

The Management Board's Report on the activities of BNP Paribas Bank Polska S.A. Group in the first half of 2021



BNP PARIBAS



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1. The Capital Group of BNP Paribas Bank Polska S.A.



1.1. Brief overview of the 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 8,702 people (FTE).

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

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.

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 in first half of 2021

PLN 124,023 m
assets

PLN 296 m
net profit

PLN 2,301 m
result on banking operations

PLN 1,240 m
costs

18.1 %
total capital ratio

4.9 %
ROE

83.3 %
loans/deposits

53.9 %
cost/income

4.0 m
customers

1.4 m
customers using remote channels

446
branches

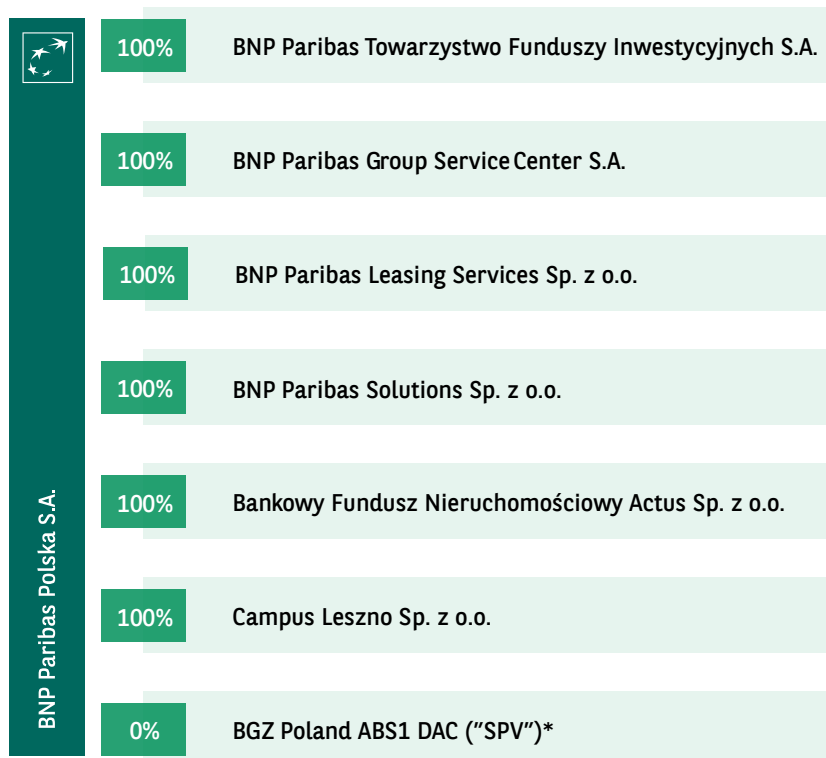
8.7 ths
FTEs



1.2. Structure of the Capital Group and consolidated entities

BNP Paribas Bank Polska S.A. is the parent entity of the BNP Paribas Bank Polska S.A. Group. Fully consolidated subsidiaries included in the Group are listed below:

Structure of the Capital Group



**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 Bank BNP Paribas S.A. due to the fulfilment of the control conditions only within the understanding of IFRS 10*

1.3. Business model

The BNP Paribas Bank Polska Group runs its business based on the following operating segments (share of the business line in Group's banking activity, NBI, for 6 months of 2021 is given in %):

- **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 NBI at 49.0%;
- **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 (23.2% share in NBI);
- **Small and Medium Enterprises Banking** includes services for agro and non-agro customers (9.4% share in NBI);
- **Corporate and Institutional Banking** (CIB) supports the sale of the Group's products to the largest Polish enterprises and provides services to strategic customers (5.6% share in NBI);
- **Other activities** including the Asset and Liability Management Division and Corporate Centre (12.8% share in NBI).



The foundations of the BNP Paribas Bank Polska Group activity

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 organisational transformation efforts to strengthen the Bank's market position. We strengthen the digital competence of our employees and accelerate the digitalisation of internal processes to respond to the rapidly changing market environment.

Responsible risk and climate impact management

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

In a changing world – by taking care of securing financial needs, providing professional services and innovative solutions – we support customers in sustainable development, we build professional development and employee engagement, we 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 of the BNP Paribas Bank Polska Capital Group. As a company listed on the Warsaw Stock Exchange, we aim at a steady growth of shareholder value in compliance with 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 client service based on stable relations. We create innovative products and services to meet the current and future needs of our clients, which have an impact on our market position.



Operating capital creates value for stakeholders through the activity of the BNP Paribas Bank Polska Group, which comprises BNP Paribas Bank Polska S.A. as the parent company and seven subsidiaries. Our operating capital is based on our resources and extensive infrastructure. We continuously work on developing and improving the quality of service within the branch network, Contact Centre and digital channels. We attach particular importance to increasing the availability of products and services for Clients 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 environment.

Social capital means for us relationships with stakeholders in our environment: Clients, employees, business and institutional partners, local communities and community organisations. As a public trust institution, part of the socio-economic ecosystem, we are aware of the impact we have on society and our surroundings. We initiate actions for positive changes in local communities - we support equal opportunities and counteract social exclusion. We develop a range of responsible products and services with a positive impact, guided by the principle of sustainable development.

Environmental capital is our contribution to combating climate change and supporting the 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 reduce the environmental impact of our operations by implementing eco-efficiency measures. We promote responsible and environmentally friendly attitudes among our employees, customers and the environment, and work to raise awareness of climate change.

1.4. HR management

Headcount

At the end of June 2021, the Capital Group of BNP Paribas Bank Polska S.A. had 8,702 FTEs (including employees on maternity leave, childcare leave and longer sick leave) as compared to 9,611 FTEs at the end of June 2020 (decrease by 909 FTEs). The decrease in employment YoY was mainly due to the optimization performed after merger of the Bank with the core banking activities of Raiffeisen Bank Polska on 31 October 2018.

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

Table 1. Headcount in the Capital Group of the Bank

in FTE's	30.06.2021	30.06.2020
Capital Group of the Bank	8,702	9,611
Total Bank, including:	8,540	9,321
Head Office	4,611	4,840
Branches	3,796	4,341
Mobile Relationship Managers	83	85
Brokerage Office	45	48
Trade Unions	5	7
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	39	34
BNP Paribas Group Service Center S.A.	70	180
Campus Leszno Sp. z o.o.	9	11
BFN ACTUS Sp. z o.o.	-	-
BNP Paribas Leasing Services Sp. z o.o.	7	6
BNP Paribas Solutions Sp. z o.o.	37	59

Employment restructuring

At the end of 2020, the dismissal process planned for 2019-2020 resulting from workforce optimization performed after merger of the Bank with the core banking activities of Raiffeisen Bank Polska S.A. ended at the Bank. In response to changes in the market situation, the dynamic technological development of the banking sector and the digitalisation projects implemented by the Bank, a dismissal programme scheduled for 2021-2023 was announced in agreement with the Trade Unions. During the first half of 2021, 28 employees' contracts have been terminated as part of the dismissal process that began in January 2021.



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 an update to the policy related to a change in the limit of the amount to which the deferral period and a distribution in the form of a financial instrument (shares) for the deferred part of variable remuneration do not apply. In March 2021, a further update of the policy was made mainly related to the extension of the deferral period from 3 to 4 years.

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

Incentive schemes

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

The Bank has implemented:

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

Training and development

In first half of 2021, training activity was carried out in close cooperation with the Bank's business lines. The total number of training participants was over 81.5 thousand, including 71.5 thousand participants of e-learning, 261 participants of external training, 9.8 thousand participants of internal online trainings (Skype, Webex).

Due to the coronavirus outbreak, similarly as in 2020, most of the trainings delivered until June 2021 was either online or in the form of webinars/virtual classes. All training activities delivered by the Bank's in-house trainers were conducted remotely, providing ongoing development opportunities for the Bank's employees despite the existing restrictions.

Major training initiatives in first half of 2021

- Courses raising the level of product knowledge, dedicated to the sales network employees, including those focusing on investment funds and sales of insurance products;



- Trainings and webinars introducing issues concerning Agile@Scale (Agile Days, training on Agile basics or Management 3.0);
- Introductory training for the newly employed;
- Courses for managers increasing their team-leadership competencies and skills related to providing feedback;
- Training for the Bank's employees aimed at developing competencies with a particular focus on the competencies of the future and the key competencies included in the Bank's competency model;
- Webinars for managers and employees supporting them in the goal-setting process and in giving regular feedback based on objectives and an individual development plan - all taking into account the distributed team;
- Mandatory courses resulting from legal regulations – ex. MiFID2, act on insurance distribution management model;
- E-learning courses introducing issues concerning improving the quality of customer service (NPS) and data quality;
- Webinars for employees and managers supporting functioning in the era of COVID-19: managing a distributed team, effective remote communication;
- Courses supporting the development of a risk culture at the Bank, especially in the areas of operational risk and compliance;
- Soft skills and managerial courses for the Bank's employees carried out on request for particular teams.

Development programs implemented in first half of 2021

- *Leaders for Tomorrow Initiative* - a development programme focused on strengthening leadership competences for selected individuals from the organisation (Talents). As part of the programme, participants could benefit from online development activities and were involved in the implementation of projects addressing current business challenges;
- *Well Leading* - a development programme dedicated to managers and aimed at shaping consistent leadership attitudes and behaviours based on the leadership competence model. The programme is based on the development of competencies: strategic thinking, change management as well as motivating and inspiring;
- *Inner Labour Market* – continuation of the initiative launched in 2014, which aims to strengthen the professional mobility of employees within the organization. Employees have an access to job offers from the Bank and Group 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;
- *Development Festival* - a local edition of International Mobility Days, an annual programme taking place simultaneously in several dozen countries of the BNP Paribas Group. Thanks to this initiative, employees have an opportunity to learn about the offer of development activities tailored to their needs in the online format. The Development Festival included, among others, inspirational lectures, debates, workshops and webinars on personal and professional development;
- *About Me* - BNP Paribas Group's platform for performance management and employee career and development. It supports personal branding and conscious development of employees through the possibility of creating their own profile available to the entire organisation and the Group. The profile can include information on 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 their profiles and supports employees in preparing individual development plans using this tool;
- *Digital Academy* - open training for all employees in the field of digital transformation (artificial intelligence, user experience, cyber security and big data). The aim of the training is to raise awareness of digitalisation, counteract digital exclusion, promote and inspire innovation.



Additional initiatives for employees

- *Corporate wellness* - Well programme - BNP Paribas Bank Polska S.A. has implemented a new corporate wellness programme called "Well", which is an element of the "Bank Close to the Close" programme and part of the "Friendly Work Environment" pillar of the benefits and well-being strategy called "BENEFIT". The programme is a response to the needs of the Bank's employees and their relatives. The objectives guiding the Bank during the implementation of the programme:
 - implementation of a long-term health-promoting policy, especially in the era of COVID-19, which will translate into employee satisfaction and commitment, as well as the maintenance of a harmonious work-life balance, especially during home-office and epidemic-related restrictions, which will also have an impact on work efficiency
 - strengthening and extending the wellness activities that are already in place, i.e. flu vaccinations in the workplace, preventive screening tests (blood pressure, cholesterol level, glucose, body composition analysis), trainings on healthy lifestyles (on nutrition, weight loss, stress reduction), health competitions with the Worksmile app;
 - making changes to the company's culture, organisation and management style to ensure high levels of health and fitness/efficiency;
 - enabling contact - nowadays online - with specialists such as a psychologist, nutritionist, coach, sports trainer, mental speaker.
- *Total Reward Statement* - an annual report presenting employees' total benefits from working at BNP Paribas Bank Polska, 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, trainings, development programs, as well as social benefits, additional financing and Employee Capital Plans.

Internship and partnership programs - cooperation with universities

- *"Ambadorskie 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 students with an opportunity to gain experience in the implementation of their ventures and to acquire specialist knowledge from the Bank's experts. It also 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 October 2020, we launched the fourth edition of the Ambassador Duo programme, expanded to include CSR and environmental topics. In 2020/2021 edition we have collaborated with: Uniwersytet Warszawski, Akademia Górniczo-Hutniczej im. Stanisława Staszica w Krakowie, Uniwersytet Ekonomiczny w Krakowie, Uniwersytet Ekonomiczny w Poznaniu, Uniwersytet Ekonomiczny we Wrocławiu, Uniwersytet Ekonomiczny w Katowicach, Uniwersytet Gdański.
- *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. The second edition is currently underway with 18 students participating.
- *Summer Internship Program* - A summer internship program addressed to students of the 2nd and higher years, during which trainees have the opportunity to gain knowledge in the field of banking through active participation in tasks and projects of a selected department, under the guidance of a dedicated supervisor. Internships take place, depending on the location, in stationary, remote and hybrid forms. The programme includes a series of webinars and workshops on business and development topics. Examples of topics include "Personal branding in social media", "Introduction to Agile", "Financial markets, derivative transactions and other curiosities" or "Design Thinking". 33 participants are taking part in the summer internship.
- *Internship programmes* - are aimed at 3rd and 4th year students. The aim of the programmes is to prepare students to join an organisation. The possibility to participate in projects which 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 that accompany functioning in a large organisation. In July 2021, we launched 24 programmes across the organisation. Students join us for a period of 6 months and work together with mentors on business projects, expanding their professional competences.



2. Major events in the BNP Paribas Bank Polska Capital Group



2.1. Major corporate events in the Capital Group

January 2021

Recommendation of the PFSA regarding the suspension by BNP Paribas Bank Polska S.A. of dividend payments in the first half of 2021.

April 2021

- Issuing series M shares as part of conditional share capital increase and **change of the value of share capital** of BNP Paribas Bank Polska S.A. - The Bank's share capital was increased **from PLN 147,418,918 to PLN 147,518,782**.
- Determination of the **annual contribution to the banks restructuring fund for the year 2021** by the BFG for BNP Paribas Bank Polska S.A (PLN 90,147 thousand).

June 2021

- Notification from two of the Bank's shareholders about the **completion of the process of selling some of their shares** in BNP Paribas Bank Polska S.A. under the accelerated book building ("ABB")*.
- **Extraordinary General Meeting of Shareholders**

March 2021

- **Appointment of the Management Board of BNP Paribas Bank Polska SA for a new tenure**
- **Ordinary General Meeting of Shareholders**
- **Appointment of the Supervisory Board of BNP Paribas Bank Polska S.A. for a new tenure**
- Statement of the National Depository for Securities on the **conditional registration of M series shares** of BNP Paribas Bank Polska S.A.
- Information from the Warsaw Stock Exchange on the **admission and introduction M series shares** of BNP Paribas Bank Polska S.A. to trading.

May 2021

- **Commencement of the share buy-back programme** addressed to the participants of the incentive programme
- **Entry in the National Court Register of amendments to the Bank's Statute** resulting from the increase of the Bank's share capital to the amount of PLN 147 518 782 as a result of subscription of series M shares by eligible persons
- Notification from two shareholders of the Bank about the **commencement of the process of selling a part of their shares** in BNP Paribas Bank Polska S.A. under the **accelerated book building ("ABB")***.



* details regarding the process of sale by BNP Paribas SA and Rabobank International Holding B.V. of a part of shares held by them in BNP Paribas Bank Polska S.A. are described in Chapter 8.1. Shareholder structure and share prices of the Bank

Any changes in the composition of the Bank's Management Board and the Supervisory Board of the Bank that took place in first half of 2021 are described in Chapter 8.3. of the herein Report – *Statutory Bodies of the Bank*.

2.2. Awards and distinctions

January 2021

- **Distinction of the "WELL" programme** in the category of Best Wellbeing Practices in "The best of Wellbeing 2020" #pozytywnywplyw (#positiveimpact)
- the title of **Top Employer Polska** for an HR policy developed in line with best market practices

March 2021

- **BNP Paribas Lokata Kapitału fund** managed by BNP Paribas TFI awarded as the best Polish corporate paper fund with a prestigious Alpha 2020 award according to Analizy Online website
- distinctions (**TOP3 nominations**) in the Polish Debt Securities sub-fund category for **BNP Paribas Konserwatywny Oszczędzania** and in the Polish Long-Term Debt Securities sub-fund category for **BNP Paribas Obligacji**
- 9th place in the Forbes **Banking Innovation of the Year** ranking for cooperation with Booksy
- The bank was awarded in six categories of the 6th edition of the **Institution of the Year** competition: the bank became the leader in "Best service in remote channels", "Best bank for companies" and "Best bank in Poland"; other statuettes were awarded for "Best service in a branch", "Best internet banking" and "Best remote account opening process"
- **distinction** at the 5th Congress on Financial Education and Entrepreneurship **for volunteer activity in 2020 in the Bankers for Youth Financial Education BAKCYL programme** in the categories: the highest number of trained volunteers and the highest number of conducted lessons.

February 2021

- **5-star rating for BNP Paribas Wealth Management** in Forbes magazine's private banking services rating
- **Refinitiv Award for Forecasting Economic Indicators for Poland** for the best forecasts for Poland in 2020 for the Economic Analysis Department of BNP Paribas Bank for the most accurate economic indicators forecast for the domestic economy



May 2021

- **Mastercard World Elite**, issued by BNP Paribas Wealth Management, in **3rd place in Forbes magazine's black credit card ranking**
- **Diversity IN Check** - the Bank for the third time on the list of leading companies prepared by the Responsible Business Forum in terms of diversity management and building an inclusive corporate culture

June 2021

- **4th place in the Ranking of institutions caring for professional and social equality of LGBT+ people** published in the report "Cashless for equality" (highest classification among banks)
- Distinction of **Srebrny Listek CSR award** of "Polityka" weekly awarded to companies that maintain the highest standards of social responsibility and sustainable development
- **First prize for the "WELL" programme** in the "training and development" category of the "HR of Change" competition
- First prize in the finance category in the **"Diamonds of Innovation"** competition organised by Executive Club **for the implementation of the sign language interpreter service Migam**
- **1st place in the general classification** (3rd consecutive year) and **1st place in the banking, finance and insurance category** in the 15th **Ranking of Responsible Companies**
- Distinction in the CSR category and special award for creative and effective promotion of diversity for the action "Where are our patrons?" and distinction in the B2B sales promotion category for the project "OLX 1000 to start" in the Golden Arrow contest
- **Victory in the ESG category** in the 7th **"Stars of Banking"** ranking for the Bank's activities taking into account environmental, social and governance factors



2.3. Impact of the COVID-19 pandemic on the activity and performance of the Bank and the Group in the first half of 2021

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.

In first half of 2021, Bank continued activities initiated with the outbreak of the pandemic:

Work organisation activities (protecting employees and customers)

- remote working - remains the recommended form of work organisation in the Bank; in organisational units where such a form of operation is not possible for entire teams, the organisation of work is based on a split-team system, consisting of dividing the team in order to separate people performing the same duties; at the end of June 2021, approximately 85% of the Head Office's employees worked remotely;
- the model of customer service adapted to epidemic conditions is still in force, i.e. only current customer service may take place in the branch - one advisor serves one customer at a safe distance (also at the cash desk), while the rest of the customers wait for service outside the branch; the outlets are equipped with protective Plexiglas windows, masks, gloves, disinfectants for employees and customers;
- the possibility for employees to perform COVID-19 tests in ALAB diagnostic laboratories at the Bank's expense, if there is a justified suspicion that they have been infected with the virus while performing their duties;
- all employee-tailored educational and pro-employee initiatives are continued through online platforms, and a dedicated employee section on the internal Echonet network dedicated to the epidemic is kept up-to-date. As part of the "WELL" programme, employees can take care of their health in a broad sense. Through webinars, podcasts, articles, one-to-one video and telephone support, they can benefit from the knowledge and services of nutritionists, parenting psychologists, mental development coaches and physiotherapists.

Additionally, in the first half of April this year, the Bank joined the government initiative to engage employers in the SARS-COV-2 vaccination programme. In June, the first round of vaccinations for willing employees of the Bank and other BNP Paribas Group companies in Poland and their family members was carried out in several Polish cities, in July the second dose of vaccinations was organized.

Measures supporting customers and digitalisation

- In the period from mid-January 2021 to the end of March 2021, the Group focused on making the fullest possible use of the available customer assistance programmes, including granting temporary deferment of instalment repayments on loans, processing customer requests in this regard on an ongoing basis. As at the end of June 2021, the number of customers to whom loans and advances subject to moratoria were granted amounted to 40.4 thousand, with a total gross balance sheet exposure of the Group of PLN 6,558,507 thousand, of which: PLN 3,120,022 thousand related to individual customers, PLN 2,789,834 thousand to business entities and PLN 648,651 thousand to leasing and other receivables.
Moreover, the total gross value of loans and advances covered by statutory moratoria at the end of the first half of 2021 amounted to PLN 233,129 thousand. The balance of expired moratoria amounted to PLN 6 397 415 thousand and the balance of active moratoria amounted to PLN 161 092 thousand.
Detailed information on loans and advances to customers subject to moratoria is presented in Note 52 Risk Management of the Consolidated Semi-Annual Report for the 6-month period ended 30 June 2021.
- BNP Paribas Bank Polska remained a partner in the government programme to support the Polski Fundusz Rozwoju S.A. (PFR). Under the programme, in January 2021 the Bank purchased PFR0827 bonds for PLN 540 million. In total, the Bank's exposure to PFR bonds at the end of June 2021 amounted to PLN 2.5 billion. In addition, the Bank in the first half of 2021 subscribed for PLN 387 million of bonds issued by Bank Gospodarstwa Krajowego ("BGK") for the COVID-19 Fund.
- The Bank's clients doing business from 15 January 2021 to the end of February 2021 could apply for support under the PFR 2.0 Financial Shield for micro, small and medium-sized enterprises. The Bank's share in the distribution of funds to customers is 4 thousand positive decisions for an amount of PLN 0.7 billion. The total amount disbursed by PFR under the Shield 2.0 through the banks was, as of 26.02.2021 - PLN 6,983 million.



- Promoting digital solutions that allow customers to make even greater use of mobile devices and e-banking in their dealings with the Bank, through their further development and modification (further described in chapter 6.2. *Bank's transformation programme*). For example, the submission of applications under the PFR financial shield was made available to businesses in the GOonline and BiznesPI@net internet banking systems. In addition, a fully digital and automated process for the redemption of PFR Shield Subsidies 1.0 has been implemented. The myID service - free creation of an Electronic Identity, allowing remote identification for official and commercial matters - has been made available to individual customers.

Measures monitoring the impact of the pandemic on the Bank

In the first half of 2021 the Bank has partially released provisions for unrealised credit losses related to changes in macroeconomic scenarios and at the same time made additional provisions for future potential deterioration in the economic and financial situation of entities in industries affected by the coronavirus pandemic basing on the review of the loan portfolio conducted in the first half of 2021. The total negative impact of the above factors on the level of the result on impairment of financial assets and provisions for contingent liabilities in first half of 2021 amounted to PLN 80 million.



3. External factors affecting the Capital Group's operations

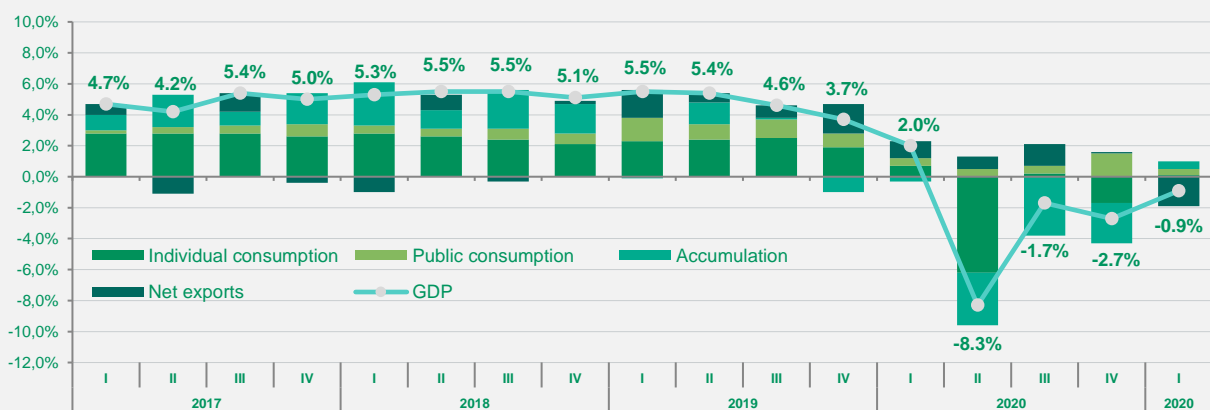


3.1. Macroeconomic conditions

GDP

After a historic decline in economic activity in 2020, the Polish economy continues to be negatively affected by the pandemic and the restrictions introduced for that time. The first quarter of 2021 again recorded a negative rate of Gross Domestic Product (GDP). According to the preliminary estimate, GDP declined by 0.9% y/y. However, given the scale of the restrictions, the decline in activity was much smoother than the slowdown in the first half of 2020. Improved adaptation of businesses and households to pandemic restrictions, stronger support from global growth and trade, and continued strong political support have helped economic entities manage economic challenges. As a result, GDP grew by 1.1% on a quarterly basis. What is worth noting is the composition of GDP growth. Fixed asset investment grew 18.2% q/q, well above market expectations. The growth was mainly driven by investments by non-financial corporations. As a result, domestic demand grew by almost 4.0% q/q, also due to strong growth in household consumption. We expect annual GDP growth to accelerate significantly in Q2 (partly due to a low base), and the pace of expansion should remain strong in the second half of 2021. We expect that the Polish economy should grow by 4.5-5% this year. Of course, economic developments in 2021 and 2022 will continue to depend largely on the effectiveness of the vaccination program and the pace at which governments lift restrictions.

