recommend the approval of the financial statements to the Ordinary General Meeting.



## 2. ASSESSMENT OF THE MANAGEMENT BOARD'S MOTION ON THE PROFIT DISTRIBUTION FOR THE YEAR 2020

Supervisory Board hereby positively assesses the Management Board's motion on the net profit distribution for year 2020 and recommends to the Ordinary Shareholders Meeting of the Bank that the whole profit after taxation (net profit) for the fiscal year 2020 in the amount of PLN 731 060 299.29 (in words: seven hundred thirty-one million sixty thousand two hundred ninety-nine zlotys and twenty-nine groszy) is transferred to the reserve capital.

The Supervisory Board of the Bank resolved to recommend that the General Meeting pass a resolution on the net profit distribution in BNP Paribas Bank Polska S.A. for the year 2020 in the amount of PLN 731 060 299.29 as per the motion of the Management Board of the Bank.

## 3. ASSESSMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK'S CAPITAL GROUP IN 2020

Pursuant to § 20 paragraph 1 item 2) letter b) of the Articles of Association, the Supervisory Board of BNP Paribas Bank Polska S.A. conducted an assessment of the consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended 31 December 2020 and the Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Group in 2020 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. in 2020).

The aforementioned assessment was conducted on the basis of:

1. BNP Paribas Bank Polska S.A. Capital Group consolidated financial statements for the year ended on 31 December 2020 covering:
  - a) consolidated statement of financial position drawn up as at December 31, 2020 with balance sheet total of PLN 119 577 288 thous.
  - b) consolidated statement of profit or loss for the period from January 1, 2020 to December 31, 2020 showing net profit of PLN 733 095 thous.
  - c) consolidated statement of other comprehensive income for the period from January 1, 2020 to December 31, 2020 with a total positive comprehensive income of PLN 863 677 thous.
  - d) consolidated statement of changes in equity for the period from January 1, 2020 to December 31, 2020 showing an increase in equity by PLN 871 144 thous.
  - e) consolidated statement of cash flows for the period from January 1, 2020 to December 31, 2020 showing a net cash outflow of PLN 1 127 889 thous

and

2. notes to the consolidated financial statements.
3. Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Group in 2020 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. 2020).
4. Report of independent statutory auditor on audit of the consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2020.

The Supervisory Board states as follows:

As a result of the assessment of consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2020, the Supervisory Board states that the statements in all relevant aspects:

- a) have been drawn up in accordance with the International Financial Reporting Standards approved by the European Union,
- b) are compliant with legal provisions regulating the preparation of financial statements, which affect the form and contents of the financial statements,
- c) have been drawn within the deadline set by law,



and reliably and clearly present all information relevant for the assessment of the financial result on the business activity for the period from 1 January 2020 to 31 December 2020, as well as the economic and financial position of BNP Paribas Bank Polska S.A. Capital Group as at 31 December 2020.

#### **SUPERVISORY BOARD ASSESSMENT**

After becoming acquainted with the Consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2020 prepared by the Management Board, and the Report of the independent statutory auditor on the audit of consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group, the Supervisory Board decides to give a positive opinion to the financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2020, and recommend the approval of the financial statements to the Ordinary General Meeting

## **4. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. GROUP IN 2020 (INCLUDING MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. IN 2020)**

The BNP Paribas Bank Polska S.A. Supervisory Board acting on the basis of Article 382 § 3 of the Commercial Companies Code, fulfilling its statutory responsibilities, following the thorough review of Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Group in 2020 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. in 2020) declares that this Report is factually correct, consistent with the books and documents, including information contained in the Standalone and Consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended on 31 December 2020.

Furthermore, the Supervisory Board assesses, that the above mentioned Report, includes information on the financial and economic situation of the Bank and the Capital Group, presents correct view of the development and achievements, as well as the evaluation of the results, indication of risk factors and description of threats.

At the same time, the Supervisory Board confirms that the above mentioned Report, in all significant aspects, fulfills the requirements described in Articles 49 and 55 para. 2a of the Accounting Act and in the Ordinance of the Minister of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state.

The Supervisory Board recommends the approval of the Management Board's Report on Activities of BNP Paribas Bank Polska S.A. Group in 2020 (including Management Board's Report on Activities of BNP Paribas Bank Polska S.A. in 2020) to the Ordinary General Meeting of BNP Paribas Bank Polska S.A.