Chart 1. GDP growth (y/y)



Source: GUS

Business activity

Industrial production, continuously after the slump in economic activity in the second quarter of 2020, has recorded monthly increases since last June. Data for May 2021 indicated a sound 29.8% y/y increase in industrial production. To a high extent, such high dynamics was the result of the low base effect from last year. In the first quarter of 2021 industrial production grew by almost 19.0% y/y. On the other hand, in June industrial activity remains at a level similar to May, in the second quarter the dynamics may reach even 30% y/y. In Q2, construction and assembly production also gradually recovered. In May, for the first time in almost twelve months, production growth was positive and reached 4.7% y/y. This sector, as one of the few, is not distorted by the low base effect from last year. As a result, construction production growth was negative at -10.8% y/y in the first quarter of 2021. The recovery of

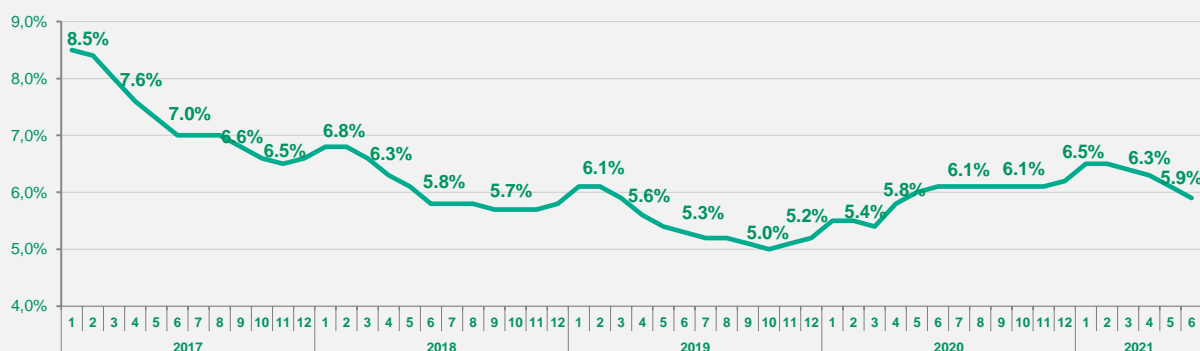


consumer demand at the beginning of 2021 was reflected in an increase in real retail sales. The gradual lifting of restrictions since the beginning of this year translated into a marked increase in sales. It grew by an average of 15.2% y/y in the first quarter, compared to a 0.8% y/y decline in the fourth quarter of 2020. Data already available for the April-May period imply equally high dynamics in the second quarter as well.

Inflation

Although in the first months of 2021 CPI inflation remained close to the NBP inflation target (i.e. 1.5-3.5% y/y), since March we have been observing its clear acceleration. Since then, inflation has been well above the NBP target with a possible deviation. As a result, Q1 2021 closed with CPI inflation at 3.2%, while in Q2 the dynamics accelerated to 4.4% y/y. The main factor behind the increase in the price level in Q2 was core inflation, which amounted on average to 3.9% y/y. In the following months, the risk of rising inflation may result from, among other things, rising commodity prices and disruptions in supply chains - which may translate into higher commodity costs. In the longer term, core inflation will be largely determined by the situation in the labor market. We expect CPI inflation to rise in the upcoming months and remain well above the NBP's 2.5% target for the foreseeable future. In the meantime, we expect some slowdown in core inflation.

Chart 2. Registered unemployment rate



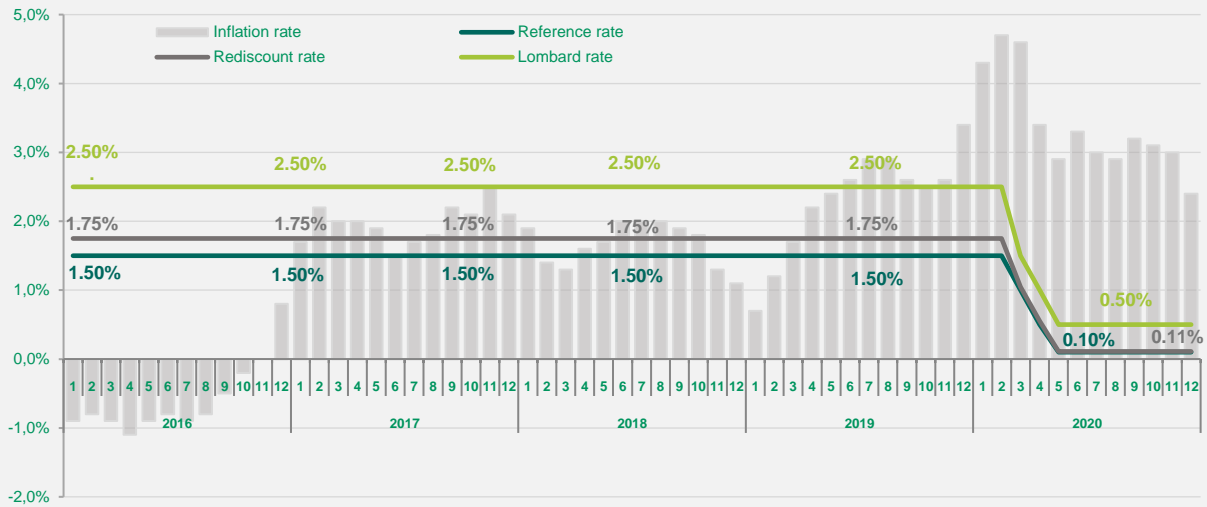
Source: GUS

Monetary policy

After a significant loosening of the NBP monetary policy in the first half of 2020, in the following quarters the NBP maintained basic interest rates unchanged and continued other measures aimed at mitigating the negative effects of the pandemic. The market expects an interest rate increase in Poland later in 2021. At the end of June this year, the FRA market assumed a total rate increase of 130 bps through 2023. In our view, the message from members of the Monetary Policy Council has recently become slightly more hawkish. Both the NBP President and other Council members have recently indicated their readiness to tighten monetary policy should the prospects for strong GDP growth and high inflation become firmly established. We see growing chances for the beginning of monetary policy normalization this year (at the November meeting). However, MPC members emphasize that the further course of the pandemic will be the key factor determining the timing of monetary policy tightening. Therefore, the possible occurrence of the fourth wave of the pandemic in autumn may delay the beginning of monetary policy normalization in Poland.



Chart 3. Inflation and interest rates



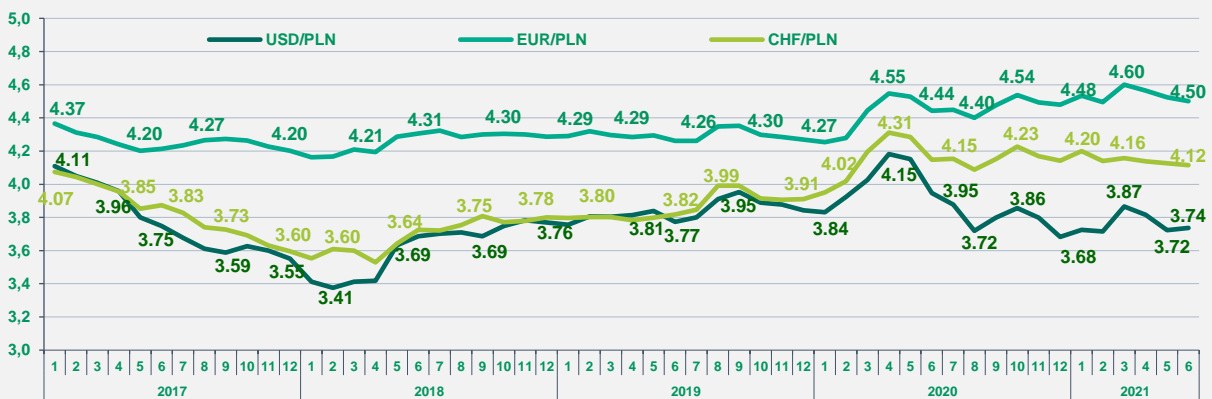
Source: GUS, NBP

Bonds market

Yields on Polish treasury bonds in the first half of 2021 are mainly influenced by the situation on the base markets (United States and Eurozone) and domestic data on inflation, public debt, as well as investors' expectations regarding the future monetary policy of the MPC. Especially the latter factor clearly influenced the increase in profitability of Polish treasury bonds. Since the beginning of the year, the yield on Polish 10-year bonds grew from 1.25% to 1.65% at the end of the second quarter. The risk premium for long-term Polish bonds (as measured by the spread over 10-year German bonds) fluctuated in the range of 184-202 bps in the second quarter of this year, compared to around 168-184 bps at the beginning of the year. The widening of the spread between bond yields, occurring in the April-May period, was largely influenced by growing expectations of monetary policy normalization by the NBP.

Currency market

Chart 4. PLN exchange (monthly average)



Source: Macrobond



In Q2, 2021, the USD/PLN exchange rate fluctuated in the range of 3.66-3.80, compared to nearly 4.00 in March. During the year, the USD/PLN exchange rate recorded two more significant rises to the level of around 3.80 in May and June, which was partly related to growing expectations of monetary tightening by the Federal Reserve in the United States. The CHF/PLN exchange rate followed a similar course, falling to ca. 4.10-4.15 in Q2 from nearly 4.20 in Q1. The zloty also strengthened in relation to the euro. In Q2, the EUR/PLN exchange rate fell below the key level of 4.50, which was supported by the growing risk appetite in global markets and market expectations of the beginning of the monetary policy tightening cycle by the National Bank of Poland.

3.2. Performance of the banking sector

Basic categories of the banking sector profit and loss account

The net financial result of the banking sector in Poland after the first five months of 2021, according to preliminary data from the Polish Financial Supervision Authority (KNF), amounted to PLN 5.8 billion and was higher by PLN 2.4 billion, or 70.2%, than the profit achieved in the corresponding period of 2020. This was due to a significant improvement in the overall result from impairment and other provisions, supported by a noticeable (although much less significant in terms of volume) decrease in operating expenses and stabilization of net income.

The improvement in the sector's result was driven by a considerable increase in net impairment losses on financial assets by 48.5% year-on-year, i.e. from PLN -5.1 billion to over PLN -2.6 billion. This change was a consequence of the observed decrease in the volume of impaired receivables from individual entrepreneurs and SMEs in 2021. On the other hand, it was supported by the reversal of the negative impact of macroeconomic parameters on credit risk, which was reflected in the release by banks of part of the provisions created for COVID-19 pandemic risk in 2020. The significant decrease in impairment allowances was slightly offset by the deterioration of the negative result on other provisions (decrease by PLN 0.2 billion or 41.5% y/y to ca. PLN -0.7 billion).

The significant decline in the overall result from impairment losses and other provisions was followed by a noticeable decrease in the sector's operating expenses (a category that also includes the tax on financial institutions and depreciation). It amounted to PLN 0.6 billion, i.e. 3.5% y/y, resulting in costs of about PLN 16.8 billion. This decrease was mainly driven by a large reduction in contributions to the BFG mandatory bank restructuring fund, recognized by banks as a whole in the first quarter of a given year (by about PLN 0.4 billion, i.e. 23.1% year-on-year), and contributions to the bank guarantee fund, paid on a quarterly basis (down by nearly PLN 0.6 billion, i.e. 36.5% y/y). To a small extent, progressive reduction of employment in the banking sector and reduction of the number of banking branches contributed to the decrease in operating costs.

On the other hand, net revenues of the sector in the first five months of 2021 remained at a level similar to that achieved in the corresponding period of 2020 and amounted to PLN 28.5 billion (i.e. by PLN 0.2 billion or 0.8% less than a year ago). The sector's interest income, which is its main component, decreased by PLN 2.6 billion or 12.5% y/y to just under PLN 18.3bn. This decrease was caused mainly by the threefold decrease in interest rates of the National Bank of Poland by the Monetary Policy Council, which resulted in a significant decrease in the interest margin of the sector. However, the still very limited lending in the segment of non-financial business entities, especially SMEs, also contributed to the above.

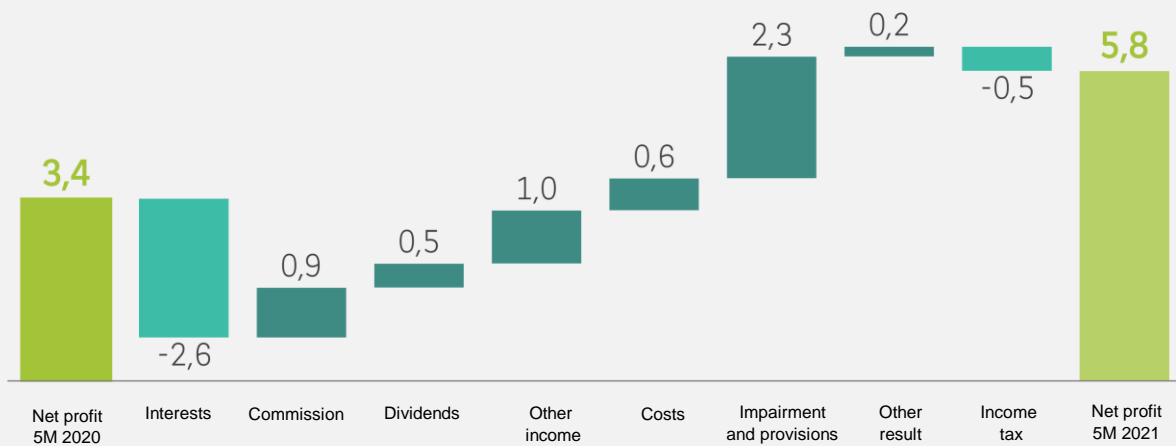
The significant nominal decrease in the interest income of the sector was almost fully offset by simultaneous significant improvement in net fee and commission income (by over PLN 0.9 billion, i.e. 16.2% y/y, to approximately PLN 6.8 billion), significant increase in dividend income (by approximately PLN 0.5 billion, i.e. 277.3% y/y, to over PLN 0.6 billion) and increase in other net income (up by PLN 1 billion, i.e. 53.5% y/y, to almost PLN 2.9 billion).

The improvement in commission income occurred in many areas of the banking business and was largely driven by the low base effect associated with the lockdown of the economy in the period of April-May 2020. It was also affected by the fee and commission increases introduced after the outbreak of the COVID-19 pandemic and the aforementioned interest rate cuts by the MPC. Not without significance was also, associated with the latter, considerable inflow of funds to investment funds distributed by banks and a change in the structure of their assets to those bearing a higher risk, i.e. more profitable from the point of view of banks.

The increase in the sector's other net income should be associated, among other things, with the expiration of the effect of provisions in accordance with the September 2019 CJEU ruling created for refunds of early loan repayment commissions, recognized by some banks in other operating expenses. The other revenue components of the sector were also certainly positively impacted by the reversal of the pronounced negative valuation of financial instruments at fair value through profit or loss recorded in 2020 due to interest rate cuts.



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

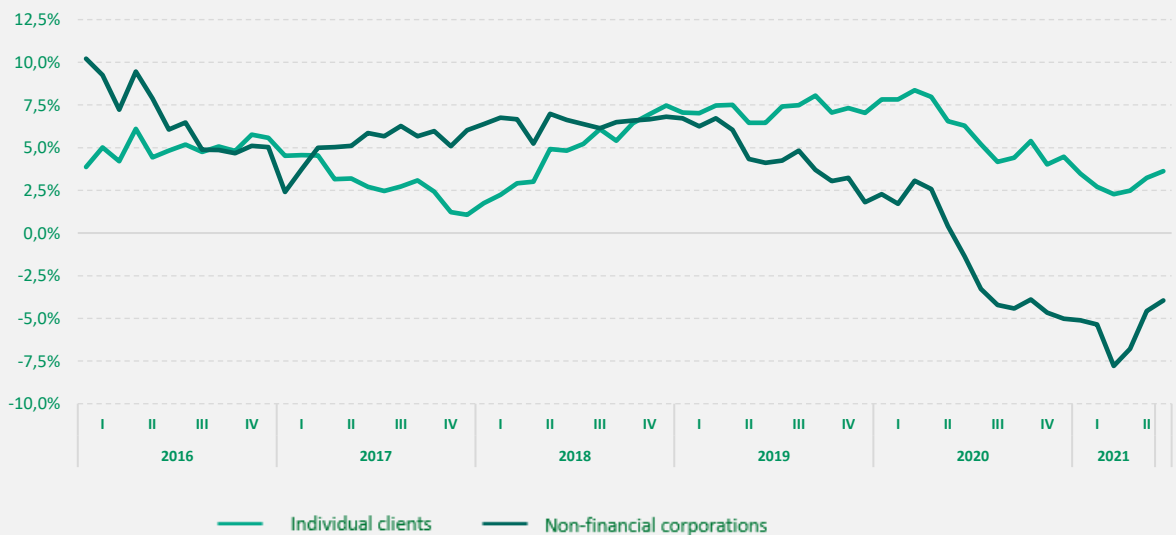


Source: KNF

The main positions of the balance sheet of the banking sector

The level of loans to non-bank customers at the end of June 2021 amounted to PLN 1,324.7 billion, with a growth rate of 0.4% y/y. This growth was slightly lower than at the end of December 2020 (0.7%) but was recorded against a relatively stronger zloty than at the end of 2020 (against a basket of base market currencies).

Chart 6. Loans to non-financial sector customers (y/y dynamics)



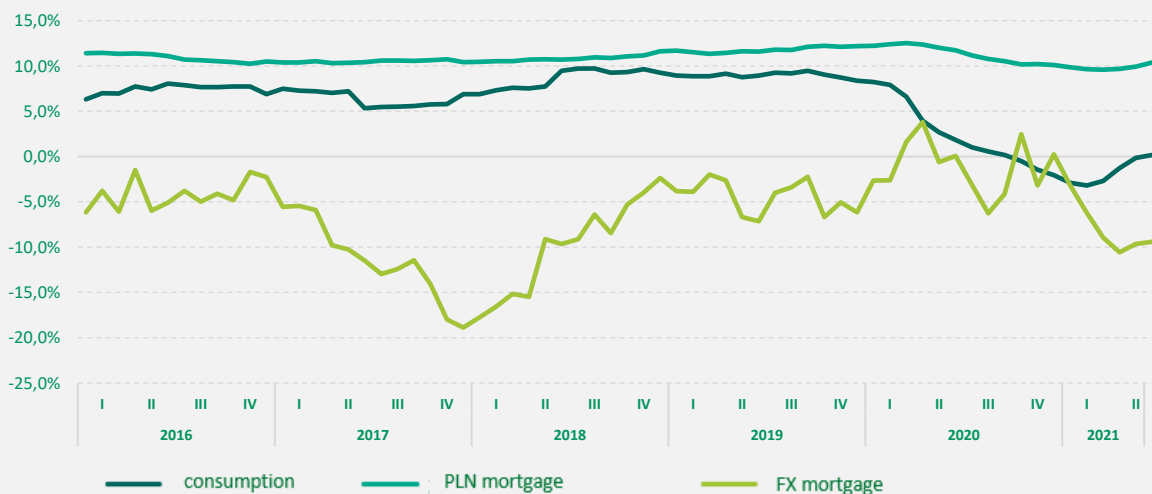
Source: NBP

The first half of 2021 brought an increase in the level of loans to non-financial businesses compared to the level at the end of December 2020, with an annualized growth rate of (3.9)% at the end of June 2021, compared to (5.0)% at the end of December 2020. Lower, but persistent uncertainty about how the epidemic will unfold and how the economy will continue to develop continued to hamper the investment plans of many businesses. This, in turn, was reflected in the persistently negative dynamics of investment-grade credit in both the corporate and sole proprietor segments. The epidemic regime, which was tightened again in March 2021, partially restricted business opportunities and once again hit selected industries such as the hotel and restaurant business particularly severely.

Growing economic activity led to an increase in demand for current account loans. This was reflected in strong y/y growth in this category of loans compared to December 2020, both in the corporate segment (where, however, they still remained strongly negative) and individual entrepreneurs (where they turned positive in June 2021).



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



Source: NBP

A significant slowdown in the overall rate of credits was observed primarily for individual entrepreneurs, who are the first and more flexible to react to changes in expectations and market conditions. The y/y decline in receivables from this group of customers amounted to minus (1.4)% at the end of June 2021 compared to minus (7.1)% at the end of December 2020. On the other hand, the y/y decline in receivables from corporates remained at a similar level and amounted to minus (4.7)% at the end of June 2021 compared to minus (4.9)% at the end of December 2020.

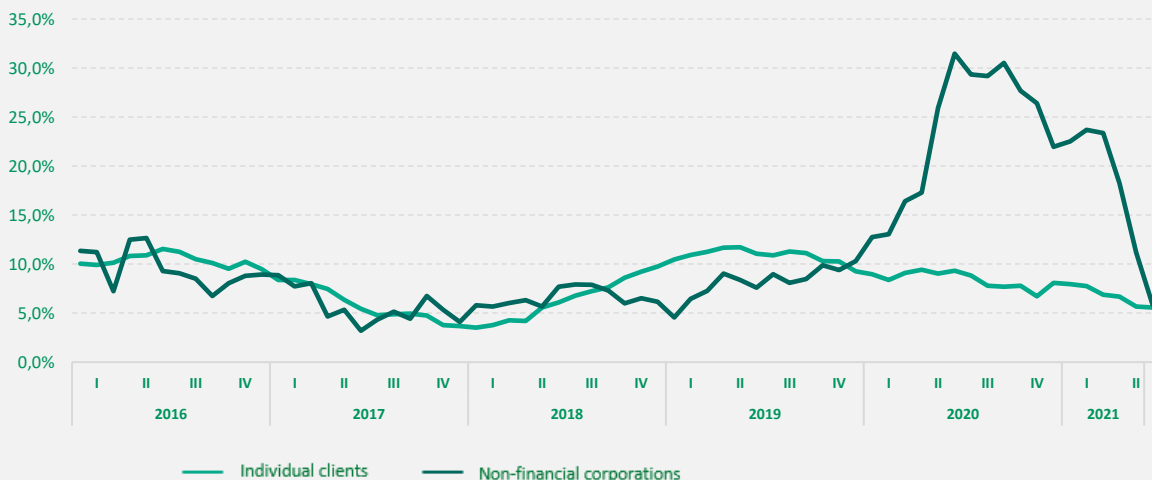
The volume of loans to individuals increased by 3.6% year-on-year. The growth rate recorded was lower than at the end of 2020, when it amounted to 4.5%. The only factor that contributed to the weaker growth rate was a sharp decline in the balance of foreign currency residential mortgages compared to June 2020. It was associated, on the one hand, with gradual repayments of foreign currency loans and, on the other hand, with the appreciation of the zloty against the CHF and EUR in the first half of,2021. Due to the above, the y/y dynamics of foreign currency mortgage loans at the end of June 2021 decreased to minus (9.4)% y/y, from 0.2% at the end of December 2020.

The decline in the volume of foreign-currency residential mortgage loans in the first half of,2021 was fully offset by a more than twofold increase in the volume of PLN mortgage loans. These reached 10.4% y/y at the end of June 2021, which was slightly higher than last year (10.1%). This was influenced by the effect of a growing base. According to the Credit Information Bureau (BIK), the value of mortgage loans granted in the first half of 2021 increased by 32.7% compared to the first half of 2020 to as much as PLN 41.7 bn. The increase in new production was driven mainly by higher-value residential mortgage loans, due to the easing of lending policies in this segment (e.g., lowering of own contribution requirements and acceptance of higher loan amounts in relation to income for the 20% contribution loan group) and further increases in real estate prices.

Consumer loan volumes increased compared to December 2020, with a y/y growth rate of 0.2%, reversing the downward trend observed at the end of December 2020. This was related both to the easing by banks of the criteria and some of the conditions for granting consumer loans, and to the increase in demand itself, including deferred demand (due to several trade lockdowns of various magnitudes) for installment loans. Banks' sales capacity, greater than during the first lockdown in 2020, was also not insignificant. New loan sale alone grew by 25.9% to PLN 32.1 billion and installment loan sales grew by 27.6% y/y to PLN 8.1 bn.



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



Source: NBP

The first half of 2021 brought a significant slowdown in the growth of non-bank customer deposits on an annual basis. Their growth rate at the end of June 2021 amounted to 6.5%, compared to 13.8% at the end of 2020. This slowdown was determined by a sharp decline in the growth rate of deposits from non-financial businesses. It amounted to 5.9% and was nearly four times lower than at the end of 2020. (22.0%).

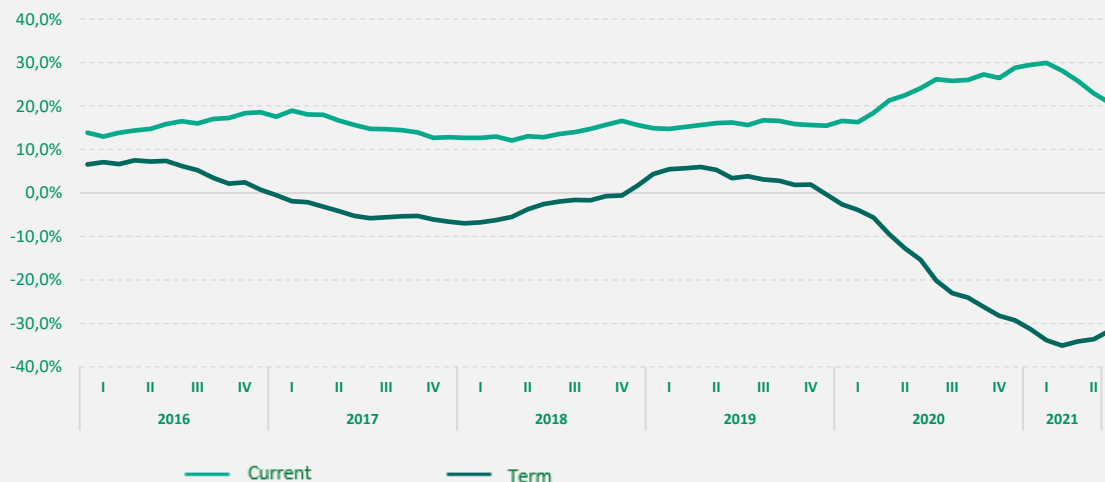
The decline was primarily a consequence of the high base effect associated with payments mainly from the Financial Shield, which occurred in Q2,2020. Thanks to it, micro, small and medium enterprises, until July 2, 2020, received a total of PLN 55.5 billion in support provided by the PFR.

Retail customer deposit growth reached 5.6% y/y and was also noticeably lower than in December 2020. (8.1%). Several factors contributed to the gradual decrease in the willingness of individual customers to deposit funds in banks. The most important was the low interest rate on deposit products in banks after the Monetary Policy Council lowered the nominal NBP interest rates to the historically lowest level, close to zero. It was supported by persistent, relatively high inflation (in the last 12 months until June 2021 exceeding 3% y/y on average), making real interest rates on deposits strongly negative. The decrease in dynamics was also influenced by: higher consumer spending of individual customers and conversion of funds to investment products with higher risk or guaranteeing at least partial hedging against the effects of inflation. This resulted, among other things, in an increase in the popularity of so-called savings bonds. Their average monthly sales in the first half of 2021 reached almost PLN 3.6 billion, while in 2019 they exceeded only PLN 1.4 billion per month. Increased interest in higher risk investments has been reported in both the housing and capital markets. These changes were reflected, inter alia, in the continued high monthly net inflow of funds to open-ended investment funds, including from bank accounts, starting as early as May 2020. This inflow measured by the balance of purchases and redemptions in the funds of the public market (excluding PPK funds) amounted to: in the second half of 2020 more than PLN 16.7 billion, and in the first half of 2021 PLN 15.3 billion.

In addition, the new pricing policy, in which the interest rate on time deposits only slightly exceeded that on demand deposits, and the withdrawal of the former from the offer, had an impact on the consolidation of the new structure of deposit growth. Growth was still recorded only in the category of current deposits of individual customers. However, its pace (taking into account the aforementioned negative factors) has significantly slowed down and reached 20.8% y/y at the end of June 2021, compared to 28.8% at the end of December 2020. On the other hand, the term deposit category saw further strong year-on-year declines (by 31.7% and previously by 29.3% respectively).



Chart 9. Deposits from individual customers (y/y dynamics)



Source: NBP

Market share

In the first half of 2021, BNP Paribas Bank Polska Group maintained the 6th position by assets in the banking sector in Poland.

Table 2. Market share of BNP Paribas Bank Polska

	30.06.2021	31.12.2020
Loans for non-bank customers	5.8%	5.7%
Loans for individual customers	5.2%	5.0%
Non-financial corporations	8.8%	8.6%
Deposits from non-bank customers	5.5%	5.5%
Deposits from individual customers	4.7%	4.8%
Non-financial corporations	9.2%	8.1%

In the "loans to non-bank customers" category, the Bank's share in the sector amounted to 5.8%, compared to 5.7% at the end of 2020. The growth was primarily driven by continued strong increases in PLN mortgage loans to individuals, supported by a recovery in the shares of the corporate and individual business loan segments.

The Bank's share in deposits to non-bank customers remained stable at 5.5% in the period under review. However, there was a significant decrease in the share of the retail segment compared to December 2020, related, among other things, to the further adjustment of the volume of deposits to the Bank's liquidity needs. However, this was almost entirely offset by the Bank's robust growth in the volume and share of corporate deposits, the main component of the non-financial business segment.

3.3. Stock market and investment situation

In the first half of 2021, the WIG stock index, representing all companies listed on the Warsaw Stock Exchange (WSE), was in an uptrend, recording its highest level since 2007. In Q1 2021, levels in the range of 55,000-60,000 points were recorded. On the other hand, April and May were months of several percent increases, which at the end of June translated into a record level of WIG at around 68,000 points.

The first half of 2021 again brought a clear diversification of returns among company segments. Between 31 December 2020 and 30 June 2021, the WIG showed a positive rate of return of 15.9%. For the WIG20 index, which groups the largest entities on the Warsaw Stock Exchange, it was also positive but slightly lower and amounted to 11.8%. The index of medium-sized companies mWIG40 closed with a profit of 21.3%. The highest rate of return occurred in the segment of smaller companies, where sWIG80 in the first half of 2021 reached a 28.5% rate of return, i.e. almost twice as much as the broad market, for which the WIG index remains the benchmark.



The Warsaw Stock Exchange indices were following the behavior of foreign equity markets. For example, the US S&P500 index recorded a rate of return of over 14.4% in the 6 months of 2021, the French CAC40 also gained 17.2%, while the German DAX rose by 13.2%.

Table 3. The value of the main indices on the WSE

Index	30.06.2021	31.12.2020	30.06.2020	change 30.06.2021 vs 31.12.2020	change y/y
WIG	66,067	57,026	49,569	15.9%	33.3%
WIG20	2,218	1,984	1,759	11.8%	26.1%
mWIG40	4,825	3,977	3,468	21.3%	39.1%
sWIG80	20,687	16,096	13,412	28.5%	54.2%

Source: Bloomberg

The following factors, among others, had an impact on the first half of 2021 outlook on the Warsaw Stock Exchange: (i) concerns about the impact of further waves of diseases in the context of the COVID-19 outbreak on the global economy; (ii) accommodative policies of central banks, with concerns of faster than initially expected monetary tightening due to accelerating inflation, which translated into capital outflows from the debt market and deposits; (iii) continued rotation of capital to value and cyclical companies vs. so-called growth companies; (iv) marked improvement in macroeconomic data, including in particular PMI leading indicators, which translated into positive revisions of economic growth; (v) volatility of zloty quotes and maintenance of monetary policy parameters by the Monetary Policy Council.

The first half of 2021 brought a clear upward trend in yields of Polish government bonds, which was reversed in mid-May. In the end, yields on Polish 10-year treasury bonds were around 1.60% at the end of the first half of the year, when at the beginning of January it amounted to 1.20%. This was in line with global trends and was a consequence of rising inflation and expectations of the economy returning to full operation. Despite the dovish approach of the Monetary Policy Council, expectations of interest rate increases gradually grew in the market since the beginning of the year.

Table 4. Number of companies, capitalisation and turnover on WSE

	30.06.2021	31.12.2020	30.06.2020	change y/y
Number of companies	426	433	440	(3.2%)
Capitalization of domestic companies (million PLN)	637,272	538,752	472,860	34.8%
Value of trading in shares (million PLN)	181,757	311,124	134,273	35.4%
Futures contracts trading volume (thousand PLN)	5,755	11,115	5,663	18.3%

Source: GPW

In the first half of 2021, 8 new companies, including 3 foreign companies and 3 companies transferred from NewConnect, have been newly listed on the WSE Main Market and 15 companies have left the floor.

14 issuers debuted on the organized NewConnect market in the 6 months of 2021 while 22 entities, including 1 foreign issuer, were delisted at the same time. The Catalyst bond market listed a total of 505 bond series and the value of issues exceeded PLN 1.044 billion.



4. Strategy and prospects



4.1. 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

The financial strategic objectives that the Bank planned to achieve within the strategy horizon are: a growth rate of the result on banking activity **higher than the market**, ROE **above 10%** and C/I ratio at the level **ca. 50%**.

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

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

4.2. Execution of the strategy in the first half of 2021

The first outbreak of the pandemic in 2020 did not stop the daily operations of banks. Moreover, the new challenge has only accelerated certain trends, especially in the area of digitalisation. Nevertheless, the banks' performance during this period came under pressure. A decline in sales and a deterioration in financial performance were evident due to higher provisions for credit risk and a reduction in interest rates. We entered 2021 with the unleashing of another wave of infections and the accompanying restrictions. In contrast to the previous year, however, the first half of 2021 was marked by increases in sales performance, especially in the retail segment. Sales on key products such as mortgages reached record levels. New maximums were also set by the pace of new customer acquisitions.



The dynamic development of digital competence continued in the last six months. Customers were given access to myID's electronic identity service, and the Autenti service implemented earlier is rapidly gaining popularity. The number of users of remote channels, still being developed with new functionalities, also in the open banking area, is growing as well. The bank continued to actively promote green solutions for its customers, working itself to reduce its carbon footprint.

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 2022-2025. A large team is involved in the work, which translates into an even greater alignment of the strategy with the realities of the Bank and the challenges faced by each area. One of the issues that will be at the core of the development is an intensive commitment to ESG initiatives. The Bank believes that their proper integration with the main business activities will be a supporting factor in the long-term and stable development of the Bank. The strategy is planned to be announced in the second half of 2021.

Further actions within the strategy are described in the table below

PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN THE FIRST HALF OF 2021
GROWTH	concentration of resources: people, IT and capital on the most profitable products and segments in order to increase customer acquisition, sales and, as a result, increase of financial results	<ul style="list-style-type: none"> Successful customer acquisition in the first half of 2021, sales: personal accounts 154.3 thousand (+39% y/y, +6% vs. the second half 2020). Record sales of retail credit products <ul style="list-style-type: none"> Mortgage loans PLN 3.2 bn in the first half of 2021 (+10% y/y) of which PLN 1.8 bn in the second quarter of 2021. Cash loans PLN 1.7bn in the first half of 2021 (+40% y/y) of which PLN 1.0 bn in the second quarter 2021. Cooperation with reputable partners: Allegro, DECATHLON, Media Saturn Holding Participation in major corporate client transactions: syndicated financing: Ciech (PLN 2.1 billion), Press Glass (PLN 1.1 billion), Polpharma (PLN 0.8 billion), Cargounit (PLN 0.6 billion), Arctic Paper (PLN 0.3 billion); IPO financing for InPost, structured financing package for Bielenda Cosmetics (PLN 215 million). Green financing: investments by Qair Polska (PLN 184 million), the acquisition of a portfolio of 130 photovoltaic farms by Aberdeen Standard Investments. Sole arranger and dealer of ATAL SA two-year bond issue worth PLN 120 million. Co-organizer and dealer of the record-breaking Ghelamco bond issue worth PLN 285 million. Providing financing for the acquisition of five logistics parks totalling 209.000 square metres to Polish Logistics LLP investment company. Joining the "Czyste Powietrze" (Clean Air) Programme 2021-22.
SIMPLICITY	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	<ul style="list-style-type: none"> Growth of Autenti tool: 326,000 documents electronically signed in the first half of 2021 compared to 290,000 in 2020. Provision of myID service provided by the National Clearing House - free creation of an Electronic Identity, allowing remote identification for official and commercial matters. Commencement of collaboration with Doconomy: enabling clients to track and measure the carbon footprint they produce - app available in second half of 2021. A free AgroEmissions calculator that allows agricultural producers and farmers to estimate greenhouse gas emissions from crop and dairy production. Chatbot Eva - developing a self-learning programme to support processes within the Bank.
QUALITY	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	<ul style="list-style-type: none"> A guide for employees on how to behave towards people with disabilities. Increase the number of barrier-free certified branches to 61. Extension of the OK SENIOR certification for the branch network, confirming service fulfilling the highest safety and fraud protection standards and the sale of reliable and comprehensible products. Travel insurance with the Mastercard World Elite card extended to include COVID-19 sickness.



PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN THE FIRST HALF OF 2021
ENTHUSIASM	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	<ul style="list-style-type: none"> ▪ Over 70,000 kilometres covered by bank employees as part of the "Dobre Kilometry" (Good Kilometres) campaign. ▪ "Gdzie są nasze Patronki?" (Where are our Female Patrons?) initiative to encourage schools to adopt extraordinary women as school patrons. ▪ Signing the #JamaisSansElle (Never Without Her) card committing key managers not to attend public events of more than three people without a woman present. ▪ "Diversity and inclusion culture step by step". Preparing a guide together with partners from a dozen other non-banking companies for companies developing on the basis of diversity and inclusion ideas. ▪ Strategic partner of the fourth edition of the I am a Leader programme organised by Vital Voices Poland. ▪ 'The World Needs You' campaign engaging stakeholders in the UN Sustainable Development Goals. ▪ BNP Paribas Foundation as a strategic partner of Ocalenie Foundation.
DIGITALISATION	building a competitive advantage based on technologies: digitalisation for cost optimisation through automation of operations, digitalisation enabling growth using a comprehensive, multi-channel sales and service model, and digitalisation supporting identification of customer needs	<ul style="list-style-type: none"> ▪ GOmobile : 784,000 users +46% y/y ▪ GOonline: 793,000 users +6% y/y ▪ New features in the mobile application: Credit card repayment from an account in another bank, convenient and fast opening of foreign currency and savings accounts, modification of standing orders and increasing the limit in Allegro purchases. ▪ First use of the Account Information Service (AIS) as part of open banking, allowing confirmation of the customer's income when applying for an instalment loan with automatic completion of the application ▪ Over 2 million sheets of paper saved in 3 years thanks to digitalisation.



4.3. Factors which may affect the performance of the Bank's Capital Group

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

- **Recovery from recession and new mutations of the virus.** The prospects for the global economy have improved, but the ongoing recovery will be significantly different from what we know. It is likely to remain uneven and will depend on the effectiveness of vaccination programmes and public health policies. Already, recovery is occurring much faster in some countries than in others. The global economy's return to pre-pandemic levels was interrupted by the next wave of COVID-19. At the turn of 2021, the economy experienced a downturn as the resurgence of the pandemic contributed to a renewed partial shutdown. However, given the scale of the restrictions, the decline in activity was much milder than the slowdown in the first half of 2020. The OECD, expects global economic growth to reach 5.8% this year, which is a marked upward revision of the December 2020 economic forecast projecting growth of 4.2% this year. The ongoing vaccination programme in many advanced economies, as well as the significant fiscal package launched in the United States, have contributed to the recovery. Better adaptation of businesses and households to pandemic-related constraints and continued strong support from central banks have also helped business entities cope with the economic challenges. The European Commission (EC) has also revised its forecasts. According to the EC, GDP in the eurozone will grow by 4.3% y/y this year, which is 0.1 p.p. higher than predicted in the autumn forecast. In contrast, the European Commission expects a much faster recovery in 2022. According to the spring update, it should amount to 4.4% vs. 3.0% previously. Poland has also raised its GDP growth forecast for 2021. In the current year, GDP growth is expected to accelerate to 4.0% (previously 3.3% y/y) and in the following year to exceed 5.4% y/y (previously 3.5% y/y). Both the OECD and the European Commission stress that economic developments in 2021 and 2022 will largely depend on the effectiveness of vaccination programmes and the pace of lifting of restrictions. For the EU, the forecast assumes that after a slight easing of restrictions in the second quarter, progress in vaccination will allow a more pronounced easing of restrictions in the second half of the year. Both institutions stress that in 2022 COVID-19 will still pose a public health risk, despite a large percentage of the population being vaccinated, due to the risk of new mutations of the virus.
- **Monetary policy pursued by major central banks.** The major central banks have been pursuing loose monetary policy since the onset of the pandemic. However, in June the US Federal Reserve Bank indicated a gradual change in its stance. The Fed's published projections show that the bank may decide to make two interest rate rises in 2023. What is more, the dot-plot (the chart depicting the expectations of FOMC members regarding the level of interest rate) indicated that 7 members (previously 4) expect an increase of interest rates already in 2022. In 2023, it is as many as 13 (previously 7) out of 18 committee members. The European Central Bank's stance remains unchanged. Accelerating inflation is a factor supporting faster monetary policy normalization than it was previously thought. In its spring report, the European Commission also noted a sharp rise in CPI inflation in early 2021, both in the EU and the euro area. This is influenced by rising energy prices and a number of temporary factors, including tax changes, base effects and a change in the weighting system of the inflation basket. Central banks also maintain their stance about the temporary impact of the above-mentioned factors on price dynamics.
- **Activities of Polish central institutions in the fight against the coronavirus epidemic.** After a significant loosening of the NBP's monetary policy in the first half of 2020, in the following quarters the NBP kept key interest rates unchanged and continued other measures to mitigate the negative effects of the pandemic. The market expects an interest rate hike in Poland as early as 2021. In our view, the message from members of the Monetary Policy Council has recently become more hawkish. Both the NBP President and other Council members have recently indicated their readiness to tighten monetary policy if the outlook for strong GDP growth and high inflation remains stable. We see a growing chance for monetary policy normalization to begin this year (at the November meeting). However, MPC members stress that the further course of the pandemic will be a key determinant of the start of monetary policy tightening. The potential forth wave of the pandemic in autumn may delay the beginning of monetary policy normalization in Poland.
- **The performance of the zloty in relation to the key currencies.** Even at the beginning of the second quarter the zloty was clearly appreciating. In April and May, the zloty was supported by a strong appetite for risk on global stock exchanges, falling yields on debt markets and the depreciation of the dollar. The EUR/PLN exchange rate fluctuated in the range of 4.46-4.60 compared with 4.50-4.65 in first quarter of 2021. The zloty was also influenced by local factors. Until June, the Polish currency remained under the influence of growing expectations for interest rate increases in Poland. However, due to just a slight tightening of the stance of the MPC members, this factor stopped supporting the zloty so strongly in the recent period. Along with the consolidation of the ongoing economic recovery in Poland we expect the zloty to strengthen in the coming quarters. In addition, the further increase in expectations of interest rate increases by the Monetary Policy Council may be a factor supporting the zloty, which in our opinion may take place in November.



- **The economic situation in Poland.** After the historic decline in economic activity in 2020, the Polish economy continues to be affected by the negative effects of the pandemic and the restrictions imposed for that period. In the first quarter of 2021, the negative pace of GDP was observed again. According to the preliminary estimate, GDP decreased by 0.9% y/y. However, given the scale of the restrictions, the decline in activity was much milder than the slowdown in the first half of 2020. Improved adjustment of firms and households to pandemic-related restrictions, stronger support from global growth and trade, and continued strong fiscal policy support helped economic actors cope with the economic challenges. As a result, on a quarterly basis, GDP increased by 1.1% compared to the fourth quarter of last year. According to the *Inflation Report* published in July, economic activity is expected to increase this year, although the scale and pace of the recovery is subject to uncertainty. The main source of uncertainty is the further course of the pandemic and its impact on the economic situation at home and abroad. The economic situation will continue to be positively influenced by previous economic policy measures, including the loosening of the monetary policy of the National Bank of Poland, as well as the expected recovery in the global economy. In the next year, GDP growth will be additionally supported by the inflow of funds from the European Union, and the economic growth rate will be higher than in 2021. According to the Report, the NBP expects GDP growth to accelerate to 5.0% y/y in 2021, to 5.4% y/y in the following year and to 5.3% y/y in 2023.
- **Situation in the Polish labour market.** Available data for the first quarter of 2021 suggest some stabilisation in the labour market situation in this period. Published data from the enterprise sector indicate that although annual employment growth remained negative in the first quarter, in the second quarter it is likely to be positive. According to NBP data, after the slowdown recorded last year, wage growth will accelerate again in the projection horizon. In 2021 the wage growth rate will be boosted by the rebuilding of the labour market caused by the lifting of restrictions on the functioning of subsequent sectors of the economy. On the other hand, the bargaining power of employees is limited by the persistently lower demand for labour in some sectors. According to the NBP, increase of the minimum wage planned by the government in 2022 will have a neutral impact on the wage growth rate in the whole economy. In the Report from July, the forecast assumes an annualised wage growth of 8.1% this year, 7.8% in 2022 and 7.9% in 2023.
- **Changes in the inflation level.** In Poland, CPI inflation was rising in the first half of this year. In May it amounted to 4.7% y/y, and in June, according to the preliminary estimate of the Central Statistical Office, it fell to 4.4% y/y. The higher dynamics of prices of consumer goods, to a large extent, resulted from a dynamic increase in fuel prices as a result of rising oil prices on global markets and a strong base effect associated with their decline in the second quarter of 2020, i.e. after the outbreak of the COVID-19 pandemic. In the coming years, according to the NBP, CPI inflation is likely to remain at an elevated level, near the upper limit of deviations from the inflation target, i.e. 3.5%. In the coming years, higher inflation will be fuelled by higher energy price dynamics as a result of rising prices of energy raw materials on global markets and CO₂ emission allowances. As a result, the NBP expects that in 2021 CPI inflation will exceed 4.2% y/y, while in subsequent years it will remain just below the upper limit of deviations from the inflation target (3.5%).
- **Potential increase in public finance imbalance.** The general government deficit widened significantly last year as a result of the fiscal stimulus. According to Eurostat and ESA 2010 methodology, it amounted to 7.0% of GDP in 2020 (against 0.7% of GDP in 2019). The main reason for the aforementioned increase in the deficit was the fiscal support programmes (Anti-Crisis Shield, Financial Shield) introduced to help entrepreneurs and maintain jobs. In response to the second wave of the pandemic, anti-crisis measures were extended at the end of last year in the most vulnerable industries. The financing costs of counteracting the negative effects of the pandemic are likely to be significantly lower in 2021 than in 2020. In addition, the improvement in the general government balance will be influenced by the expected rapid pace of economic growth.
- **Potential increase in risk aversion in financial markets.** Despite the improvement in the global coronavirus outbreak, global growth forecasts are still subject to the risk of another pandemic wave. The rapid spread of the Delta variant (or subsequent mutations) among countries with a low vaccination rate may have an impact on the increase in risk aversion in financial markets. Valuation of financial instruments may also be negatively influenced by possible, faster than initially expected, monetary policy tightening by major global central banks, in particular the Federal Reserve Bank.
- **Credit portfolio quality.** One of the expected consequences of the pandemic and the accompanying restrictions was a deterioration in the quality of banks' credit portfolios, for which the sector prepared by increasing the level of write-downs. Government support programmes and the possibility of using loan moratoria were supposed to avoid the shock scenario. Current NBP data indicate that the negative consequences have not only been mitigated, but almost completely contained. Comparing data for May 2021 to February 2020. (the last month before the pandemic), the impaired credit ratio did not increase by more than +0.2 p.p. The only exception is consumer loans, where the increase was +0.8 p.p. This is a noticeable change, but extremely mild considering the initial concerns. The peak of the deterioration of indicators was in the last quarter of 2020 and the beginning of 2021. Since then we have seen a moderately



positive trend in all categories. The future still holds heightened uncertainty, due to further mutations of the virus, the reluctance of part of the population to vaccinate, or a real increase in economic activity.