## **5. ASSESSMENT OF CSR AND SUSTAINABILITY REPORT PRESENTING NON-FINANCIAL INFORMATION OF BNP PARIBAS BANK POLSKA S.A. AND THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN 2020**

As a result of the assessment of CSR and Sustainability Report presenting non-financial information of the BNP Paribas Bank Polska S.A. and BNP Paribas Bank Polska S.A. Capital Group in 2020 the Supervisory Board states that the report was prepared in compliance with Art. 49b of the Accounting Act dated 29 September 1994 and presents in a reliable and clear manner the non-financial effectiveness indicators connected to the Bank and Bank's Capital Group activities, as well as information on employment and natural environment matters that are relevant to the assessment of economic activity for the period from 1 January 2020 to 31 December 2020. The Supervisory Board recommends the approval of the CSR and Sustainability Report presenting non-financial information of the BNP Paribas Bank Polska S.A. and BNP Paribas Bank Polska S.A. Capital Group in 2020 to the Ordinary General Meeting of BNP Paribas Bank Polska S.A.



## 6. ASSESSMENT OF ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM AT THE BANK IN 2020

The organisation of the internal control system complies with the requirements set forth in the Banking Law Act of 29 August 1997, Ordinance of the Minister of Development and Finance of 6 March 2017 on risk management system and internal control system, remuneration policy, as well as detailed manner of internal capital assessment at banks, and Recommendation H. The internal control system is the component of the Bank's management system, made of three defence lines that comprises: control and risk control mechanisms, verification of Bank's compliance with law and internal regulations (Compliance Line activities) and internal audit.. The internal control system matches the specific nature of the business pursued and factors in the resources of the Bank.

The internal control system is adapted to the nature of the Bank's operation and takes into consideration the resources held by the Bank. The Bank assesses annually the efficiency of the key control mechanisms, implementation testing as well as the adequacy and effectiveness of the internal control system.

The Management Board of the Bank is responsible for the effectiveness of the following: risk management system, internal control system, internal capital assessment process and performance of reviews, internal capital assessment and maintenance, likewise for supervision over the effectiveness of the respective processes, by making necessary adjustments and improvements in case of any change in the level of the risk involved in the Bank's operations, economic environment factors including legal and regulatory requirements or any irregularities in functioning of systems or processes. Furthermore, the Management Board defines the principles governing operation of organisational units involved in the Bank's management and assumes responsibility for formulation, implementation and updating written policies, strategies and procedures in this respect.

The Supervisory Board oversees implementation and ensuring the operation of the adequate and effective internal control system at the Bank and assesses, on an annual basis, the adequacy and effectiveness of the internal control system, including the adequacy of the control function, compliance unit and internal audit unit, based on the formulated and approved assessment criteria, information received from the Management Board, as well as the opinions issued by the Audit Committee of the Bank. The assessment made by the Audit Committee is based, among others, on results of the audits carried out by the Internal Audit Line, of which the Committee is informed after each completion of a report from such an audit, in periodic reports on the activity of the Internal Audit Line, and on the annual reports of the Internal Audit Line and Compliance Line. In addition, the Audit Committee familiarizes itself with the progress in implementation of the recommendations issued by the Internal Audit Line, external auditor and supervision authorities.

The Audit Committee and the Supervisory Board were informed on the progress of Audit Plan execution and on the changes introduced in the Audit Plan. The Internal Audit Line monitors on an ongoing basis the situation at the Bank and changes occurring in its environment, and if need arises, it makes necessary corrections in the Audit Plan, which are then approved by the Supervisory Board.

The Compliance Line provides support to the Management Board and Supervisory Board with respect to the management of the following types of risk:

- 1) compliance risk,
- 2) risks pertaining to counteracting money laundering and sanctions.

Among the Compliance Line tasks are: identification, assessment, control and monitoring of the risk of non-compliance of Bank's operations with the law, internal regulations and market standards adopted by the Bank, including in regard to activities described in article 70 para. 2 of the Act on trading in financial instruments. The Compliance Line exercises also the control function for some areas of Bank's operations (e.g. related to financial security, protection of interests of customers, professional ethics and financial market activities).

Identification and assessment of the compliance risk is performed based, among others, on an analysis of changes in the regulatory environment of the Bank, assessment of the compliance risk key factors, results of the compliance risk monitoring, including efficiency of the mechanisms ensuring the control over the risk, likewise opinions to internal regulations, issued by organisational units included in the Compliance Line, and risk assessment carried out as a part of the process of implementation of new banking products and services.

Results of the Compliance Line activities, including information on the Bank's compliance risk profile, are submitted to the Management Board of the Bank, and subsequently, to the Audit Committee and the Supervisory Board through presentation of reports on the Compliance Line activity.



The Operational Risk, Credit Control and Fraud Prevention Line, within which the Operational Risk Department operates, is also the component of the internal control system. The Operational Risk Department supervises and coordinates the horizontal testing process at the Bank, reports the results of the vertical testing of the key control mechanisms, as well as status of implementation of remedy and disciplinary measures, performed annually. Horizontal testing is performed on a permanent basis and reported every six months by managers of each unit of the Bank (network and Head Office units) or persons designated by them.

The Operational Risk Department prepares quarterly and half-year summary reports on controls plans and results, and results of horizontal testing executed by Bank's organizational units (network and Head Office units). Reports are submitted to the Management Board.