- **Foreign currency mortgage loans.** Information on the impact and current situation of CHF loans is described in chapter 9.1 of this Report.
- **Structure of the banking sector balance sheets.** According to KNF data for May 2021, the loan-to-deposit ratio continues to decline, currently standing at a record low of 76%. This is, among other things, the effect of prolonged stagnation in the credit market, with a simultaneous moderate increase in the deposit base. Looking at product categories (May data from the National Bank of Poland), one area that recorded significant growth compared to May 2020 are household real estate loans (+5%, PLN 22bn). Among companies, a marked decline is still observed in the category of current loans (-11%, PLN 15bn), portfolio of which shrank at least in part due to funds received under government aid programmes. There was no rebound in investment loans either, with a 2% y/y drop (PLN 4bn). The growth rate of the deposit base slowed somewhat on an annual basis. In the household category, growth slowed down from double-digit figures to 6% (PLN 62bn). Over the last 3 months (as of March 2021) a stabilisation of volumes can be observed. Term deposits continue their gradual decline and already account for only 17% of the base (-11 pps y/y). In the corporate deposit category, the base has fluctuated for the last 8 months. In annual terms, however, it still represents an increase of 11% (PLN 37bn). Such a large and persistent excess of liquidity poses a challenge for banks how to effectively allocate funds at near-zero interest rates. This may have a negative impact on the banks' net interest margin and, consequently, on the profitability of the banking sector.
- **The sector's ability to finance the economy.** The declining profitability of the banking sector as measured by the return on capital ratio has been ongoing for several years. Almost a decade ago, the sector's profitability was in double digits. In 2018-19, it was already below 7%. Forecasts for the coming years do not foresee a dynamic rebound. The pressure on profitability has multiple sources. Interest rates are close to zero and banks are increasingly burdened by regulation (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). In the short term, this may fuel sector consolidation in search of economies of scale, when CHF loan-related provisions are additionally increasing. In the longer term, reduced profitability may slow down the growth of the capital base and thus limit lending opportunities.

The Bank emphasises that the dynamically changing situation and uncertainty as to the real impact of the coronavirus epidemic on the economy and environment may result in the occurrence of other significant factors not mentioned in this Report, but having an impact on the performance and activity of the Bank and the Group in subsequent periods.



5. Financial situation of the Capital Group of BNP Paribas Bank Polska S.A.



5.1. Consolidated statement of profit and loss

In the first half of 2021 the BNP Paribas Bank Polska S.A. Capital Group generated a net profit of PLN 295,943 thousand, i.e. by PLN 38,184 thousand (i.e. by 11.4%) lower than the one achieved in the same period of 2020.

The Group's result on banking activity in the analysed period amounted to PLN 2,301,336 thousand and was lower YoY by PLN 97,558 thousand or 4.1%.

The most important event affecting the level of the result from banking activities in the first half of 2021 and the comparability of the results with the corresponding period of the previous year was the coronavirus pandemic, which started in Poland in the second half of March 2020 and radically changed the macroeconomic situation and the conditions of the Group's and its customers' operations. The Group's financial results were most significantly affected by:

- reduction in the level of NBP interest rates by the Monetary Policy Council by decisions of 17 March, 8 April and 28 May 2020 (for the reference rate from 1.5% to 0.1%). These changes resulted in a decrease in market rates and consequently a decrease in the Group's interest income, mitigated to some extent by adjustment measures undertaken in the area of pricing policy. The net interest income in the first half of 2021 was by PLN 82,045 thousand (by 5.2%) lower compared to the first half of 2020;
- disruption of business activities caused by the sanitary restrictions applicable in Poland in the second and fourth quarters of 2020 and in the first quarter of 2021, which in turn had an impact on reduced activity and changes in the existing habits and behaviour of the Group's customers. This situation primarily affected the reduction in corporate demand for credit and, to a lesser extent, changes in demand for certain other banking services. The decline in the average value of the corporate loan portfolio that became apparent in the second and third quarters of 2020 continued throughout most of the first half of 2021. Signs of recovery became apparent in the second quarter of 2021.

An additional burden on the Group's financial results in the first half of 2021, compared to the same period of the previous year, was an increase of PLN 232,415 thousand (i.e. by 875.0%) in the result on provisions for legal risk related to foreign currency loans.

Elements that allowed for the partial neutralisation of the negative impact of the coronavirus pandemic on the results of the first half of 2021 compared to the first half of 2020 and the creation of additional provisions for legal risks include:

- a significant reduction in credit risk costs. The result of impairment losses on financial assets and provisions for contingent liabilities in the first half of 2021 was PLN 267,219 thousand (67.1%) lower compared to the first half of 2020, with the estimated impact of COVID-19 on the cost of risk being PLN 76,924 thousand lower in the comparable periods, and the impact of the sale of receivables made in the first half of 2021 being + PLN 35,639 thousand (in the absence of this factor in the first half of 2020);
- positive effects of changes in the pricing policy and actions aimed at changing the structure of basic income, which were reflected in an increase in net fee and commission income by PLN 90,071 thousand (i.e. by 22.1%) compared to the first half of 2020;
- incurring by the Group in the first half of 2021 lower costs of the Bank Guarantee Fund ("BFG") by PLN 52,329 thousand (i.e. by 30.9%), as a result of a decrease in the level of contributions made by the BFG Council compared to 2020;



- the positive effects of the measures taken to optimise the level of operating costs and the realisation of cost synergies made possible by the completion of the integration process with the Core Business of Raiffeisen Bank Polska S.A. ("RBPL", "Core RBPL"), visible, inter alia, in the area of employee costs. Total general administrative expenses and depreciation, net of BFG costs, incurred in the first half of 2021 were PLN 17,953 thousand (or 1.6%) lower compared to the first half of 2020.

In addition, the comparability of the results realised in the first half of 2021 and the first half of 2020 was affected by the following factors:

- results on the sale of debt instruments at fair value through other comprehensive income realised primarily in Q1 and Q2 2020, within the activities of the Asset and Liability Management Division (ALM Treasury). These transactions made it possible to increase the result on investment activities in the first half of 2020 by a total of PLN 74,433 thousand (compared to PLN 26,564 thousand in the first half of 2021);
- an increase in the valuation in the first half of 2020 of infrastructure companies (BIK, KIR, Mastercard and VISA Int.), presented within the result on trading activities, by PLN 56,724 thousand (PLN 15,140 thousand in the first half of 2021). The total result on equity instruments at fair value through profit or loss amounted to in the first half of 2020 PLN 61,784 thousand (compared to PLN 16,224 thousand in the first half of 2021);
- recognition in the result from other operating income/costs in 2020 of the sale of real estate at ul. Kasprzaka in Warsaw, in the gross amount of PLN 43,564 thousand.

Table 5. Statement of profit or loss

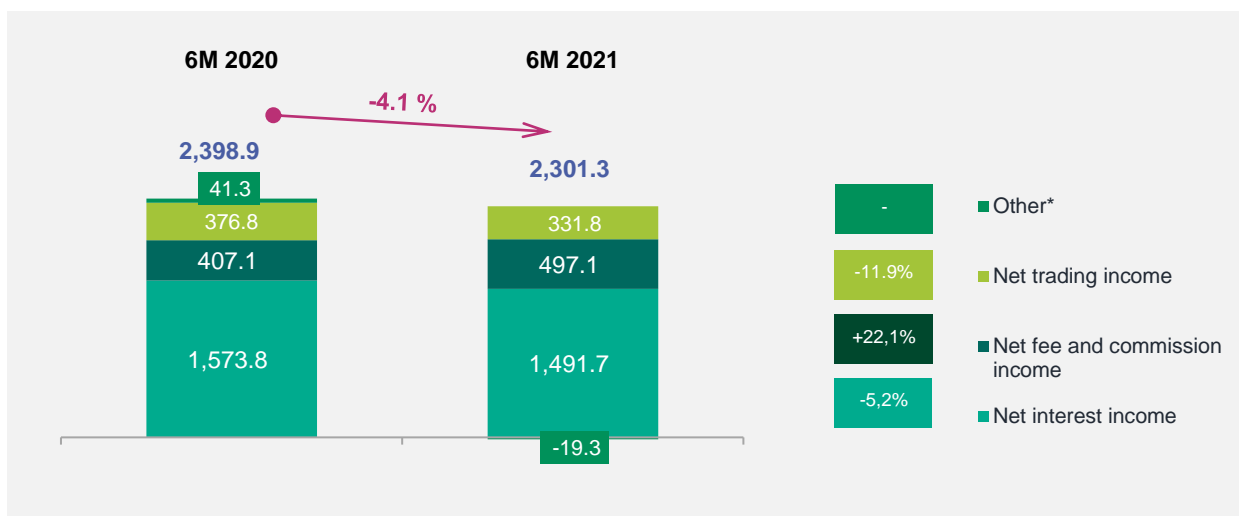
in PLN'000	6 months ended	6 months ended	change y/y	
	30.06.2021	30.06.2020	PLN'000	%
Net interest income	1,491,728	1,573,773	(82,045)	(5.2%)
Net fee and commission income	497,130	407,059	90,071	22.1%
Dividend income	1,455	2,439	(984)	(40.3%)
Net trading income	331,817	376,805	(44,988)	(11.9%)
Net investment income	39,994	17,870	22,124	123.8%
Result on fair value hedge accounting	(18,562)	(9,697)	(8,865)	91.4%
Other operating income and expenses	(42,226)	30,645	(72,871)	(237.8%)
Net income on banking activity	2,301,336	2,398,894	(97,558)	(4.1%)
Net impairment allowance on financial assets and provisions for contingent liabilities	(131,014)	(398,233)	267,219	(67.1%)
Result on provisions for court proceedings related to mortgage loans in CHF	(258,977)	(26,562)	(232,415)	875.0%
General administrative expenses	(1,041,499)	(1,130,427)	88,928	(7.9%)
Depreciation and amortization	(198,198)	(179,552)	(18,646)	10.4%
Operating result	671,648	664,120	7,528	1.1%
Tax on financial institutions	(161,943)	(150,823)	(11,120)	7.4%
Profit (loss) before income tax	509,705	513,297	(3,592)	(0.7%)
Income tax expense	(213,762)	(179,170)	(34,592)	19.3%
Net profit (loss)	295,943	334,127	(38,184)	(11.4%)
Net profit (loss) excluding integrations costs*	295,943	332,009	(36,066)	(10.9%)

* Integration costs: H1 2021: no impact of integration costs, H1 2020 positive value of PLN 2,614 thousand (PLN 399 thousand of costs in operating costs and positive value of PLN 3,013 thousand in other operating costs).

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

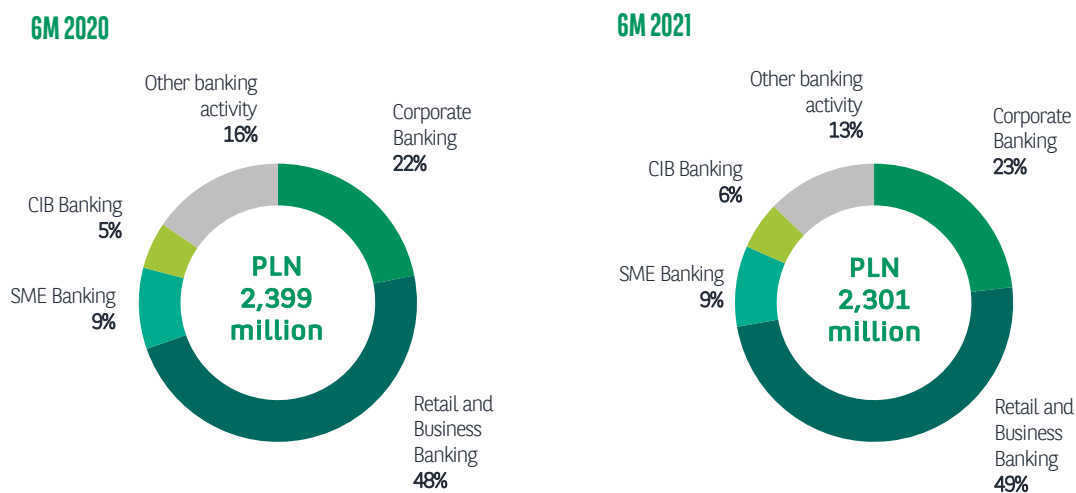


Chart 10. Structure of net income on banking activity in PLN million



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

Chart 11. Net income on banking activity by segments



The changes in the structure of the result on banking activities by segment visible in the above charts are, among other things, a result of a lower result on investment activities realised within the activities of the Asset and Liability Management Division (ALM Treasury) in the first half of 2021 compared to the same period of the previous year.



Net interest income

Net interest income, which is the Group's main source of revenue, amounted in the first half of 2021 to PLN 1,491,728 thousand and was lower y/y by PLN 82,045 thousand or 5.2%. In the first half of 2021, as compared to the first half of 2020, interest income was lower by PLN 317,316 thousand, i.e. by 16.3%, while interest expenses decreased by PLN 235,271 thousand, i.e. by 63.1%.

Table 6. Net interest income

in PLN'000	6 months ended 30.06.2021	6 months ended 30.06.2020	change y/y PLN'000	%
Loans and advances to banks	3,526	6,451	(2,925)	(45.3%)
Loans and advances to clients measured at amortized cost	1,145,039	1,489,133	(344,094)	(23.1%)
Loans and advances to clients measured at fair value through profit or loss	2,747	17,424	(14,677)	(84.2%)
Debt instruments measured at amortized cost	296,728	249,782	46,946	18.8%
Debt instruments measured at fair value through profit or loss	2,368	1,886	482	25.6%
Debt instruments are measured at fair value through other comprehensive income	90,688	96,960	(6,272)	(6.5%)
Derivative instruments in fair value hedge accounting	86,221	85,232	989	1.2%
Derivative instruments in cash flow hedge accounting	2,050	0	2,050	x
Buy-sell-back securities	185	0	185	x
Interest income	1,629,552	1,946,868	(317,316)	(16.3%)
Amounts due to banks	(56,538)	(48,541)	(7,997)	16.5%
Debt securities issued	(14,374)	(33,928)	19,554	(57.6%)
Amounts due to customers	(44,709)	(219,119)	174,410	(79.6%)
Lease liabilities	(2,146)	(3,605)	1,459	(40.5%)
Derivative instruments in fair value hedge accounting	(15,642)	(61,661)	46,019	(74.6%)
Derivative instruments in cash flow hedge accounting	(332)	0	(332)	x
Sell-buy-back securities	(21)	(6,241)	6,220	(99.7%)
Other related to financial assets	(4,062)	0	(4,062)	x
Interest expenses	(137,824)	(373,095)	235,271	(63.1%)
Net interest income	1,491,728	1,573,773	(82,045)	(5.2%)

A significant external factor influencing the decrease in the level of revenues, costs and interest income in the first half of 2021 compared to the first half of 2020 was the policy of the National Bank of Poland regarding the level of basic interest rates. In order to counteract the negative economic effects of the coronavirus pandemic, the Monetary Policy Council by 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 made 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 and in the first half of 2021. The decrease in market interest rates translated directly into lower profitability of credit products, which is visible in the comparison of the first half of 2020 and the first half of 2021. As a result of the Group's pricing policy changes implemented, the decreasing trend stopped in the last quarter of 2020 and partially reversed for the retail segment in the first half of 2021.

An additional factor contributing to the decrease in interest income in the first half of 2021 compared to the first half of 2020 was also the recognition of the settlement of the fair value adjustment for the loan portfolio acquired in RBPL's Core Business in the income statement. In the first half of 2021, the positive impact of this settlement amounted to PLN 13,523 thousand compared to PLN 25,097 thousand in the first half of 2020.

The level of interest income was positively affected by the optimisation of funding costs carried out primarily in Q2 and Q3 2020. The adjustment of the price of deposits to the changed market environment allowed for a partial (the decrease in the cost of deposits was twice as low as the decrease in the profitability of loans) neutralisation of the



decrease in interest income from credit products. In the first and second quarters of 2021, the cost of deposits remained close to zero (mainly due to the high, close to 90%, share of current deposits in total funds raised from customers).

Among the factors that positively influenced the level of interest income in the first half of 2021 one should also mention the increase in the scale of operations and consequently the increase in the average value of the securities portfolio (interest income on debt instruments measured at amortised cost and at fair value increased in the analysed period by a total of PLN 41,156 thousand, i.e. by 11.8%).

At the end of Q1 2021 Group applied fair value hedge accounting. The change in fair value measurement of hedging transactions is recognised in the result on hedge accounting. Interest on IRS transactions and hedged items is recognised in net interest income.

Net interest income on hedging relationships (the sum of interest income and interest expense on derivatives under fair value and cash flow hedge accounting) amounted in the first half of 2021 to 72,297 thousand compared to an amount of 23,571 thousand in the first half of 2020 (an increase of PLN 48,726 thousand, or 206.7%).

Net fee and commission income

The Group's net fee and commission income in the first half of 2021 amounted to PLN 497,130 thousand and was PLN 90,071 thousand (or 22.1%) higher than that achieved in the first half of 2020. This increase was possible mainly due to the adjustment measures taken by the Group in the area of pricing policy and the continued good sales of mortgage loans and investment products. This change is of a recurrent nature which is reflected in the level of fee and commission income realised in the last 4 quarters.

Fee and commission income amounted to PLN 607,993 thousand and was higher by PLN 91,764 thousand (i.e. by 17.8%) y/y, while commission expenses amounted to PLN 110,863 thousand and were higher by PLN 1,693 thousand (i.e. by 1.6%) y/y.

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

- servicing accounts by PLN 33,300 thousand, i.e. by 38.2% (among other things, due to the introduction of fees on high balances in corporate accounts and as a result of higher commissions for the use of internet banking and cash management),
- asset management and brokerage operations by PLN 25,200 thousand, i.e. by 47.3% (inter alia, due to an increase in sales of investment funds, certificates of deposit and brokerage services),
- payment and credit cards services by PLN 22,231 thousand i.e. by 23.4% (among others due to higher revenues from Mastercard, VISA, Allegro and from interchange fees),
- lending and leasing activity by PLN 7,314 thousand i.e. by 5.2% (inter alia due to higher commissions from enterprises on used and unused liabilities),
- intermediation in the sale of insurance products by PLN 6,273 thousand, i.e. by 14.9% (inter alia due to higher revenues from life insurance and property insurance for mortgage loans, insurance related to cash loans, Agro loans and leasing).

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

- cash servicing by PLN 4,430 thousand, i.e. by 114.8%,
- due to intermediation in the sale of the Bank's products and customer acquisition by PLN 2,547 thousand, i.e. by 20.7% (inter alia due to higher costs of Internet sales),

at the same time, the cost of payment and credit card services decreased by PLN 4,251 thousand, i.e. by 8.2% (inter alia as a result of lower costs paid to external operators in connection with ATM transactions).



Table 7. Net fee and commission income

in PLN'000	6 months ended	6 months ended	change y/y	
	30.06.2021	30.06.2020	PLN'000	%
Fee and commission income				
loans, advances and leases	148,371	141,057	7,314	5.2%
accounts servicing	120,398	87,098	33,300	38.2%
cash service	15,092	14,267	825	5.8%
cash transfers and e-banking	39,620	36,748	2,872	7.8%
guarantees and documentary operations	23,264	26,874	(3,610)	(13.4%)
asset management and brokerage services	78,503	53,303	25,200	47.3%
payment and credit cards	117,389	95,158	22,231	23.4%
intermediation in the sale of insurance products	48,259	41,986	6,273	14.9%
intermediation in the sale of Bank's products and acquisition of customers	6,186	6,524	(338)	(5.2%)
other commissions	10,911	13,214	(2,303)	(17.4%)
Fee and commission income	607,993	516,229	91,764	17.8%
Fee and commission expenses				
loans, advances and leases	(154)	(280)	126	(45.0%)
accounts servicing	(4,810)	(5,680)	870	(15.3%)
cash service	(8,288)	(3,858)	(4,430)	114.8%
cash transfers and e-banking	(1,376)	(1,149)	(227)	19.8%
guarantees and documentary operations	(3,137)	(2,693)	(444)	16.5%
asset management and brokerage services	(47,332)	(51,583)	4,251	(8.2%)
payment and credit cards	(9,518)	(11,513)	1,995	(17.3%)
intermediation in the sale of insurance products	(14,859)	(12,312)	(2,547)	20.7%
intermediation in the sale of Bank's products and acquisition of customers	(21,389)	(20,102)	(1,287)	6.4%
Fee and commission expenses	(110,863)	(109,170)	(1,693)	1.6%
Net fee and commission income	497,130	407,059	90,071	22.1%

Dividend income

Dividend income in the first half of 2021 amounted to PLN 1,455 thousand and resulted from the 2020 profits of companies, in which the Bank held minority shares, i.e. CCCiG Group (PLN 689 thousand), ASPROAD SA (PLN 255 thousand), Dafo Plastics S.A. (PLN 313 thousand) and VISA (PLN 197 thousand).

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

Net trading income and net investment income

The result on trading activity in the first half of 2021 amounted to PLN 331,817 thousand and was lower by PLN 44,988 thousand, i.e. by 11.9% y/y. The level and volatility of this result are mainly shaped by the valuation of equity instruments and the result on exchange position.

The decrease in the result on trading activities in the first half of 2021 compared to the same period of the previous year was mainly related to the lower by PLN 45,560 thousand (i.e. by 73.7%) result on equity instruments at fair value through profit or loss (including a PLN 41,583 thousand lower result on the valuation of BIK, KIR, VISA, Mastercard).

The result on trading activities was also negatively affected by a negative valuation of hedging transactions of the portfolio of loans measure at fair value (PLN -14.8m).



A positive factor was the improvement in the result on derivatives and the result on exchange operations (an increase of PLN 5,521 thousand) resulting mainly from an improvement in the result on operations with customers.

The result on investment activity in the first half of 2021 amounted to PLN 39,994 thousand and was higher by PLN 22,124 thousand or 123.8% than the result generated in the first half of 2020.

The decisive factor was the result of the valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which was positive and amounted to PLN 13,430 thousand (compared to a negative impact of PLN -56,565 thousand in the first half of 2020).

The factor negatively affecting the valuation of the portfolio in the first half of 2020 was, inter alia, the fall in the yield curve as a result of significant reductions in NBP interest rates made by the Monetary Policy Council in 2020. It is estimated that this impact amounted to approximately PLN 25.9 million in March, and approximately PLN 12.1 million in May 2020.

At the same time, the comparison of the analysed periods is affected by the absence in the first half of 2021 of a result on debt instruments measured at fair value through other comprehensive income comparable to that generated in the first half of 2020 (PLN 26,564 thousand and PLN 74,433 thousand respectively).

Other operating income

Other operating income in the first half of 2021 amounted to PLN 109,674 thousand and was lower by PLN 85,793 thousand, i.e. by 43.9% compared to the first half of 2020.

The comparison of revenues realised in the analysed periods was mainly influenced by the settlement and accounting treatment of the sale of the real estate of the Bank's Head Office at Kasprzaka Street in Warsaw in the first half of 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, intangible assets, in the amount of PLN 110,848 thousand) and within other operating expenses (in the items: Costs of sale or liquidation of property, plant and equipment and intangible assets, in the amount of PLN 64,371 thousand and Other costs, in the amount of PLN 2,914 thousand).

The level of income from the sale or liquidation of property, plant and equipment and intangible assets in the first half of 2021 is mainly due to the inclusion within this item of income from the sale of several Bank branches, which were mostly finalised in the second quarter of 2021 (costs related to these transactions are included in Costs of sale or liquidation of property, plant and equipment and intangible assets in Other operating expenses).

The level of other operating income in the first half of 2021 was positively affected by an increase in income from leasing activities by PLN 3,081 thousand, i.e. by 21.6%.

The factor negatively affecting the level of other operating income in the first half of 2021 was the decrease in income recognised under Other operating income, by PLN 4,736 thousand, i.e. by 24.7%. This was due to the absence in the first half of 2021 of revenues comparable to the release in the first half of 2020 of the provision (created in the PPA process in 2018) for the risk concerning the exRPBL customer, in the amount of PLN 7.97 million.

Table 8. Other operating income

in PLN'000	6 months ended	6 months ended	change y/y	
	30.06.2021	30.06.2020	PLN'000	%
Sale or liquidation of property, plant and equipment and intangible assets	33,525	120,215	(86,690)	(72.1%)
Release of impairment allowances for other receivables	4,307	4,099	208	5.1%
Sale of goods and services	7,236	4,472	2,764	61.8%
Release of provisions for litigation and claims and other liabilities	21,055	20,676	379	1.8%
Recovery of debt collection costs	11,594	11,698	(104)	(0.9%)
Recovered indemnities	175	870	(695)	(79.9%)
Leasing operations	17,342	14,261	3,081	21.6%
Other operating income	14,440	19,176	(4,736)	(24.7%)
Other operating income – total	109,674	195,467	(85,793)	(43.9%)



Other operating expenses

Other operating expenses in the first half of 2021 amounted to PLN 151,900 thousand and were lower by PLN 12,922 thousand (i.e. by 7.8%) compared to the first half of 2020.

The comparison of costs realised in the analysed periods was mainly influenced by the settlement and accounting treatment of the sale of the real estate of the Bank's Head Office at Kasprzaka Street in Warsaw in the first half of 2020. The costs related to this transaction were presented within other operating expenses (in items: Costs of sale or liquidation of plant, property and equipment and intangible assets, in the amount of PLN 64,371 thousand and Other costs, in the amount of PLN 2,914 thousand).

The level of costs of sale or liquidation of plant, property and equipment and intangible assets in the first half of 2021 is mainly due to the inclusion within this item of costs related to the sale of several branches of the Bank, which were mostly finalised in the second quarter of 2021. (income related to these transactions is included in the item Income from sale or liquidation of fixed assets, intangible assets in Other operating income).

The factor negatively affecting the level of other operating expenses in the first half of 2021 was the increase in expenses recognised in Other operating income, by PLN 33,987 thousand, i.e. by 317.9%, related to, inter alia, the manner of accounting for costs arising from changes in the branch network and the location of the Head Office (impairment of leased buildings and contractual penalties with a parallel decrease in expenses in other items resulting from the release of previously created provisions), VAT adjustment and operating losses related to settlements with customers that are recognised in this line.

Table 9. Other operating expenses

in PLN'000	6 months ended 30.06.2021	6 months ended 30.06.2020	change y/y PLN'000	%
Loss on sale or liquidation of property, plant and equipment and intangible assets	(33,027)	(76,531)	43,504	(56.8%)
Created impairment allowances for other receivables	(6,492)	(9,269)	2,777	(30.0%)
Provisions for litigation and claims and other liabilities	(32,331)	(30,811)	(1,520)	4.9%
Debt collection	(22,277)	(23,613)	1,336	(5.7%)
Donations made	(2,396)	(3,227)	831	(25.8%)
Costs of leasing operations	(9,691)	(8,508)	(1,183)	13.9%
Costs of compensations, penalties and fines	(1,009)	(2,173)	1,164	(53.6%)
Other operating expenses	(44,677)	(10,690)	(33,987)	317.9%
Other operating expenses - total	(151,900)	(164,822)	12,922	(7.8%)



Net impairment allowance on financial assets and provisions for contingent liabilities

The result of impairment losses on financial assets and provisions for contingent liabilities in the first half of 2021 was negative and amounted to PLN 131,014 thousand. Its impact on the Group's results was lower by PLN 267,219 thousand, i.e. by 67.1% compared to the first half of 2020.

Considering the main operating segments¹:

- Retail and Business Banking segment recorded a decrease (improvement) in the negative result by PLN 288,602 thousand,
- SME Banking segment - decrease (improvement) of the negative result by PLN 10,430 thousand,
- Corporate Banking segment (including CIB) - an increase (deterioration) of the negative result by PLN - 35,338 thousand.

The level of the result on impairment of financial assets and provisions for contingent liabilities in the analysed periods was significantly affected by the coronavirus pandemic and the assessment made at a certain point in time of its potential impact on the financial condition of the Group's customers and the economy as a whole.

In the first half of 2020, the impact of the pandemic on the cost of risk was negative and amounted to PLN 156.5 million and was 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.

In the first half of 2021, the provision for unrealised credit losses related to the change in macroeconomic scenarios in 2021 was partially released, while at the same time the Bank made additional provisions for future potential deterioration in the financial situation of entities in industries affected by the coronavirus pandemic and provisions as a result of the conducted review of the loan portfolio. The combined impact of the above factors on the result on impairment of financial assets and provisions for contingent liabilities was negative and amounted to PLN 80 million.

The low level of result impairment losses in the first half of 2021 was positively influenced also by:

- the resilience and generally good behaviour of the loan portfolio, in particular in terms of timeliness of repayments,
- the implementation of rules and IT solutions in line with the EBA's guidelines on the application of the definition of default as set out in Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms. As a result of the introduction of the amended rules, due to the change in classification and adequate recalculation of risk parameters, the Group reversed write-downs in the amount of PLN 21.0 million,
- positive impact of sale of part of NPL portfolio in the first half of 2021 (PLN 36 million).

The result of the first half of 2020 was burdened by the negative impact of the introduction of the multi-scenario method in individual valuation and the negative impact of risk parameters (total PLN 42 million), which did not occur in the first half of 2021.

In the first half of 2021, the Bank entered into agreements for individual sales of loans from the corporate, retail and SME portfolios. The gross carrying amount of the portfolio sold was PLN 338,952 thousand, the amount of impairment losses created was PLN 315,852 thousand. The contractual price for the sale of these portfolios was set at PLN 58,739 thousand. The net impact on the Bank's result due to the sale of portfolios amounted to PLN 35,639 thousand and is presented in the line Result on impairment losses on financial assets and provisions for contingent liabilities.

In the first half of 2020. The Bank did not enter into any agreements regarding the sale of loan receivables.

The cost of credit risk, expressed as the ratio of net impairment losses to the average gross loans and advances to customers measured at amortised cost (calculated on a quarter-end basis), was 0.33% in the first half of 2021, down by 71 bps compared to the first half of 2020 (1.04%). Excluding the sale of receivables, it is estimated that the cost of risk would have been 0.42% in the first half of 2021 and 1.04% in the first half of 2020.

¹ Data based on the segmentation note (Note 48) included in the Consolidated report of BNP Paribas Bank Polska S.A. Capital Group for the first half of 2021



General administrative expenses, depreciation and amortization

General administrative expenses (including depreciation) of the BNP Paribas Bank Polska Group for the first half of 2021 amounted to PLN 1,239,697 thousand and were lower by PLN 70,283 thousand or 5.4% compared to the corresponding period of the previous year.

Table 10. General administrative expenses, depreciation and amortization

in PLN'000	6 months ended	6 months ended	change y/y	
	30.06.2021	30.06.2020*	PLN'000	%
Personnel expenses	(584,147)	(608,110)	23,963	(3.9%)
Marketing	(48,168)	(48,390)	222	(0.5%)
IT and telecomm expenses	(108,228)	(76,712)	(31,516)	41.1%
Short-term lease and operating costs	(30,049)	(38,395)	8,346	(21.7%)
Other non-personnel expenses	(131,419)	(164,052)	32,633	(19.9%)
Business travels	(2,648)	(5,582)	2,934	(52.6%)
ATM and cash handling expenses	(11,700)	(12,677)	977	(7.7%)
Outsourcing costs related to leasing operations	(1,347)	(1,695)	348	(20.5%)
Contributions to Bank Guarantee Fund	(117,224)	(169,553)	52,329	(30.9%)
Polish Financial Supervision Authority fee	(6,569)	(5,261)	(1,308)	24.9%
General administrative expenses – total	(1,041,499)	(1,130,427)	88,928	(7.9%)
Depreciation and amortization	(198,198)	(179,552)	(18,646)	10.4%
Total expenses	(1,239,697)	(1,309,980)	70,283	(5.4%)

* after change

The largest y/y decrease in costs by type by PLN 52,329 thousand occurred in the item of fees to the BFG. In 2021, the total amount of contributions to the BFG for the banking sector determined by the Board of the Bank Guarantee Fund is: PLN 1,230 million contribution to the banks' forced restructuring fund against PLN 1,600 million for 2020 and, similarly, PLN 1,000 million against PLN 1,575 million contribution to the banks' guarantee fund. The published total contributions of the BFG for 2021 are 30% lower compared to the previous year and result from measures to support the economy in the wake of the COVID-19 pandemic.

The total contributions to the BFG booked against the Bank's costs for the first half of 2021 amounted to PLN 117,224 thousand and were PLN 52,329 thousand lower than in the corresponding period of the previous year:

- the annual contribution to the banks' forced restructuring fund for 2021 amounted to PLN 90,147 thousand, while in 2020 PLN 125,959 thousand (these contributions are paid in the first quarter of the year);
- the contribution to the guarantee fund of banks amounted to PLN 27,077 thousand for 6 months of 2021 (in the first half of 2020 it amounted to PLN 43,594 thousand).

A y/y decrease in the level of costs by PLN 32,633 thousand was also recorded in other tangible costs. This change was influenced, among others, by:

- lower costs by PLN 15,145 thousand of persons hired on contracts to carry out postmigration projects related to the integration of IT infrastructure and systems,
- lower by PLN 7,283 thousand costs of created provisions for the Borrowers Support Fund, which were included in this item and result from the release of a provision created for this purpose in the second half of 2020 in the amount of PLN 6,689 thousand,
- settlements with BNP Paribas Group Service Center S.A. (GSC) - lower by PLN 4 805 thousand,
- costs of fleet and office supplies - lower by PLN 2,920 thousand and PLN 2,741 thousand respectively, which is related to remote work,
- higher costs of advisory and consulting services in the Bank by PLN 15,963 thousand, mainly in respect of legal advisory services by PLN 12,114 thousand (including PLN 9,300 thousand of provision for legal costs related to CHF loans court proceedings),
- higher other tangible costs in leasing entity by PLN 2,481 thousand.

The visible decrease of costs (by PLN 23,963 thousand, i.e. 3.9% y/y) in staff costs results from the implemented employment optimisation programmes. In the analysed period there was a reduction of employment by 909 FTEs: in the Bank by 781 FTEs, in subsidiaries by 128 FTEs, including in GSC by 110 FTEs, which translated into a decrease of staff costs in this company by PLN 4,277 thousand. The decrease in employee costs was further influenced by: capitalization of salaries for development works, lower write-offs for bonuses, lower overtime costs and training costs.



In contrast, IT costs increased by PLN 31,516 thousand in the period under review, which was mainly due to the release in April 2020 of a provision of PLN 20,947 thousand created for IT services as part of a project related to the integration of IT infrastructure and systems following the operational merger completed in November 2019, which reduced IT costs. The remaining increase in costs related to higher licence fees and higher costs of contact centre intermediary companies caused by the recertification of customers in the KYC process. At the same time, costs for hardware service contracts and maintenance costs for core banking systems decreased.

Depreciation and amortisation expenses of the BNP Paribas Bank Polska Group in the first half of 2021 amounted to PLN 198,198 thousand and were higher compared to the first half of 2020 by PLN 18,645 thousand. This increase was mainly due to the Bank's continued transformation and digitalisation as well as capital expenditures incurred for this purpose. Depreciation and amortisation expenses in Group companies remained at a comparable y/y level.

The Bank's capital expenditure from 1 January to 30 June 2021 amounted to PLN 88,828 thousand and was lower by PLN 20,967 thousand or 19.1% compared to the same period last year. The first half of 2020 is the period of closing the implementation of projects related to the integration of IT infrastructure and systems after the operational merger in November 2019.

Projects related to digitisation and automation of processes, development of IT systems, infrastructure and equipment accounted for the dominant share in the structure of expenditures. The size of capital expenditure is adapted to the current needs and capabilities of the Bank and the Group. All projects are analysed from the point of view of rationality and impact on the financial and business situation of the Bank and the Group.

5.2. Statement of comprehensive income

The Group's comprehensive income in the first half of 2021 amounted to PLN 123,681 thousand and was by PLN 272,494 thousand (i.e. by 68.8%) lower compared to the first half of 2020.

The recorded decrease was mainly influenced by the deterioration of the valuation of financial assets by PLN 295,994 thousand (negative impact of PLN 218,426 thousand on the comprehensive income of the first half of 2021, compared to a positive impact of PLN 77,568 thousand in the first half 2020).

Table 11. Statement of comprehensive income

in PLN'000	6 months ended	6 months ended	change y/y	
	30.06.2021	30.06.2020	PLN'000	%
Net profit for the period	295,943	334,127	(38,184)	(11.4%)
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	(173,476)	62,830	(236,306)	(376.1%)
Mark-to-market of assets measured at fair value through other comprehensive income	(218,426)	77,568	(295,994)	(381.6%)
Deferred tax	41,501	(14,738)	56,239	(381.6%)
Valuation of derivatives in cash flow hedge accounting, gross	5,104	0	5,104	x
Deferred tax	(1,655)	0	(1,655)	x
Items that will not be reclassified subsequently to profit or loss	1,214	(782)	1,996	(255.2%)
Actuary valuation of employee benefits	1,499	(966)	2,465	(255.2%)
Deferred tax	(285)	184	(469)	(254.9%)
Other comprehensive income (net of tax)	(172,262)	62,048	(234,310)	(377.6%)
Total comprehensive income	123,681	396,175	(272,494)	(68.8%)



5.3. Statement of financial position

Assets

The Group's total assets as at the end of June 2021 amounted to PLN 124,022,771 thousand and were higher by PLN 4,445,483 thousand, or 3.7%, compared to the end of 2020.

There were no significant changes in the Group's asset structure compared to the end of 2020. It is dominated by loans and advances to customers (sum of portfolios measured at amortised cost and at fair value), which accounted for 64.4% of total assets at the end of June 2021 compared with 63.3% at the end of 2020. The increase in the net volume of loans and advances amounted to PLN 4,243,160 thousand (+5.6%) and concerned both the retail portfolio (+6.7%) and the corporate portfolio (+4.8%). The biggest growth was recorded in mortgage loans (+7.5%).

The second largest asset item was securities, which accounted for 27.3% of total assets at 30 June 2021 (at the end of 2020: 28.4%). As at 30.06.2021, their value decreased by PLN 78,227 thousand, or 0.2%; the decrease in the portfolio of bonds issued by banks was only partly offset by an increase in the portfolio of bonds issued by other financial institutions (including by the PFR under programmes related to the so-called anti-crisis shield) and the volume of NBP money bills.

Simultaneously with the above changes there was an increase in the share of receivables from banks from 0.6% to 1.8% (an increase by PLN 1,438,437 thousand, i.e. by 185.7%), mainly as a result of an increase in the volumes of current accounts and interbank deposits.

Table 12. Assets

in PLN'000	30.06.2021	31.12.2020	change	
			PLN'000	%
Cash and balances at Central Bank	3,141,350	3,421,877	(280,527)	(8.2%)
Amounts due from banks	2,213,159	774,722	1,438,437	185.7%
Derivative financial instruments	1,146,686	1,531,617	(384,931)	(25.1%)
Fair value adjustment of hedged item	313,168	531,793	(218,625)	(41.1%)
Loans and advances to customers measured at amortised cost	78,505,722	74,097,269	4,408,453	5.9%
Loans and advances to customers measured at fair value through profit or loss	1,374,555	1,539,848	(165,293)	(10.7%)
Debt securities measured at amortised cost	23,407,789	23,361,022	46,767	0.2%
Financial instruments measured at fair value through profit or loss	390,716	371,900	18,816	5.1%
Debt securities measured at fair value through other comprehensive income	10,084,750	10,228,560	(143,810)	(1.4%)
Investment real estate	0	0	0	x
Intangible assets	649,326	651,608	(2,282)	(0.4%)
Property, plant and equipment	1,388,746	1,479,540	(90,794)	(6.1%)
Deferred tax assets	708,203	745,606	(37,403)	(5.0%)
Current tax assets	41,752	55,087	(13,335)	(24.2%)
Inne aktywa	656,849	786,839	(129,990)	(16.5%)
Total assets	124,022,771	119,577,288	4,445,483	3.7%

Loan portfolio

Structure and quality of loan portfolio

As at the end of June 2021, gross loans and advances to customers (sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 83,134,820 thousand and increased by PLN 4,135,066 thousand or 5.2% compared to the end of 2020.

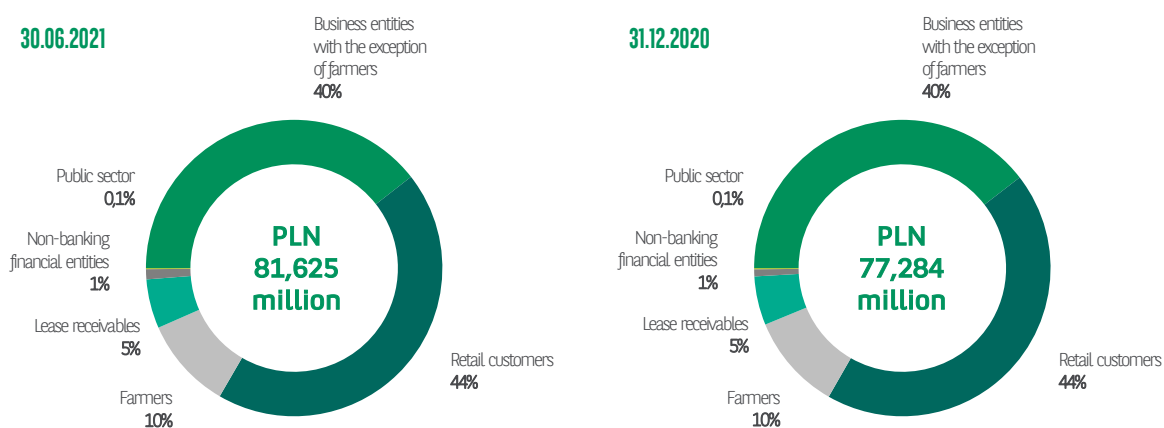
The gross portfolio of loans and advances measured at amortised cost in the analysed period amounted to PLN 81,625,403 thousand and increased by PLN 4,341,329 thousand or 5.6% compared to the end of 2020.



Table 13. Structure of loan portfolio measured at amortised cost

in PLN'000	30.06.2021		31.12.2020	
	PLN'000	share %	PLN'000	share %
Business entities with the exception of farmers	32,201,505	39.5%	30,554,320	39.5%
Farmers	8,196,713	10.0%	8,118,713	10.5%
Retail customers	35,852,611	43.9%	33,802,097	43.7%
- mortgage loans	24,192,040	29.6%	22,559,727	29.2%
in PLN	19,710,172	24.1%	17,687,284	22.9%
in foreign currencies	4,481,868	5.5%	4,872,443	6.3%
- cash loans	7,476,067	9.2%	7,312,444	9.5%
- other retail loans	4,184,504	5.1%	3,929,926	5.1%
Lease receivables	4,377,229	5.4%	4,112,460	5.3%
Public sector	97,981	0.1%	101,382	0.1%
Other financial entities	899,364	1.1%	595,102	0.8%
Loans and advances, gross	81,625,403	100.0%	77,284,074	100.0%

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



Structure of loans and advances measured at amortised cost

Gross loans and advances to retail customers amounted to PLN 35,852,611 thousand at the end of the first half of 2021 (an increase of PLN 2,050,514 thousand or 6.1% compared to the end of 2020). Their share in the loan portfolio measured at amortised cost in the analysed period was 43.9% (+0.2 p.p. compared to the end of 2020). More than two-thirds (67.5%) of the credit exposure of individual customers are mortgage loans, which amounted to PLN 24,192,040 thousand at the end of June 2021. In the structure of mortgage loans, 81.5% are loans granted in PLN, while 18.3% are loans granted in CHF (compared to the end of last year, the share of CHF decreased by 3.0 p.p.).

The gross value of portfolio of loans and advances to business entities (excluding farmers) amounted to PLN 32,201,505 thousand (an increase of PLN 1,647,185 thousand or 5.4% compared with the end of 2020). Their share in the analysed loan portfolio at the end of June 2021 amounted to 39.5% and did not change compared to December last year. Almost half of this portfolio (46.3%) are current account loans.

The volume of loans granted to individual farmers at the end of June 2021 amounted to PLN 8,196,713 thousand, recording a 1% increase compared to December 2020.

Lease receivables amounted to PLN 4,377,229 thousand (up 6.4% compared to the end of 2020). Their share in the loan portfolio measured at amortised cost in the analysed period was 5.4% (compared to 5.3% at the end of 2020).

The volume of loans granted to non-bank financial entities and budget sector institutions totalled PLN 997,345 thousand, recording a 43.2% increase compared to December 2020.



Table 14. Quality of loan portfolio measured at amortised cost

in PLN'000	30.06.2021			31.12.2020		
	Gross total	of which: impaired	share %	Gross total	of which: impaired	share %
Intitutional loans, excluding farmers	33,198,850	1,621,888	4.9%	31,250,804	1,711,016	5.5%
Farmers	8,196,713	739,573	9.0%	8,118,713	789,395	9.7%
Retail customers	35,852,611	1,349,917	3.8%	33,802,097	1,444,716	4.3%
- mortgages	24,192,040	615,354	2.5%	22,559,727	672,458	3.0%
in PLN	19,710,172	220,532	1.1%	17,687,284	275,967	1.6%
in other currencies	4,481,868	394,822	8.8%	4,872,443	396,490	8.1%
- cash loans	7,476,067	583,264	7.8%	7,312,444	595,880	8.1%
- other retail loans	4,184,504	151,299	3.6%	3,929,926	176,378	4.5%
Lease receivables	4,377,229	209,054	4.8%	4,112,460	204,124	5.0%
Gross loans and advances	81,625,403	3,920,432	4.8%	77,284,074	4,149,251	5.4%

The ratio of impaired exposures to gross loans and advances to customers measured at amortised cost was 4.8% at end of June 2021, down 0.6 p.p. compared to the end of 2020.

Table 15. Quality ratios of the loan portfolio measured at amortised cost

in PLN'000	30.06.2021	31.12.2020	change PLN'000	%
Total gross loans and advances to customers	81,625,403	77,284,074	4,341,329	5.6%
Impairment allowances	(3,119,681)	(3,186,805)	67,124	(2.1%)
Total net loans and advances to customers	78,505,722	74,097,269	4,408,453	5.9%
Exposures without impairment triggers				
Gross balance sheet exposure	77,704,971	73,134,823	4,570,148	6.2%
Allowance	(1,178,055)	(1,099,866)	(78,189)	7.1%
Net balance sheet exposure	76,526,916	72,034,957	4,491,959	6.2%
Impaired exposures (stage 3)				
Gross balance sheet exposure	3,920,432	4,149,251	(228,819)	(5.5%)
Impairment allowance	(1,941,626)	(2,086,939)	145,313	(7.0%)
Net balance sheet exposure	1,978,806	2,062,312	(83,506)	(4.0%)

Ratios	30.06.2021	31.12.2020	change
Share of impaired exposures in gross portfolio	4.8%	5.4%	(0.6 p.p.)
Coverage with impairment allowances	49.5%	50.3%	(0.8 p.p.)

In December 2017, the Group performed a securitization transaction of the portfolio of cash and car loans with the use of subsidiary BGŻ Poland ABS1 DAC (SPV). 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 was 24 months and ended in December 2020. Transaction is subject to amortisation since January 2020.

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

SPV issued bonds with a total value of PLN 2,180,850 thousand on the basis of securitized assets, and received a loan of PLN 119,621 thousand, which were secured by a registered pledge on the rights to cash flows from securitized assets. As at the end of June 2021, the value of bonds and loans totalled PLN 1,040,530 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 Group recognizes securitized assets in "Loans and advances to customers" as at 30 June 2021 at net value of PLN 1,049,524 thousand.

The Group acts as a servicer in the transaction.



Liabilities and equity

As at 30 June 2020, the Group's total liabilities amounted to PLN 111,864,623 thousand and were PLN 4,317,862 thousand or 4.0% higher than at the end of 2020. The share of liabilities in the Group's total liabilities and equity amounted to 90.2% in the analysed period (+0.3 p.p. compared to the end of 2020).

The biggest changes in the structure of liabilities at the end of June 2021 were an increase in the share of amounts due to customers, with a decrease in the share of amounts due to banks.

The structure of liabilities is dominated by amounts due to customers. Their share at 30 June 2021 amounted to 85.8% and increased by 2.1 p.p. compared to the end of 2020. In terms of value, the volume of these liabilities increased by PLN 5,920,661 thousand, i.e. by 6.6% compared to December 2020 and amounted to PLN 95,971,665 thousand.

A decrease in the share in the total liabilities by 1.3 p.p. to the level of 5.2% was recorded by amounts due to banks. Their value amounted to PLN 5,779,760 thousand and was lower compared to the end of 2020 by PLN 1,045,134 thousand (i.e. by 15.3%).

The Group's equity as at 30 June 2021 amounted to PLN 12,158,148 thousand and increased compared to 31 December 2020 by 1.1% i.e. by PLN 127,621 thousand. The share of total equity in the Group's total liabilities and equity was 9.8% as at 30 June 2021 (compared to 10.1% at the end of last year).

Table 16. Liabilities and equity

in PLN'000	30.06.2021	31.12.2020	change	
			PLN'000	%
Amounts due to Central Bank	-	84,675	(84,675)	(100.0%)
Amounts due to Bank	5,779,760	6,824,894	(1,045,134)	(15.3%)
Fair value adjustment of hedging instruments and hedged items	277,325	542,719	(265,394)	(48.9%)
Derivative financial instruments	1,026,498	1,521,148	(494,650)	(32.5%)
Amounts due to customers	95,971,665	90,051,004	5,920,661	6.6%
Securities issued	986,656	1,318,380	(331,724)	(25.2%)
Subordinated liabilities	4,266,376	4,306,539	(40,163)	(0.9%)
Lease liabilities	942,856	968,749	(25,893)	(2.7%)
Other liabilities	1,693,593	1,269,243	424,350	33.4%
Current income tax liabilities	20,042	0	20,042	x
Deferred tax	0	0	0	x
Provisions	899,852	659,410	240,442	36.5%
Total liabilities	111,864,623	107,546,761	4,317,862	4.0%
Share capital	147,519	147,419	100	0.1%
Supplementary capital	9,110,976	9,110,976	0	0.0%
Other reserve capital	2,943,731	2,208,982	734,749	33.3%
Revaluation reserve	83,571	255,833	(172,262)	(67.3%)
Retained earnings	(127,649)	307,317	(434,966)	(141.5%)
- previous years results	(423,592)	(425,778)	2,186	(0.5%)
- net profit for the period	295,943	733,095	(437,152)	(59.6%)
Total equity	12,158,148	12,030,527	127,621	1.1%
Total liabilities and equity	124,022,771	119,577,288	4,445,483	3.7%

Amounts due to customers

At the end of June 2021, amounts due to customers amounted to PLN 95,971,665 thousand and were higher by PLN 5,920,661 thousand or 6.6% compared to the end of 2020.