The Operational Risk Department also oversees the process of vertical testing at the Bank, which constitutes the second level control, under which it coordinates and supports the implementation of the concept of Fundamental Monitoring Points (FMP) at the Bank, and cooperates with units responsible for operational controls performed at the Bank.

The Operational Risk, Credit Control and Fraud Prevention Line supports the Management Board and Supervisory Board in identification and assessment of, in particular, the following types of risk:

- 1) operational risk,
- 2) fraud risk,
- 3) personal data risk.

#### **SUPERVISORY BOARD ASSESSMENT**

The Supervisory Board positively assessed the Bank's internal control model in all three defense lines, implemented in the Bank according to Recommendation H of the Polish Financial Supervision Authority. The Supervisory Board asserts that the system of internal control mechanisms is effective and efficient, except for irregularities detected in this regard during the control processes executed which impact the risk profile of the Bank. For Actions plans where implemented for every identified irregularity to addressing them, the realization of which was supervised by the Supervisory Board..

In the opinion of the Supervisory Board, the efficiency of the compliance risk management is satisfactory. In the opinion of the Supervisory Board, elements of the internal control system function properly, are consistent with the level and complexity of the Bank's operations and compliant with the adopted principles.

## **7. ASSESSMENT OF ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT SYSTEM WITH REGARD TO RISKS ESSENTIAL FOR THE BANK**

The system of risk management in the Bank is a formal system governed, i.a., by the principles of managing and reporting capital requirement, Internal Capital Adequacy Assessment Process (ICAAP), credit policy, policy of FX and IR risk management, strategy of risk management, BNP Paribas Bank Polska S.A. risk appetite associated with the Bank's activity, approved by the Supervisory Board. The Bank has a list of essential risks, approved by the Management Board, and the system of their measuring, limiting and reporting. The limits and thresholds for the major risks are specified at least once a year and reflected in the risk appetite statement of BNP Paribas Bank Polska S.A. The Bank regularly monitors and reports compliance with the limits, and if a limit is exceeded, the Bank takes actions to restore the situation where the risks are held within the limits specified by the Management and Supervisory Boards of the Bank as well as other actions specified in internal regulations.

The Management Board of the Bank and the relevant Committees approve detailed policies and principles of risk management and perform daily supervision over the risk management system. The Bank operates the Assets and Liabilities Committee (ALCO) responsible for supervision and supporting the management of liquidity risks and IR risks within the Bank's portfolio. The Risk Management Committee is responsible for the management of all essential risks associated with Bank's activities excluding the risks falling under the ALCO controls. The Bank has the Internal Control Coordination Committee, which supports the Bank's Management Board in implementing the Bank's operational risk strategy and in particular, performs supervision over consistency, completeness and effectiveness of the internal control system, and the processes of operational risk management. The Committee also manages major risks connected to the system of internal control in the Bank and its subsidiary entities.



With the above in mind, as at 31 December 2020, committees operating in the Bank included:

- Risk Management Committee,
- RB Risk Committee,
- PF Risk Committee,
- Credit Committee,
- Bad Loan Committee,
- Capital Investments Committee,
- Information Security and Business Continuity Committee,
- Internal Control Coordination Committee,
- Products, Services, Transactions and Activities Approval Committee (NPAO),
- Customer Approval Committee (CAC),
- Disciplinary Committee,
- Investment Project Committee,
- Assets and Liabilities Committee (ALCO),
- Reference Rate Quote Committee,
- Real Estate Committee,
- Brokerage House Investment Committee,
- Financial and Compliance Risk Committee,
- Procurement Committee,
- Bonds Committee,
- Compliance and Risk Evaluation Committee,
- Customer Excellence Board,
- Data Governance Strategy Committee,
- Data Governance Board.

The Bank's Management Board through dedicated committees obtains regular and comprehensive information on the Bank's exposure to key risks, including i.a., credit risk, operational risk, financial liquidity risk as well as market and interest rate risks. Appropriate committees within their competences define tasks which must be undertaken in case the Bank engages in excessive risks.

Supervisory Board regularly obtains reports prepared by organizational units of the Head Office covering significant risks in Bank's operations. The scope of reported information covers the Bank's exposures to key risks including credit, operational, market, interest rate and liquidity risks.

Additionally the Supervisory Board has established Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee.

## **SUPERVISORY BOARD ASSESSMENT**

The Supervisory Board assesses that the risk management system of the Bank fulfills the supervisory requirements, defined especially in the Ordinance of the Minister of Development and Finance dated 6 March 2017 on the risk management system, internal control system, remuneration policy and detailed method of internal capital assessment in banks as amended. Moreover, the key risks management system is managed adequately and is carried out in accordance with policies adopted by the Bank.

Risk management at BNP Paribas Bank Polska S.A. has a comprehensive, consolidated character, suitably adapted to the scale of the Bank's operations.