In terms of entities, the increase mainly concerned amounts due to business entities (balance as at 30.06.2021: PLN 49,619,642 thousand), the volume of which increased by PLN 5,942,136 thousand, i.e. by 13.6% compared to the balance as at the end of 2020, mainly as a result of the increase in current deposits (by PLN 6,218,595 thousand). The share of this segment in the structure of total amounts due to customers increased to 51.7% compared to 48.5% at the end of December 2020.

An increase in deposit volumes was also recorded in the group of deposits from non-bank financial entities and public sector institutions, in total by PLN 181,684 thousand or 6.5% compared to the end of the previous year.



On the other hand, a decrease was recorded in the volume of individual customers, whose balance at the end of June 2021 amounted to PLN 43,375,670 thousand and was by PLN 203,159 thousand, i.e. 0.5% lower compared to the value at the end of 2020. At the same time, the share of deposits from individual customers in the structure of amounts due to total customers decreased to 45.2% compared to 48.4% at the end of 2020.

The share of current accounts in the structure of amounts due to customers amounted at the end of June 2021 to 90.5%, registering an increase of 3.3 p.p. compared to the end of 2020. Funds deposited in current accounts amounted to PLN 86,824,897 thousand and increased by PLN 8,329,592 thousand or 10.6%. This increase concerned all customer groups: business entities (+ PLN 6,218,595 thousand, i.e. by 15.5%), individual customers (+1,768,316 thousand, i.e. by 4.9%), public sector institutions (+ PLN 197,105 thousand, i.e. by 17.7%) and non-bank financial entities (+145,576 thousand, i.e. by 10.9%).

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 8.2% and decreased by 3.3 p.p. compared to the end of 2020. In value terms, time deposits decreased by PLN 2,554,288 thousand to PLN 7,829,813 thousand, i.e. by 24.6% compared to December 2020. The decrease affected all customer groups, with the largest decrease - by PLN 2,004,346 thousand, i.e. by 27.4% - recorded in the individual customer segment.

The share of other liabilities and loans and advances received in the structure of amounts due to customers amounted to 1.4% (increase by 0.1 p.p. compared to December 2020). Their total volume amounted to PLN 1,316,955 thousand.

Chart 13. Structure of amounts due to customers

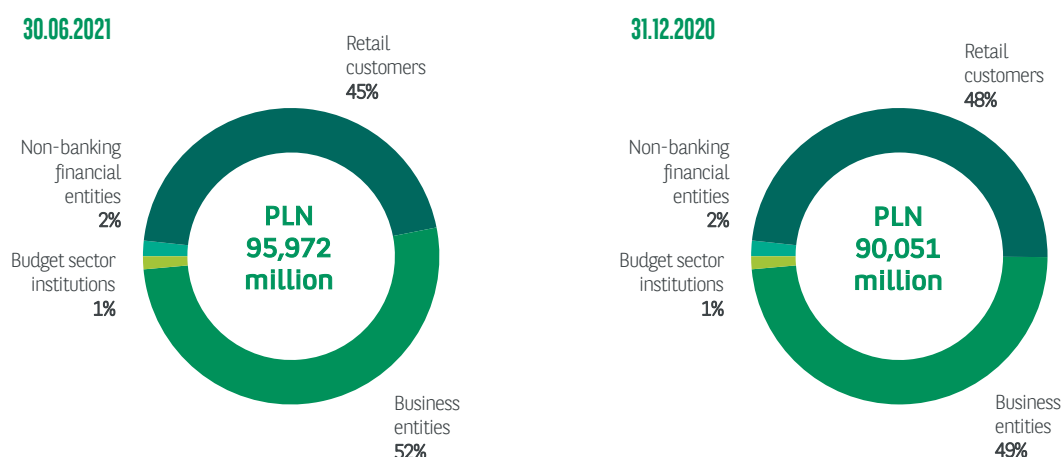


Table 17. Amounts due to customers by products

in PLN'000	30.06.2021		31.12.2020	
	PLN'000	share %	PLN'000	share %
Current accounts	86,824,897	90.5%	78,495,305	87.2%
Term deposits	7,829,813	8.2%	10,384,101	11.5%
Loans and advances received	131,184	0.1%	0	0.0%
Other liabilities	1,185,771	1.2%	1,171,598	1.3%
Total amounts due to customers	95,971,665	100.0%	90,051,004	100.0%
of which: deposits	95,840,481	99.9%	90,051,004	100.0%



Equity

As at 30 June 2021, the Group's equity amounted to PLN 12,158,148 thousand and was by PLN 127,621 thousand or 1.1% higher than at the end of 2020.

Pursuant to the Resolution of the Annual General Meeting of BNP Paribas Bank Polska S.A. of 24 March 2021, the entire profit of the Bank for 2020, in the amount of PLN 731,060 thousand, was allocated to reserve capital.

5.4. Own funds and capital ratios

The Group's total capital ratio as at 30 June 2021 amounted to 18,08% and decreased by 0.57 p.p. compared to December 2020. The Group's consolidated Common Equity Tier 1 (CET I) capital ratio and consolidated Tier 1 (Tier 1) capital ratio as at 30 June 2021 were identical at 13.28% (down 0.27 p.p. compared to the end of 2020).

Total own funds as at 30 June 2021 increased by PLN 89,006 thousand compared to 31 December 2020.

Pursuant to the Resolution of the Annual General Meeting of BNP Paribas Bank Polska SA of 26 March 2021, the entire profit of the Bank for 2020, in the amount of PLN 731,060 thousand, was allocated to reserve capital.

On 28 December 2020, the Bank received the decision of the Polish Financial Supervision Authority ("KNF") to approve the inclusion of the funds under the 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 in order to meet the minimum requirement of the level of own funds and eligible liabilities (MREL).

The total risk exposure at 30 June 2021 amounted to PLN 87,584,796 thousand and increased by PLN 3,137,095 thousand compared to 31 December 2020.

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.

On 23 December 2020, Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020, amending Delegated Regulations (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items, entered into force.



Table 18. Own funds and capital ratios of the Group

in PLN'000	30.06.2021	31.12.2020*	change PLN'000	%
Tier I capital				
– share capital	147,519	147,419	100	0.1%
– supplementary capital	7,259,316	7,259,316	0	0.0%
– reserve capital	4,118,238	3,425,961	692,277	20.2%
– funds for general banking risk	627,154	627,154	0	0.0%
– intangible assets	(350,436)	(422,614)	72,178	(17.1%)
– other components of equity included in Tier I capital calculation	(167,516)	408,639	(576,155)	(141.0%)
Total Tier I capital (Tier I)	11,634,275	11,445,875	188,400	1.6%
Tier II capital				
– subordinated liabilities classified as Tier II capital	4,203,181	4,302,575	(99,394)	(2.3%)
Total own funds	15,837,456	15,748,450	89,006	0.6%
Risk exposure due to:				
– credit risk	77,717,875	74,932,835	2,785,040	3.7%
– market risk	1,436,013	1,265,023	170,990	13.5%
– operational risk	8,387,983	8,142,632	245,351	3.0%
– credit valuation adjustment	42,925	107,211	(64,286)	(60.0%)
Total risk exposure	87,584,796	84,447,701	3,137,095	3.7%

Capital ratios of the Group	30.06.2021	31.12.2020	change
Total Capital Ratio (TCR)	18.08%	18.65%	(0.57 p.p.)
Tier I Capital Ratio	13.28%	13.55%	(0.27 p.p.)

* The change in the presentation of the categories: "intangible assets" and "other components of equity included in Tier I capital calculation" compared to the value as at December 31, 2020 included in the 2020 Annual Report, results from the changes in the calculation of the item "intangible assets" in line with Commission Delegated Regulation (EU) 2020/2176 amending Delegated Regulation (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1. The change of presentation does not affect the final calculation of the value of Tier I Capital and Total own funds.

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

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

As a result of the above changes, the minimum levels of capital adequacy ratios resulting from legal regulations and administrative decisions issued by the Polish Financial Supervision Authority ("PFSA") as of 30 June 2021, are as follows:

Minimum levels of capital adequacy ratios of the Bank and the Capital Group	30.06.2021
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 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 Bank would reduce its value by 28 basis points.

Minimum requirements 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 as at 30 June 2021.

5.5. Financial ratios

The Group's return on equity (ROE), calculated on a reported basis, was in the first half of 2021 4.9% and was 1.0 p.p. lower than in the first half of 2020. Return on assets (ROA) calculated in the same way was 0.5% and decreased by 0.1 p.p. compared to the first half of 2020. The impact of integration costs on both measures was insignificant in the periods compared. The decrease in the levels of the return ratios is the result of the pressure of unfavourable external factors, i.e., among others, the decrease in net interest income as a result of the reduction in interest rates due to the coronavirus pandemic and the significant increase in the cost of provisions for legal risk related to CHF mortgage loans.

The Cost/Income ratio (excluding integration costs) stands at 53.9%, lower by 0.8 p.p. compared to the first half of 2020. The ratio calculated on the basis of reported volumes was also 53.9% (level 0.7 p.p. lower compared to the first half of 2020 - the difference with the normalised ratio is due to the slight positive impact of integration costs in the first half of 2020).

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 2.5% and was 0.3 p.p. lower than the level calculated for the first half of 2020. The deterioration of the realised interest margin is a result of the significant reduction in interest rates at the end of Q1 and in Q2 2020.

Changes in the values of ratios representing the ratio of net and gross loans to deposits and funding sources reflect the good liquidity situation observed in 2020 and 2021.

Table 19. Financial ratios

	30.06.2021	31.12.2020	30.06.2020	change y/y
Return on equity ⁽¹⁾	4.9%*	6.2%*	5.9%*	(1.0 p.p.)
Return on assets ⁽²⁾	0.5%*	0.6%*	0.6%*	(0.1 p.p.)
Net interest margin ⁽³⁾	2.5%	2.6%	2.8%	(0.3 p.p.)
Cost / Income ⁽⁴⁾	53.9%*	53.5%*	54.7%*	(0.8 p.p.)
Cost of credit risk ⁽⁵⁾	(0.33%)	(0.78%)	(1.04%)*	(0.71 p.p.)
Net loans and advances / Deposits ⁽⁶⁾	83.3%	84.0%	81.1%	+2.2 p.p.
Gross loans and advances / Total sources of fundings ⁽⁷⁾	78.8%	79.2%	79.1%	(0.3 p.p.)

* Normalised values calculated excluding: integration costs (H1 2021 no integration costs, 2020 positive value PLN 15,336 thousand, H1 2020 positive value PLN 2,614 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 under 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. As of 2020, provisions for proceedings relating to CHF mortgages are presented as a separate line apart from income, this change was taken into account for the Cost/Income ratio calculated for the period 30.06.2020

(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. Annualization of the interest result taking into account the actual number of days.

(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. Annualization of the net impairment taking into account the actual number of days.

(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.



6. Operations of the BNP Paribas Bank Polska S.A. Capital Group Polska



6.1. Distribution channels

Branches

As of June 30, 2021, the Bank had 446 retail and business banking branches (including 15 partner branches). The branch network was supported by 15 Wealth Management Centers.

As part of the network optimization project, 249 retail and business banking branches were closed between October 31, 2018 and June 30, 2021 (including 13 branches closed in the first half of 2021).

In 2021, the transformation of the branch network, which began in 2017, continued with a new design and a new customer service model based on moving the handling of basic, everyday transactions to self-service channels. In total, as of June 30, 2021 Bank had 180 branches in the new format (including 162 branches after transformation and 18 branches without rearrangement).

In 131 branches (including 2 partner branches) cash services were provided exclusively through self-service devices.

As of June 30, 2021. The Bank had 61 branches with the "Barrier Free Facility" Certificate, issued by the Integration Foundation for good service practices for people with disabilities.

All the Bank's branches have been awarded the **OK SENIOR®** Certificate, which confirms that senior citizens (60+) are served in a safe, understandable and accessible manner.

The sales network for Corporate Banking consists of 6 Regional Corporate Banking Centers within which there are 31 Corporate Banking Centers located in the biggest business centers in Poland.

The SME Banking Area sales network includes 6 SME Banking Regions with 45 SME Business Centers located in 34 local markets with the greatest potential.

ATM and Cash Deposit Machine (CDM) Network

As of June 30, 2021, the Bank's branches were operating:

- 497 dual-function devices for making contactless deposits and withdrawals with Bank cards and using BLIK code, as well as cash withdrawals using Google Pay and Apple Pay and
- 91 ATMs supporting only standard withdrawals and transactions provided by VISA and MasterCard systems.

In addition, there were 2 dual-function machines and 3 ATMs operating outside the Bank's branches.

E-banking and mobile banking

In the first half of 2021, the Bank continued its intensive development of remote channels, implementing a number of functionalities aimed at strengthening its competitive position, reducing the cost of providing services and improving the quality of customer service while ensuring the highest security standards.

Moreover, in view of the ongoing coronavirus pandemic, the Bank's activities in the area of Internet and mobile banking also focused on maximum support for customers in remote access to bank services and products.



BNP Paribas Bank Polska has been consistently introducing new self-service processes to its e-banking offers, allowing customers to meet their most important daily needs without the need to visit a branch - starting with applying for additional products, through after-sales service - from any device and at any convenient time.

Key changes in systems and offers for retail customers in H1 2021

AREA	KEY CHANGES
<p>Payments</p>	<p><i>Payments</i></p> <ul style="list-style-type: none"> ▪ Providing e-PIT service - possibility to pay taxes with PaybyNet. Settlement is made online, directly from the level of the tax portal Your e-PIT. ▪ Introduction of a TARGET foreign exchange transfer in EUR, where the counterparty's bank must be a TARGET2 participant. TARGET2 (Trans-European Automated Real-Time Gross Settlement Express Transfer System) is a pan-European real-time interbank settlement system in EUR - the counterparty should receive the transfer to its account within several minutes. A TARGET transfer can be made through the Online Business Banking system and through the MT101 message. ▪ GOMobile - provided the ability to add and edit standing orders as well as suspend and resume them. Added information about rejected transactions.
<p>Sales processes and self-service</p>	<p><i>Introduction of myID functionality</i></p> <ul style="list-style-type: none"> ▪ completely free, the possibility of confirming one's identity online, ▪ allows you to arrange matters via the Internet - both in offices and at service points of suppliers (including: energy, medical, insurance or telecommunications), ▪ allows you to create a Trusted Profile and obtain online access to your data - tax, health, registration and social security. <p><i>Loans and cards</i></p> <ul style="list-style-type: none"> ▪ <u>Credit cards</u> - presentation of information about the card fee together with an indication in Card Details of the amount of the transaction and its timing necessary to avoid charging a monthly or annual fee. ▪ <u>Debit cards</u> - adapting the presentation of transaction limits to the currency of the card in which it was issued. ▪ The Wealth Management area customer in the Offers section will only have card products presented that they actually have the opportunity to use. ▪ <u>Loans</u> - the Basic Information section presentation of the total amount to be repaid includes the outstanding principal, interest accrued to date and any outstanding balances. ▪ <u>Loans</u> - download repayment schedule in PDF format for individual customers. ▪ GOonline - adding information about the balance on the repayment account for loans. ▪ <u>Change in the presentation of the Internet and Correspondence/Telephone limits</u> - visual changes clearly indicating that the above limits are included in the Non-Cash Limit (applies to all card types). ▪ Adding a new insurance offer to a cash loan. ▪ <u>Enabling the credit card agreement termination process and the process of cancelling the submitted termination notice</u> for holders of credit cards for individual Customers (without micro Customers). The process is fully automatic and the disposition is executed without the involvement of the Contact Center. ▪ <u>Real estate and life policy status in Application History.</u> ▪ <u>Auto Policies</u> - Users can upload an auto policy from the auto loan section of GOonline as well as documents to update the registration certificate. ▪ <u>Possibility to apply for credit card limit increase and Allegro credit limit increase in GOMobile.</u> ▪ <u>Enabling repayment of the credit card/loan instalment from another bank account in GOMobile.</u> ▪ GOMobile - providing the ability to activate and deactivate contactless payments; the ability to connect and disconnect currency accounts for a multi-currency card. ▪ GOMobile/mortgage loans - added fields: margin and reference rate. ▪ Presentation of new types of loans (e.g. long-term rental of equipment).



Investments

- Provide access to Brokerage Analytics in the *Investment* and *Offers* sections.
- Portfolio Management Service - new items in the Stock Instruments section, presentation of brokerage accounts maintained in Sidoma, as well as brokerage accounts operated by mBank not previously presented in GOonline.
- History of transactions on a fund - in the details of individual regular registers a tab will be presented with the history of transactions executed on a given register together with their details. This information is NOT available in the case of PSO (investment portfolios, IKE, IKZE) - it is planned to develop this functionality.
- Authorizations for open-ended investment funds - expanding the types of authorizations for funds. Regardless of the type and scope of the authorization in GOonline, the authorized users can only view the products (no transactivity).
- Transfers to a brokerage account - transfers in foreign currencies not included in GOonline transfer limits (daily, monthly). For security reasons, transfers require SMS/mobile authorization and are monitored (additional phone authorization is required for high amounts).
- Conversion of open-ended investment funds (regular and PSO registers) - the possibility of transferring assets between (sub)funds of individual investment fund companies, serviced by ProService Transfer Agent.
- List of transactions in GOonline with their status including up to 3 most recent orders placed in GOonline (date placed, fund name, status).
- Investment fund rate of return - the amount and percentage of gain/loss achieved for regular and PSO records. The result will be estimated for active and non-zero registers only.
- GOmobile - investment grade insurance presentation.

Client's data / Client

- The ability to update address information in the company profile in GOonline.
- Customer Effort Score tests: for GOoptima and new processes in GOonline.
- Providing the possibility to change the authorization method from SMS codes to mobile authorization and conversely at the branch.
- Password reset does not change the authorization method to SMS codes for customers who have previously used mobile authorization.
- NPS survey in GOonline - customer satisfaction survey available.
- GOmobile - introduction of generic signature allowing to sign documents in the application.

Financial Shield of the Polish Development Fund

- For Micro Clients in GOonline - possibility of submitting a subsidy application under Shield 2.0.
- Presentation of historical applications and possibility to download documents for corporate customers applying for PFR 1.0 and 2.0 subsidies.
- Presentation of redemption decisions for customers who have previously used the Shield 1.0.

Contact and requests

- The customer can automatically generate a certificate for credit cards directly in GOonline in PDF format (e.g. card balance certificate, card repayment certificate, card repayment certificate for a card that is in the process of being closed. The free certificate is issued immediately and sent to the customer's e-mail address.
- History of applications and certificates - possibility to check the history of generated certificates with the possibility to download an archival file.
- Statement of account balance, statement of account ownership generated fully automatically at the Client's request.
- Offline message subject selection - the necessity for the Customer to select a subject from the list of available subjects when sending offline messages, which allows for optimizing the service on the Contact Center side.
- A tooltip encouraging to set up one's own alias - the possibility of setting up the login by the client.
- Premium Advisor - Premium Client received available data of their Advisor (name, surname, phone number, e-mail address, branch).
- Presentation of life insurance policies and real estate policies submitted cyclically to the Bank in Application History - policies submitted through GOonline since the beginning of the functionality, i.e. since Q2 2020.
- Promotion of mobile token as an authorization method in GOonline.

Accounts & Savings

- The ability to set your own product name.
- Resignation from the Promotion on the Savings Account. In the details of the Savings Account, on which the promotion is present, the Customer has an option to opt out of the promotion by selecting the 'Opt Out' option in the tab: 'Promotions on Account'.
- Presentation of interest rates on foreign currency accounts in the Accounts section - for Customers who have set interest rates >0%.



AREA	KEY CHANGES
	<ul style="list-style-type: none"> ▪ GOonline - new tab: Services / Authorizations - account holder and co-account holder can view the general and special authorizations granted by them to their card and detailed information about each of the granted authorizations. This tab is not available in company profiles, GOoptim and in the context of proxies. Authorizations for one-time actions are not displayed. ▪ Displaying information about the new blockage for recertification of clients along with information for the client about the legal basis for the blockage and what needs to be done to have the blockage removed. ▪ Applications for new products in GOMobile - the ability to open foreign currency and savings accounts within minutes. If a customer needs additional funds, they can apply for a revolving account limit. ▪ GOMobile - a presentation of execution seizures has been added.
Improvements based on customer feedback	<p>The basis for building development plans in the area of internet and mobile banking is the voice of the customer. Regular feedback, e.g. through a customer satisfaction survey, allows us to identify the advantages and disadvantages of the services offered more efficiently and to better understand individual customer needs.</p> <ul style="list-style-type: none"> ▪ Provide the ability to connect with a consultant via video chat before logging into GOonline (not applicable to Wealth Management domain and GOoptima). The chat is available on weekdays between 9am and 5pm. ▪ Visibility of the Allegro Revolving Credit Card/Limit account after termination of the agreement until the card/Limit account is closed. This allows the Client to access, among other things, the information about the balance and, if necessary, to repay the card account. ▪ GOonline Settings/Transactions section - added information about the amount left for the customer to use within individual transaction limits. ▪ GOMobile - "Sentry User Feedback" option has been introduced, in case of an unexpected error, the Customer can directly in the application describe the details of the event and send them to the Bank.
Security	<p>Customer security is a fundamental element of the Bank's e-banking strategy, which is why the GOonline system has been equipped with additional mechanisms to prevent unauthorized access and campaigns promoting modern authorization methods and responsible use of remote channels.</p> <ul style="list-style-type: none"> ▪ Increased security in the process of changing your password in GOonline - you will need to enter your current password. ▪ No ability to activate notifications for locked products. ▪ Unlocking GOMobile in GOonline - After completing the unlocking process of the mobile app in GOonline, an additional message will be displayed to remove the PIN in GOMobile. ▪ GOMobile - after activation of the application an additional SMS is sent from the Bank informing about a new activation of the application along with the device information (previously a PUSH notification was sent). ▪ BLIK - the service is deactivated by default and its activation is confirmed with a text message.

Table 20. Data on retail customers

specification system name	system name	30.06.2021	30.06.2020
Number of customers/users using internet banking	GOonline	792,686	747,579
Average monthly number of transactions in the Internet channel	GOonline	3,380,899	2,934,646
Number of customers / users using mobile application (GOMobile)	GOMobile	784,189	535,945
Number of customers / users using mobile banking (mobile device)	GOMobile + GOonline	953,787	689,062
Number of customers / users using <u>only</u> the mobile application (GOMobile)	GOMobile	489,407	302,452
Number of customers / users using <u>only</u> mobile banking (mobile device)	GOMobile + GOonline	589,508	338,186



Key changes in systems and offers for corporate customers in H1 2021

BiznesPI@net

- Further development of GOonline Business modules:
 - changes in the Order Processing module - sending/receiving notifications, generating reports, group authorization of orders, downloading reports from the list of orders, attaching appendices, UX / UI improvements),
 - changes in the Credits module - printing out the schedule of credits, making the "Financial Subsidy TF 1.0 PFR" product available, presenting the loan disbursement and the repayment schedule,
 - adding a new transfer cancellation request,
 - implementation of new modules: Import Collections and Export Collections. Main functionalities: generating reports from the list of collections and from the list of fees and commissions, presenting information on fees and commissions, quick redirection to payments for import collections, notifications on registering a new import collection and payment for export collections, downloading collection details to a .pdf file, access to scans of documents for import collections.
- PROGRAM PFR 2.0 - implementation of the application process for a financial subsidy under the PFR 2.0 Financial Shield Program for Micro, Small and Medium Enterprises.
- Work has started on a new system login page and the implementation of a new accounts module under a new name - GOonline Business.
- Changes in the ADK (Customer Advisor Application) - adding an automatic mechanism of breaking a session of a logged in user to BiznesPI@net and GOMobile Biznes when blocking a user's WWW channel, adding information on the user's BiznesPI@net establishment channel.

Table 21. Data on corporate and SME clients

specification	system name	30.06.2021	30.06.2020
Number of clients actively logging on	BiznesPI@net	146,242	164,018
Monthly average number of transactions	BiznesPI@net	5,527,953	5,562,167
Number of customers/users using mobile application	GOMobile Biznes	13,073	23,500

Bank cards

As regards issuance and servicing of payment cards, BNP Paribas Bank Polska SA cooperates with MasterCard and Visa organisations. The card portfolio includes debit, credit and deferred payment cards.

As at 30 June 2021, the number of cards issued amounted to 2,503.3 thousand and was 116.1 thousand higher than in the corresponding period of the previous year. The recorded growth in debit cards results mainly from the Bank's highly popular offers. My Premium Account is opened with a dedicated card - My Premium Card or Multicurrency Card, Otwarte na Ciebie Account with possibility to issue 4 cards (Otwarta na Dzisiaj Card, Otwarta na eŚwiat Card, Otwarta na Świat Card and Multicurrency Card), Family Banking offer - Adulthood Card issued to persons aged 13-18, Samodzielniak's Card and Samodzielniak's Microcard issued to children aged 7-13.

Table 22. Number of banking cards issued by BNP Paribas Bank Polska S.A.

in thousands	30.06.2021	30.06.2020	change y/y	
			in thousands	%
Debit cards for retail customers	1,477.6	1,342.3	135.3	10.1%
Credit cards for retail customers	819.8	847.8	(28.0)	(3.3%)
Business debit cards	192.6	183.1	9.5	5.2%
Deferred payment business cards	7.6	7.7	(0.1)	(1.3%)
Business credit cards	5.7	6.3	(0.6)	(9.5%)
Number of cards issued - total	2,503.3	2,387.2	116.1	4.9%



Cooperation with intermediaries

At the end of June 2021, in the Retail and Business Banking Division, the Bank was actively working with 13 nationwide intermediaries based on outsourcing agreements for the acquisition of banking products and with 358 local intermediaries (based on marketing agreements).

In the area of Personal Finance Banking, 13 nationwide intermediaries and 1 online intermediary were engaged under outsourcing agreements for the sale of a cash loan product

6.2. Bank Transformation Programme

In 2021, the Bank is taking another step towards Agile transformation. The Agile@Scale program was launched in the first quarter of 2021 to enable the bank to transform even faster, more efficiently create and deliver new products to our customers and give employees a more comfortable work environment. Budgets for transformation and decision-making are delegated to 17 Tribe Leaders who manage 84 products. These leaders are authorized to execute strategy and take appropriate decisions.

The Bank's key digitization activities in the first half of 2021 can be summarized as follows:

Paperless

The first half of this year indicates that the Bank's paper reduction policy is gaining momentum, with increasing environmental benefits. The Autenti electronic signature platform is introduced in more banking processes and is used more and more frequently. During the first half of 2021, the number of documents signed this way at BNP Paribas Bank reached 326 thousand and exceeded the total result of 2020 by 12%.

Taking into account the average environmental cost per ream of paper, its production and its entire life cycle, this means that the paper savings from the first half of 2021 reduced CO2 emissions by 3.2 tons and reduced water consumption by 83 m3.

At the same time, the Bank reduced the number of cash transactions due to three factors: an increase in the number of cashless branches, an increase in the number of branches equipped with deposit-enabled ATMs, and new customer behavior intensified by the COVID-19 pandemic.

Development of digital channels

For individual customers, most digital channels were redesigned in 2019 and 2020. The bank continues to develop new features for customers (like My ID and Garmin Pay), but priorities are:

- the possibility of self-service in a growing number of processes (such as loan repayment options, switching in communication with the customer from email to contact via chatbot);
- multi-channel solutions such as a platform supporting branch employees in customer service - GOone, a claims management platform (GObetter) and a financial savings consulting platform (GOinvest). Every day, GOone is used by 3.8 thousand users in processes involving more than 100 thousand customers;
- E-commerce and open banking: the goal is to develop common assets (example: categorizing data from other banks) that can be used by different processes and business lines of the bank.

For customers who are legal entities, the digital channels have been redeveloped since 2020 and work on them is continued successively. However, the interface of the digital channels is already fully renewed and adapted to the look and feel of the digital channels for retail customers. The new digital channel architecture is open, microservices based and cloud ready.

The priority is to develop mobile banking (GOMobile Business), but also to connect more customers to online banking, GOonline Business.

Digitalisation of the "customer journey"

The first half of 2021 focused on:

- digitalisation of personal loan sales, including through the opportunities provided by Open Banking (over 22% of digital cash loan sales in the first half of 2021, 4 times higher compared to the first half of 2020),



- applying real-time marketing activities based on digital customer communication channels (over 100 events already in progress),
- digitalisation of new customers acquired from branches (currently > 90% after 30 days vs. less than 70% in the first half of 2020),
- digitalisation of B2B2C customers acquired from consumer partners reached 367,000 at the end of June, or +82% compared to June 2020).

Data

- The data stream is organized around 4 priorities:
- data storage with the progressive development of the Enterprise Data Warehouse (EDW),
- data visualization with the development of one common platform that already includes most management reports,
- use of data and artificial intelligence with the increasing popularity of using the banking data analytics environment,
- a new CRM solution for individuals.

Key achievements in each area of the transformation programme in H1 2021

AREA	KEY ACCOMPLISHMENTS
<p>Multi-channel value delivery to individual customers</p>	<ul style="list-style-type: none"> ▪ 1.3 million active mobile and online banking users: +8.3% compared to the end of December 2020. ▪ Providing customers with myID services, or the ability to confirm their identity online, including the creation of a trusted profile. ▪ Implementation of a new GObetter system for efficient handling of complaints. ▪ Implementation of a new GOinvest system to provide customer service regarding investment products. ▪ Implement remote KYC recertification processes (GOonline, call center, web). ▪ Implementation of another electronic process (with Autenti) in branches - opening a personal account for current bank customers. ▪ Implement the ability to add cards to Apple/Google Pay before receiving the card.



AREA	KEY ACCOMPLISHMENTS
<p>Multi-channel value delivered to business entities</p>	<p><i>Corporate and SME Banking</i></p> <ul style="list-style-type: none"> ▪ Credit process - implementation of a new e-Termsheet application for the SME segment, which enables automation of activities in the credit process in terms of granting and approving decisions, preparing credit documentation and monitoring contract terms. ▪ Onboarding and after-sales service - implementation of a solution for handling the real beneficiary's VAT documents. ▪ Syndicated loans - launch of a new tool automating the handling of syndicated loans. ▪ Implement digital client onboarding to eliminate the necessity to maintain paper records. ▪ Implement paperless digital onboarding for non-residents. ▪ Further development of the GOonline Business system, in particular: new Export and Import Invoice modules, extension of the Loans module (including printing schedules and presentation of PFR grants). ▪ Further development of the Self-Service module in GOonline Business, incl. adding new orders for clients. ▪ Implementation of a fully digital and automated PFR 1.0 grant reassignment proces. ▪ Development of the GOFx trading platform with functionalities allowing the customer to react faster to the changing environment. Functionalities provide faster access to exchange rates, the ability to split transactions. ▪ Development of the FXPLUS trading platform to provide foreign payments for customers without accounts in these foreign currencies, including exotic currencies. ▪ Implementation of a new product to the Bank's offer - a loan with a fixed interest rate, thanks to the IR CAP mechanism customers will be able to protect loans against interest rate increases.
<p>End-to-end operational model, technology and remote working (operations, IT, security, HR)</p>	<ul style="list-style-type: none"> ▪ Further development of Robots and Artificial Intelligence solutions. Nearly 130 robotic processes, resulting in significant savings in work effort and increased productivity. ▪ Implementation of SMS central integration - a set of services was provided to enable comprehensive support of the Bank's communication with customers via SMS. ▪ Implementation of a modern, virtualized, automated and scalable hardware platform for banking systems (HPE Synergy + VMWare). ▪ Update and development of the ServiceNow platform supporting IT and business processes in the Bank by introducing the Offboarding module and a module for Software Asset Management process (mainly for license management in the Bank). Implementation of functionalities for mass correspondence and translations.



AREA	KEY ACCOMPLISHMENTS
<p>Data, Open Banking (Open Banking) and Green Revolution</p>	<p><i>Data & Artificial Intelligence</i></p> <ul style="list-style-type: none"> ▪ BigData - development and improvements of the Hadoop platform, including: optimization of DSA (Data Storage Area) data management processes allowing for a 30% reduction in memory usage, implementation of DSA privilege management. ▪ SWIFT complaint analysis - reduce SWIFT complaint handling time by 80% thanks to AI and Big Data algorithms automating the process of complaint analysis and verification - the system analyzes SWIFT messages daily, indicates the path of their handling , and some of them support and close themselves. ▪ Integration of Real Time Marketing with GOMobile banking and launch of first campaigns using PUSH notifications. <p><i>Open Banking</i></p> <ul style="list-style-type: none"> ▪ The positive reception and growing confidence in open banking services is reflected in rapidly growing PSD2 transaction volumes. In H1,2021, volumes for the Payment Initiation Service (PIS) increased by 246% and for the Account Information Service (AIS) increased by 157% (dynamics June 2021 vs. January 2021). ▪ The accessibility of open banking for the installment loan process in so-called e-commerce (KYC, anti-fraud rules and automatic filling of the application based on the data provided by the customer through PSD2 services) already covers 70% of the current account market and reaches customers of 8 banks. The share of e-commerce installment loan applications completed through the open banking path has reached 40%. ▪ Start of cooperation with Doconomy for carbon and water footprint based on transaction history provided by customers through PSD2 services. The new service will be available in H2 not only for BNP Paribas Bank Polska customers, but also for other banks. <p><i>Agro</i></p> <ul style="list-style-type: none"> ▪ Agronomist – launching the first available in Polish AgriEmission calculator for estimating greenhouse gas emissions from agriculture. ▪ Finalization of the cooperation with Metabolic, which resulted in 15 proposals for specific interventions to support and secure the role of BNP Paribas Bank Polska as a leading player in sustainable transformation of the food and agricultural sector. ▪ Beeomonitoring pilot project for biodiversity maintenance and environmental pollution diagnosis based on bee pollen analysis. <p><i>Personal finance</i></p> <ul style="list-style-type: none"> ▪ Over 6.8 thousand photovoltaic installations for individual customers were subsidized in H1 2021 (+54% y/y). ▪ 13.6 thousand green loans sold in H1 2021.
<p>Control and risk management</p>	<ul style="list-style-type: none"> ▪ Achieve readiness of multi-factor authentication solution (Secfense) for implementation for the Bank's business applications. ▪ NDOD - Implementation of changes in IT systems, in particular implementation of the Risk New Definition of Default (NDOD) application to ensure compliance with European Banking Authority (EBA) regulations.



6.3. Retail and Business Banking

Segmentation

The Retail and Business Banking provides services to individual customers, private banking services and services to business customers (micro enterprises). Within the Retail and Business Banking the Bank serves the following customer segments

Retail clients

- Mass clients;
- Premium Banking Customers, i.e. depositing assets in the Bank or through the Bank in the amount of minimum PLN 100 thousand or having monthly inflows of minimum PLN 10 thousand monthly;
- Private Banking customers (Wealth Management), i.e. those who invest assets through the Bank in the minimum amount of PLN 1 million. Within the Private Banking there is a separate sub-segment called "Family Fortunes", i.e. Customers who invest assets through the Bank in the amount of minimum PLN 10 million.

Business clients (Microenterprises)

Entrepreneurs:

- non-Agro, not keeping full financial reporting, according to the principles defined in the Accounting Act, meeting the criterion of annual net revenues for the previous financial year below EUR 2 million;
- non-Agro, with full financial reporting, whose net sales revenue for the previous fiscal year was less than PLN 4 million and credit exposure does not exceed PLN 1.2 million;
- Agro, not maintaining full financial reporting, meeting the criterion of net annual revenues for the preceding financial year below EUR 2 million, conducting activities classified under selected PKD 2007 codes;
- Professionals: entrepreneurs who do not keep full financial reporting in accordance with the principles set forth in the Accounting Act and who practice professions defined in a separate internal document;
- Individual farmers for whom the Bank's credit exposure to the customer is less than PLN 3 million;
- Individual farmers with credit exposure of the Bank to the Customer between PLN 3 million and less than PLN 4 million, where the collateral on the agricultural land covers at least 50% of the credit exposure;
- Nonprofit organizations (e.g., foundations, associations, labor unions, etc.);
- Housing cooperatives, housing communities, property managers.

Main achievements in the first half of 2021

STRATEGIC PILLAR	MAIN ACCOMPLISHMENTS
GROWTH	<p>Sales of products: Personal accounts 154 thousand; +6% vs H2 2020, +39% vs H1 2020 Cash loans PLN 1.7 billion; +19% vs. H2 2020, +40% y/y Investment products (investment products and structured certificates) PLN 3.0 billion; +17% vs. H2 2020, +82% y/y Mortgage loans PLN 3.2 billion; +20% vs. H2 2020, +10% y/y Micro loans & Leasing 2.1 bn; +16% vs H2 2020, +24% y/y</p>



STRATEGIC PILLAR	MAIN ACCOMPLISHMENTS
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">SIMPLICITY</p>	<ul style="list-style-type: none"> ▪ mortgage - optimization improvements: <ul style="list-style-type: none"> - shortening the waiting time for a credit decision to below 10 calendar days; in June 2021 the average time was 8 days; the standard waiting time under the Mortgage Loan Act is 21 calendar days - Improvement of the quality of documentation submitted in the loan process: from 35% to 50%. - access to e-records - electronic signature for documents and loan agreements ▪ complaints: <ul style="list-style-type: none"> - GObetter - a new system for handling complaints - already in production, more units are being incorporated. The system automates the process and makes it more efficient. - 54% reduction in claims volume vs. H2 2020, reduction in claims handling time by 62% vs H2 2020 ▪ automatic generation of documents for BGK secured transactions - shortening the waiting time for the contract ▪ paperless and electronic signature: <ul style="list-style-type: none"> - number of opening a personal accounts in a branch using the GOMobile process +104% vs. H2 2020; - micro account opening (Autenti); - 136.3 thousand authorization of cash transactions with electronic signature, 45% of all transactions in H1 2021 ▪ Cashless sales network: cash deposits/withdrawals volume down 13% q/q; down 5% vs H2 2020
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">QUALITY</p>	<ul style="list-style-type: none"> ▪ Institution of the Year 6th edition: <ul style="list-style-type: none"> - Best Bank in Poland - Best Bank for Corporates - Best service in remote channels - Institution of the Year - 1st wave (cash loan) - service in branches and via remote channels - results above 85% ▪ Building a customer-oriented organisation nancial organization: e-trainings on NPS for all bank employees (implementation level 96%); cyclical trainings on Customer Experience for managers and new employees ▪ BNP Wealth Management black credit card on the podium - FORBES ▪ BNP Paribas - Lokata Kapitału fund is the best Polish corporate paper fund according to Anality Online portal ▪ Innovation Diamond for the implementation of MIGAM - sign language service for deaf customers
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">DIGITALISATION</p>	<ul style="list-style-type: none"> ▪ 1.3 million active online and mobile banking users: +8.3% vs YE 2020 ▪ purchase processes: cash loan PLN 176 million (over 2 times growth vs H2 2020); personal account 9.5 thousands;+20% vs H2 2020 (40% set up in digital;+5% vs H2 2020); investment products PLN 151 million; 13% set up in digital; Arval "Twoje Auto"; mortgage, Family Banking ▪ service processes: My ID (electronic identity) / trusted profile; repayment of a loan instalment from another bank, certificates of ownership and account balance, loan repayment schedule in pdf format, instant transfer in EURO for Micro clients ▪ www.bnpparibas.pl - smallest carbon footprint; green products zone - we are the leader ▪ multicurrency card support - holders of a multicurrency card can now connect and disconnect foreign currency accounts quickly and conveniently using the mobile application ▪ applications for new products in GOMobile: foreign currency accounts, savings accounts and revolving account limit ▪ "Sentry User Feedback" - if an unexpected error occurs in GOMobile, the customer can describe the details of the event directly in the application and send them to the bank ▪ presentation of foreclosures and their details in GOMobile ▪ we have enabled pausing and resuming standing orders in GOMobile ▪ TARGET2 - instant transfer in EURO for business customers



Product Offer for Retail Customers

The Bank provides services to individual customers, focusing on offering ROR accounts, term deposits and consumer finance products (i.e. cash loan, overdraft limit, credit card, insurance). The offer includes all forms of daily banking, saving, investing and lending.

In the area of management of retail banking product portfolio, the Bank focused on improving operational efficiency and profitability of products.

The Bank's range of **personal accounts for retail customers** included 3 plans: Konto Otwarte na Ciebie - the leading current account, ranked always among the highest in the personal account rankings of the largest online services, My Konto Premium - a current account for Premium Banking clients and Konto Bankowość Prywatna for Private Banking segment clients.

The leading personal account, Konto Otwarte na Ciebie, offers the possibility of issuing three debit cards: Open Card for Today - dedicated to people with lower income, looking for cheap and transparent financial solutions; Open Card for eWorld - for people who frequently shop online, use remote access channels to the Bank and care about cybersecurity; Open World Card - addressed to people who frequently travel abroad, appreciate the convenience and lower costs associated with making transactions in foreign currencies.

Since the launch of the new flagship offer Open Account for You in 2019, it continues to be the most popular personal account for individual customers. In the first half of 2021, the Bank opened 143,000 new personal accounts, increasing by 27% year-on-year. The account was opened in over 94% of cases together with a debit card to the account. The main sales channel of the Open Account for You was the Bank's branches (about 60% share in sales), the rest were Customers who opened the account through digital channels - online applications on the Bank's website or through the GOMobile application using video verification and selfie.

In the analysed period the offer of *Konto Samodzielniaka (Self-Reliant Kid)*, addressed to children - especially those aged 7-13 thanks to the possibility of issuing a payment card in the form of e.g. a contactless wristband - and young people up to the age of 18, enjoyed great interest from clients. The Bank already maintains over 22 thousand of *Konto Samodzielniaka*, with over 17 thousand such accounts opened during the first half of 2021.

The Bank's deposit offer for retail customers included savings accounts (Konto Lokacyjne, Rachunek Sejf, Rachunek oszczędnościowy Autooszczędzanie) and term deposits (standard deposits in PLN and foreign currencies, Internet deposits - available through Internet banking, promotional deposits, progressive deposits and special deposits - available to selected segments of the Bank's customers).

In the first half of 2021, the Bank focused on stabilization of the retail client savings portfolio and continued optimization of interest margins. Following the changes in interest rates introduced by the Monetary Policy Council, the Bank continued its policy of interest margin optimization on deposit products in the Retail Banking segment. Cyclical changes were made to the prices of term deposits offered, which, together with a change in the structure of the deposit product portfolio held, resulted in a decrease in the average interest rate on the entire portfolio by 0.01 p.p. compared to the end of 2020, with an emphasis on a significant improvement in the margin on term deposits in the area of retail customers - a decrease in the average interest rate by 0.10 p.p. over 6 months of 2021.

The margin optimization was also applied to the portfolio of GOoptima - a brand, which is part of the Bank, specializing in offering savings and investment products in the direct model. Over the first half of 2021, the average nominal interest rate on the deposit portfolio in this segment was reduced to 0.03%. The volume of deposits collected by GOoptim at the end of the period amounted to PLN 2.39 billion, which is a decrease of PLN 0.33 billion or 13% compared to the end of 2020.

The Bank systematically offered Premium Banking and Private Banking customers attractive price offers for selected terms of *Moja Lokata Premium* deposit and attractive *Autooszczędzanie* account interest rates.

The Bank also had a dedicated range of term deposits available exclusively through the GOMobile application and GOonline online banking. Customers could use the whole family of online GOonline Deposits and the particularly popular Mobile Deposit.

In addition, in the first half of 2021. Bank:

- implemented a new strategy for Premium customers, including dedicated product offers such as: My Premium Account, Platinum Credit Card and "Support Plan in Sickness - Premium" insurance. Moreover, together with the Foundation for Financial Advisory Standards, the Bank conducted an external certification of EFPA EIP (European Investment Practice) for Premium Client Advisors;
- extended its offer for Housing Associations with an investment loan secured by an EIB guarantee, which increased the amount of financing granted to PLN 2.6 million;



- continued to implement the "Bank at Work" partnership program in the first quarter of this year. The programme is addressed to employees of the Bank's customers in the Corporate Banking and SME segments, employees of public universities, non-public universities, employees of financial intermediaries, employees of financial institutions, uniformed services and employees of Local Government Units;
- organized numerous campaigns aimed at increasing sales of personal accounts, such as "Kieszonkowe dla Samodzielniaka" for the youngest Customers (7-18 years old), "January with BNP Paribas", "February with BNP", "Moneyback for parents", "Moneyback with pocket money", "Moneyback with an instalment", "Moneyback with a loan";
- in cooperation with Arval Service Lease Polska Sp. z o.o. (a company of the BNP Paribas Group), offered long-term car lease to retail and business Customers. Sales of the MOJE AUTO offer - addressed to individual Customers - were launched and a fully online process of applying for and signing a long-term rental agreement was developed - without the need to visit the Bank's Branch, using Autenti signature on Arval's side. In the first half of 2021, a total of 99 agreements on vehicle lease were concluded (increase by 172% y/y);
- cooperated with Employment Agencies and financial intermediaries in the area of acquisition of retail products (personal accounts, cash loans, mortgages and micro loans).

Dedicated **credit offer for retail customer** in the first half of 2021 included: PLN mortgage loans and advances, personal account loans (revolving loans), consumer finance products (described in more detail in Section 6.4. Personal Finance Banking of this Report).

Private Banking - BNP Paribas Wealth Management

Product offer

Private Banking provides services to Customers with assets exceeding PLN 1 million and a dedicated sub-segment of Customers with assets above PLN 10 million - Family Fortunes. BNP Paribas Wealth Management offers an individual approach to every customer and additionally a holistic and relational approach, the so called "family approach". Wealth Management advisors support clients in all aspects of banking: individual, corporate and including all family members.

BNP Paribas Wealth Management benefits from more than a century of experience, market position and best practices of the BNP Paribas Group, which is the number 1 Wealth Management company in the Eurozone with forty years of experience in serving Wealth Clients.

BNP Paribas Wealth Management clients are advised by an experienced and qualified team - all advisors have EFPA certification at EFA and the highest level - EFP. The EFPA certificate is essential and required for the position of a Wealth Management Advisor. Clients are guaranteed the highest level of discretion, e.g. through the Wealth Management client confidentiality service.

As part of everyday banking, Wealth Management offers an exclusive MasterCard World Elite credit card with the highest insurance package of PLN 30 million, which also includes the COVID-19 variant guaranteeing coverage of the costs of treatment of the insured and co-insured, including grandchildren, medical assistance and insurance of the costs of trip cancellation or early return, even if the payment for the trip was not made with Mastercard World Elite. The card offers also a number of air travel benefits, such as free and unlimited access to more than 1.100 VIP LoungeKey areas, the Fast Track service which is a fast-track security check at Warsaw Chopin Airport, or access to more than one million Boingo Wi-Finder hotspots worldwide, including at airports, hotels and on board selected aircraft. Through a special Travel platform, customers are also able to pay with loyalty points for airline tickets or hotel rooms. Active card users can also earn rewards and discounts in the mamBONUS programme.

In May 2021, the Mastercard World Elite credit card issued by BNP Paribas Wealth Management, was once again on the podium, ranked 3rd in Forbes magazine's prestigious ranking of black credit cards. It should also be mentioned that BNP Paribas Wealth Management is the winner of Forbes' rating - 5 stars for the best private banking on the Polish market.

One of the distinctive features of BNP Paribas Wealth Management offer in the international and domestic context is a comprehensive, holistic approach to wealth management - not only as regards financial assets deposited with the bank. The Client receives support in matters related to both private and corporate wealth.

In light of the situation caused by the COVID-19 pandemic, the most important concerns of Wealth Management's clients - most of whom are entrepreneurs - focused on the difficult situation of their businesses and their ability to benefit from support under the so-called Crisis Shield. After the so-called anti-crisis packages came into force, a Competence Centre for Wealth Management clients was launched as part of Wealth Management. Wealth



Management clients were offered free consultations provided by a Wealth Management expert in order to clarify doubts related to anti-crisis support for companies - within the scope of the PFR Financial Shield and other support instruments, e.g. from the Industrial Development Agency or BGK.

Global and strong position of BNP Paribas Group on the international and Polish markets is a guarantee of security and stability for customers. BNP Paribas Wealth Management was one of the first on the Polish market to apply work organisation that ensures full availability of advisors, support for clients during turbulent times on the capital markets. Remote processes allowing for full service and business continuity were implemented and extended immediately. A special solution is the implementation of the Autenti e-signature service in Wealth Management, which enables clients to sign documents electronically without the need to visit the Wealth Management Centres.

In addition, improvements to the electronic currency platform were implemented in the first half of 2021:

- extended platform operation hours - Customers may conclude FX transactions 24 hours a day, 7 days a week (excluding public holidays other than Sunday) and FX PI@net,
- Clients were given the opportunity to conveniently open a dual-currency deposit through the platform. BNPP Wealth Management also offers preferential exchange rates to its clients.

Product offer for Business Clients

The offer for current and investment financing is addressed both to micro and small enterprises (simplified accounting), as well as individual farmers and housing communities.

The basic credit offer includes: overdraft facilities (secured and unsecured), revolving/non-revolving working capital loans, cash loans (fixed term), investment loans and consolidation loans. Additionally, business customers (micro companies and individual farmers) could use EU loans, preferential loans, guarantees and products allowing to manage foreign currency risk.

The Bank also offers products that minimise the risk of agricultural operations - seasonal crop insurance. By entering into a crop insurance contract, the farmer obtains insurance protection and financial security. Insuring at least 50% of the farmland is also a condition for obtaining a low-interest disaster loan and full financial assistance in the event of a disaster.

As part of the financing, customers benefit from the Bank's broad offer with a thermomodernization bonus from Bank Gospodarstwa Krajowego and a 90% co-financing of the costs incurred for the execution of technical documentation allowing for thermomodernization investment, the co-financing is provided under the ELENA project based on the European Union Framework Program - Horizon 2020.

In the first half of 2021, the Bank conducted the "Business Offensive" and "Agro Offensive" marketing campaigns, which contributed to the increase in new sales.

In Q2 2021, the Bank decided to continue selling loans with BGK's de minimis guarantee under special pricing conditions - the guarantee secures up to 80% of the loan amount.

Bank guarantees

In the first half of 2021, the Bank issued 9 bank guarantees for the Business Banking Area customers at a total amount of PLN 1.4 million.

Commercial volumes

As at 30 June 2021, customer deposits of the Retail and Business Banking segment on a consolidated basis amounted to PLN 54,176,935 thousand and were by PLN 227,758 thousand lower compared to the end of 2020. Current accounts increased by PLN 2,130,725 thousand and savings account volumes increased by PLN 59,889 thousand. A decrease was recorded in term deposits (by PLN 2,365,497 thousand). The percentage structure of basic product categories changed: the share of current accounts increased (by 4.1 p.p. to 53%) and savings accounts (by 0.3 p.p. to 37%), while the share of term deposits decreased (by 4.3 p.p. to 9%), and the share of overnight deposits remained stable (1%).

Table 23. Retail and Business Banking Deposits and Loans²

PLN thousand	30.06.2021	31.12.2020	change y/y PLN thousand	%
Current accounts	28,712,937	26,582,212	2,130,725	8%
Savings accounts	20,058,154	19,998,265	59,889	0%
Term deposits	4,898,018	7,263,515	(2,365,497)	(33%)
Overnight deposits	507,826	560,701	(52,875)	(9%)
Accounts and deposits	54,176,935	54,404,693	(227,758)	(0%)
Consumer loans	9,845,101	9,201,591	643,510	7%
Investment loans	6,398,024	6,536,144	(138,120)	(2%)
Overdraft facilities	3,181,972	2,761,117	420,855	15%
Mortgage loans	24,044,556	22,397,224	1,647,332	7%
Lease receivables	2,165,343	1,879,183	286,159	15%
Credit cards	1,114,916	1,163,185	(48,268)	(4%)
Other loans	10,164	5,193	4,971	96%
Loans and advances	46,760,075	43,943,636	2,816,439	6%

The net loan portfolio of the Retail and Business Banking segment on a consolidated basis as at 30 June 2021 amounted to PLN 46.760,075 thousand, an increase of 6% (PLN +2,816,439 thousand) compared to the end of 2020. In value terms, the largest increase was in residential mortgages (+1,647,332 thousand, +7%).

The gross volume of FX mortgage loans (withdrawn from the offer in 2008-2009) in the analysed period amounted to PLN 4,481,868 thousand (PLN 4,872,443 thousand at the end of 2020). Loans granted in CHF accounted for 99% of this portfolio. The recorded decrease of the portfolio value resulted from repayments and strengthening of PLN versus CHF (the exchange rate decreased from 4.2641 at the end of December 2020 to 4.1212 at the end of June 2021). The value of the portfolio denominated in CHF decreased by 4.8% compared to the end of 2020.

Gross profit of the Retail and Business Banking

In the first half of 2021, the Retail and Business Banking segment recorded a negative pre-tax result of PLN -75,736 thousand (compared to a loss of PLN -184,571 thousand in the first half of 2020) primarily due to the costs of risk provisions relating to CHF mortgage loan proceedings (up by PLN 232,415 thousand year-on-year). The decrease in the loss was the result of a reduction in the cost of credit risk following, among other things, a lower negative impact of COVID-19 on the economy and customers, as well as a reduction in BFG costs compared to the first half of 2020.

The result on banking activity of Retail and Business Banking in the first half of 2021 amounted to PLN 1,127,785 thousand and was 2% lower compared to the first half of 2020. This result accounted for 49.0% of the Group's banking result in the period under review. The Personal Finance area generated 31.6% of the result on banking activity of the Retail and Business Banking segment.

² 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 2020 were presented in accordance with the segmentation for 2021.

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 24. Gross profit of the Retail and Business Banking³

PLN thousand	6 months until 30.06.2021	6 months until 30.06.2020	change y/y PLN thousand	%
Net interest income	831,295	883,049	(51,755)	(6%)
Net commission income	267,879	213,972	53,907	25%
Net trading and other operations income	28,611	48,551	(19,940)	(41%)
Result on banking activity	1,127,785	1,145,573	(17,788)	(2%)
Result on impairment allowances	(48,873)	(337,476)	288,602	(86%)
Provisions for legal risk of CHF portfolio	(258,977)	(26,562)	(232,415)	875%
Operating expenses and depreciation	(572,263)	(651,578)	79,315	(12%)
Allocation of costs	(241,522)	(236,533)	(4,989)	2%
Operating profit	6,150	(106,576)	112,726	(106%)
Tax on financial institutions	(81,886)	(77,995)	(3,891)	5%
Gross result of the segment	(75,736)	(184,571)	108,835	(59%)

6.4. Personal Finance Banking

Personal Finance Banking is responsible for product offer and management of consumer loans distributed through the Retail and Business Banking branch network and external distribution channels. This area offers the following product groups to customers: cash loans, credit cards, instalment loans, car loans, leasing (operating and financial) and lease financing (offered mainly in cooperation with BNP Paribas Leasing Services Sp. z o.o.) and long-term car rental offered (in cooperation with Arval Service Lease Polska Sp. z o.o.).

MAIN ACCOMPLISHMENTS IN H1 2021

- 'Green Change Credit', 13.6 thousand green financings
- Unified and simplified cash loan application process across the entire Sales Network
- Fully remote card limit increase process
- Possibility to split a card transaction into instalments at the terminal within Mastercard Instalments
- Implementation of new functionalities in Internet banking allowing for post-sale card processing
- 75% of agreements for installment loans are concluded within the "paperless" process implemented in cooperation with Autenti
- Continued cooperation with Allegro, DECATHLON, Media Saturn Holding
- Launch of a loan offer for new partner Jaguar Land Rover
- Starting HRV (High Residual Value) loan for KIA brand under the name Smart Loan
- Re-opening of the lease loan at dealers after the COVID freeze
- Launch of the HRV (High Residual Value) leasing product for KIA brand under the name Smart Leasing - leasing with high buy-back guarantee by the dealer
- Introduction of special 100% lease for Hyundai, KIA, Opel, Jaguar
- Modification of the sales platform for long-term rental was introduced in order to adjust it to the needs of cooperation with car dealers and brokers

Product offer

Cash loans

In the first half of 2021, the Bank in the area of cash loans introduced:

- new cash loan offer supported by marketing activities ("Loan for Green Change"), 13.6 thousand green financings,
- improvements in automation of credit decisions for e-banking and mobile banking applications, over PLN 175 million in digital channel financings,

³ Data based on a segmentation note included in the Consolidated Semi-Annual Report of BNP Paribas Bank Polska S.A. Group for the period of 6 months ended 30 June 2021.



- new insurance with monthly premiums as loan repayment security,
- one streamlined cash loan application process across the entire Sales Network.

Credit cards

In the first half of 2021, the Bank encouraged credit cardholders to:

- manage your card conveniently using the GOMobile application and GOonline online banking,
- adjust your credit limit to your needs using a simplified, fully remote process of increasing the card limit,
- actively use the "pay in instalments" service, i.e. the possibility of spreading the transaction into instalments at the terminal under Mastercard Instalments.

New functionalities introduced within online banking:

- the ability to generate confirmations of card repayment and the balance on the card account,
- ability to terminate and cancel the termination of the credit card agreement.

Installment loans

Currently, instalment loans are offered in stores (both stationary and online) of over 15,000 business partners who cooperate with the Bank within the scope of financing purchases. Customers can sign a loan agreement using the "paperless" process implemented in cooperation with Autenti (75% of all agreements were concluded in this format).

The Bank periodically expands the circle of its business partners with companies selling photovoltaic installations and other renewable energy sources (RES) to individual customers. In 2021, the Bank became the leader in this market segment (banks financing RES in the B2B2C model):

- over 27 thousand finalized credits for photovoltaic installations (since product launch),
- Active cooperation with more than 500 partners involved in the sale and installation of PV systems,
- Over PLN 658 million in loans granted within the framework of the photovoltaics for prosumers program (data as of 30.06.2021, since the product launch),
- European Investment Bank guarantees.

Cooperation with partners

- continuation of the cooperation with Allegro;
- continued cooperation with DECATHLON - under this cooperation, the Bank offers a personalised credit card, which allows customers to make purchases in instalments, and an instalment loan within the available limit;
- continued cooperation with Media Saturn Holding - under this cooperation, the Bank offers its customers an installment loan together with an additional service, i.e. Banking Services Package.

Car loans, leasing loans

In the first half of 2021, the Bank continued its cooperation with the Kia, Hyundai, Ford, and Opel brands. Additionally, in December 2020, the Bank established cooperation with authorized dealers of Jaguar and Land Rover brands.

In 2021, the following products and processes were introduced by the Bank:

- launch of credit offers for new partner Jaguar and Land Rover,
- extension of automation of credit decisions to business customers,
- launch of a loan with a high repurchase value HRV loan (High Residual Value, financing with buy-back with a high residual value of the vehicle) for the KIA brand under the name Smart Kredyt,
- changes in all brands with HRV credit: adding additional options to calculate the residual value (RV), adding a "slider" on RV, adding engine power,
- implementation of new scoring,



- implementation of changes to increase security by linking to the RDO and PESEL ID card database,
- making the leasing loan available again at dealers after the COVID freeze,
- optimizing the design and content of the credit application and credit simulation for customers,
- Enabling customers with GOonline to attach scans of the vehicle insurance policy and the registration certificate,
- launching a portal for business partners "Close to our partner", where document templates, product presentations and training materials are posted,
- implementation of a new edition of the employee loan for Opel factory employees,
- implementation of automation and optimization in Rat@tu, e.g. changes in KYC, increase of attachment size, improvement of filling in the questionnaire on the advisor's screen, saving of credit offers.

Leasing

In addition to car loans, the Personal Finance area, through BNP Paribas Leasing Services Sp. z o.o., offers its customers operating and financial lease (including VAT Margin) for passenger cars, trucks up to 8 tonnes, buses, agricultural tractors, scooters, motorcycles, quads and campers.

In the first half of 2021, car lease offers were introduced:

- launching the HRV (High Residual Value) leasing product for the KIA brand under the name Smart Leasing - leasing with buy-back with a high residual value of the vehicle and buy-back guarantee by the dealer,
- changes to all brands with HRV leases: adding additional options to calculate residual value (RV), adding a "slider" on RV, adding engine power,
- implementation of new scoring,
- implementation of changes increasing security by connecting to the RDO and PESEL ID card database,
- implementation of decision automation in leasing for sole proprietor customers,
- launching a portal for contractors "Close to our Partner" where document templates, product presentations and training materials are posted,
- amendments to the paperless process, implementation of changes to the acceptance protocol and signature card,
- change in the risk policy regarding collateral, increase from PLN 100.000 to PLN 120.000 of the car price for which a promissory note is required in the broker/commission channel,
- implementation of special 100% lease for Hyundai, KIA, Opel, Jaguar,
- implementation of automation and optimization in Rat@tu.

Long-term rental of vehicles

In the first half of 2021, the Bank continued its cooperation with Arval Service Lease Polska Sp. z o.o. within the sale of the TCM product (long-term lease), also introducing new solutions:

- modification of the sales platform to adjust it to the needs related to the cooperation with car dealers and brokers,
- Adaptation of the processes in accordance with the amendment of the Civil Code regarding consumer protection for entrepreneurs,
- modification of the Risk Policy and adapting it to the market needs,
- launching a portal for contractors "Close to our partner" where document templates, product presentations and training materials are posted,
- adding the leasing with GAP to the Arval widget, enabling the Bank's employees to process credit applications,
- adding the account number to direct debit so that the process is fully automatic,
- implementing automation and optimization in Rat@tu.



6.5. Operations of the Brokerage House of BNP Paribas Bank Polska S.A.

Activities of the Brokerage House of BNP Paribas Bank Polska S.A. ("BZ WBK Brokerage") focuses on providing services to retail customers. The range of services provided is complementary to the Bank's offering of investment products. BNP Paribas Bank Polska SA Brokerage House provides its services also to selected institutional customers, including Open Pension Funds, TFIs and other entities managing assets entrusted to them.

Additional activities of the Brokerage House include portfolio management and investment consulting. BZ WBK Brokerage provides investment advisory services to Premium Banking and Wealth Management segment clients.

The range of products offered by the Brokerage includes a wide selection of investment funds managed by well-known Polish and foreign Investment Fund Companies. At the end of the first half of 2021 BZ WBK Brokerage sold over 900 funds managed by 22 Investment Fund Companies.

As at 30 June 2021, the value of assets of the Investment Fund Companies' customers distributed via BNP Paribas Bank Polska amounted to PLN 6.63 billion.

Total commission income of the Brokerage House in the analyzed period amounted to PLN 58.9 million compared to PLN 44.2 million for 6 months of 2020.

Table 25. Share of the Bank's Brokerage House in turnover on the WSE

		30.06.2021		30.06.2020	
		volume	share	volume	share
Shares	PLN million	2,036.7	0.6%	1 599.9	0.6%
Bonds	PLN million	123.1	6.1%	51.2	3.7%
Contracts	pcs.	59,618	0.6%	91,447	0.9%
Investment certificates	PLN million	0.5	1.2%	0.9	1.6%
Options	pcs.	19,172	6.6%	8,778	2.4%
Structured products	PLN million	317.5	10.3%	283.7	9.4%



6.6. Small and Medium Enterprise Banking

Segmentation

The Small and Medium Enterprise (SME) Banking area provided services to three main customer sub-segments in the first half of 2021:

- Agro customers with a complete financial reporting system, with net sales revenues from PLN 4 million to PLN 60 million for the last financial year and the Bank's credit exposure to the customer not exceeding PLN 18 million. This sub-segment includes also groups of agricultural producers (where the Bank's credit exposure does not exceed PLN 40 million) and field organizational units of the State Forest Enterprise (Państwowe Gospodarstwo Leśne Lasy Państwowe), i.e. regional directorates, forest inspectorates etc., regardless of the scale of their turnover and credit exposure.
- Non-Agro Customers - a sub-segment that includes entities that maintain full financial reporting, with net sales revenues for the last financial year from PLN 4 million to PLN 60 million and the Bank's credit exposure to a customer not exceeding PLN 18 million, as well as public finance entities with budgets of up to PLN 100 million. This sub-segment of clients includes also churches and other religious organizations and their subsidiaries.
- Farmers (i.e. business entities conducting agricultural production activities) with full financial reporting, with net revenue for the previous financial year ranging from PLN 0 to 60 million and credit exposure not exceeding PLN 40 million, as well as individual farmers if their credit exposure is between 4 and 40 million zlotys and between 3 and 4 million zlotys if the collateral on agricultural land covers less than 50% of credit exposure.

Distribution channels

The SME Banking Area sales network as of 2021 included 6 SME Banking Regions grouping 45 SME Business Centers located in 34 local markets with the greatest potential.

The Bank's model of servicing SME clients is a model based on relationship. Its essence is the individual service of the advisor, who is responsible for the entire relationship of the client with the bank. In addition, to fully meet the needs of customers, teams of specialists are dedicated to provide services to SME companies, offering a high standard of sales service and product consultancy, based on knowledge and experience in the field of cash management, treasury, leasing, factoring and trade financing.

SME customers can benefit from ongoing operational support through the retail branch network, online and mobile banking channels offered by the Bank, as well as rely on telephone operational and information support from a dedicated Business Service Area.

Main achievements in the first half of 2021

FILAR STRATEGICZNY	KEY ACCOMPLISHMENTS
GROWTH	<ul style="list-style-type: none"> ▪ Positive y/y growth of SME Banking gross profit generated by maintenance of good quality of the loan portfolio and related low cost of risk ▪ Positive y/y dynamics of net fee and commission income ▪ Increase in new customer acquisition y/y
SIMPLICITY	<ul style="list-style-type: none"> ▪ Continuation of business and operational activities with wide use of secure formula of remote work, internet and mobile banking channels and remote customer service tools ▪ Transparent offer of product packages for SME customers



FILAR STRATEGICZNY	KEY ACCOMPLISHMENTS
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">JAKOŚĆ</p>	<ul style="list-style-type: none"> ▪ Further improvement of SME customer service processes in the Business Service Zone - a dedicated customer support and after-sales service center: <ul style="list-style-type: none"> ○ First Contact Resolution (FCR) indicator was implemented for e-mail orders and phone calls ○ a notification mechanism was introduced, informing the customer about the execution time of handled orders ▪ In the first half of the year, the Business Service Area handled 73,000 e-mail orders and 49,000 phone calls with SME clients ▪ 90% of calls were answered within 15 seconds ▪ Teams in the Business Service Area are 100% adapted to remote working ▪ Procedures and processes that allow for effective remote customer service in the light of the ongoing COVID-19 pandemic and restrictions on in-person contact
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">DIGITALIZACJA</p>	<ul style="list-style-type: none"> ▪ Further development of the GOonline Business system, in particular the new Export and Import Collection modules, development of the Loans module (e.g. for printing schedules and presenting PFR subsidies). ▪ Further development of the Self-Service module in GOonline Biznes: adding new types of dispositions and automation of processes on the Bank side. ▪ Implementation of a fully digital and automated process for the redemption of PFR 1.0 subsidies ▪ Extending digital client onboarding without the need for paper documentation to non-resident accounts. ▪ Provide Clients with an eRecertification Application that transfers the KYC periodic recertification process into the digital world

Product offer

The Bank offers a wide range of products addressed to Small and Medium-sized Enterprises, characterized by high flexibility, which allows the Bank to adjust many parameters to individual customer needs.

The Bank's offer dedicated to the SME segment includes products such as: transaction products within the account or package already owned, 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, loan products, trade finance products, financial market transactions, factoring services offered in cooperation with BNP Paribas Faktoring Sp. z o.o., leasing services offered in cooperation with BNP Paribas Leasing Services Sp. z o.o.

Business line development in the first half of 2021

The Small and Medium Business Banking area started the year 2021 with undergoing structural transformation of teams in the Regions (reducing the number of Regions from 8 to 6 and the number of Business Centers from 50 to 45). At the same time, the criteria for segmentation of customers into the SME line were changed, which from the beginning of this year included customers with net sales revenues for the last year in the range between PLN 4 and 60 million (previously: PLN 4-40 million).

In the first quarter of 2021, the SME area focused mainly on sales activity, i.e. acquisition of new customers, increasing the lending activity, with particular attention paid to lending in the AGRO segment. It was also a period of activities aimed at improving clients' satisfaction with the relationship with the Bank and therefore increasing the NPS score. In spite of the on-going COVID-19 pandemic and the introduced restrictions which still hindered the realization of the business goals of the line, the SME network maintained its new client acquisition rate at a similar level as before the pandemic.

Beginning in the second quarter of 2021 with the lifting of economic restrictions, the Small Business Banking Area shifted its focus to:

- maintaining existing customers and acquiring and activating new ones,
- sales of new credit limits and an increase in the balance on credit products, with particular emphasis on the Agro business,
- increased sales of trade finance and service products to SME customers,
- cross-sell cash management and foreign exchange transactions, particularly to less active clients,



The effect of these actions was an improvement in sales results in the same quarter: the acquisition of new customers increased by 13% q/q, and the sales of new credit limits increased by 65% compared to the first quarter of 2021.

Similarly to last year, also in the first half of 2021 the Bank continued its efforts to support its Customers under the government aid programs addressed to Polish enterprises:

- **PFR 2.0 Financial Shield** offering non-refundable subsidies to industries particularly affected by the second wave of the COVID-19 epidemic, the program is worth PLN 13 billion. In the first quarter of 2021, the Bank provided customers with a fully digital solution for applying for and receiving subsidies;
- **PFR Financial Shield 1.0** offering non-refundable subsidies of up to 75%, the program amounted to PLN 100 billion. The Bank has provided customers with a fully digital process to account for and redeem subsidies received, then the Bank will continue to handle the repayment process of the unredeemed portion of the subsidy for 24 months.

In the first half of 2021, the Bank also carried out work related to the further development of digitalisation and process optimization, which included, among others:

- the remote customer onboarding process based on electronic signatures, which does not require a physical meeting with a Bank employee and the use of paper documents, was extended to non-residents. This solution was the Bank's response to customers' expectations related to the pandemic and was in line with the motto of BNP Paribas Bank Polska as the "the Bank of Green Changes",
- automation of after-sales processes (including self-service) was successively implemented and tools supporting employees were developed.

Bank guarantees and letters of credit

With respect to guarantees and letters of credit the Bank offers effective and comprehensive services based on dedicated IT solutions.

In the first half of 2021, the Bank on the instructions of clients of the SME Banking Area:

- issued 302 bank guarantees for the total amount of PLN 78.6 million,
- opened 64 import letters of credit for the total amount of PLN 17.3 million and handled 41 export letters of credit for the total amount of PLN 9.7 million issued by third-party banks in favor of these Customers.

Commercial volumes

As of June 30, 2021, deposits of Small and Medium Enterprise Banking customers on a consolidated basis amounted to PLN 12,610,125 thousand and were PLN 88,295 thousand or 1% higher than at the end of 2020. The structure of the portfolio did not change significantly compared to the end of 2020 (increase in the share of current accounts by 1 p.p., to 95%, with a simultaneous decrease in the share of term deposits by 1 p.p., to 4%).

Table 26. Deposits and Loans to Small and Medium Enterprises⁴

in PLN thousand	30.06.2021	31.12.2020	change y/y	
			PLN thousand	%
Current accounts	12,009,906	11,795,792	214,115	2%
Savings accounts	87,824	89,973	(2,149)	(2%)
Term deposits	462,664	587,276	(124,612)	(21%)
Overnight deposits	49,731	48,790	941	2%
Accounts and deposits	12,610,125	12,521,830	88,295	1%
Investment loans	4,512,587	4,670,893	(158,306)	(3%)
Overdraft facilities	1,814,985	1,772,700	42,286	2%
Lease receivables	660,412	608,857	51,555	8%
Factoring	776	841	(65)	(8%)
Other loans	1,233	1,309	(75)	(6%)
Loans and credits (net)	6,989,994	7,054,600	(64,605)	(1%)

⁴ See footnote on page.65



The net loan portfolio of the SME Banking segment on a consolidated basis amounted to PLN 6,989,994 thousand as at June 30, 2021 (a decrease by PLN 64,605 thousand or 1% compared to year-end 2020). The largest decrease in value was in investment loans, while leasing and overdrafts increased.

Gross profit of the SME Banking segment

The SME Banking segment generated a gross profit of PLN 28,273 thousand in the first half of 2021 (compared to PLN 27,023 thousand in the first half of 2020, an increase of 5% y/y).

The improved result was driven by, among other things, lower cost of risk compared to the same period last year.

The result on banking activities of Small and Medium Enterprises Banking in the first half of 2021 amounted to PLN 216,298 thousand and was 5% lower compared to the first half of 2020. This was a consequence of a decrease in net interest income, partially neutralized by adjustment measures taken in the area of fees and commissions. Result on banking activity of the SME segment accounted for 9.4% of the Group's banking activity in the analyzed period.

Tabela 27. Gross profit of the SME Banking segment ⁵

in PLN thousand	6 months until 30.06.2021	6 months until 30.06.2020	change y/y PLN thousand	%
Net interest income	116,334	139,784	(23,450)	(17%)
Net commission income	63,990	50,744	13,246	26%
Net trading income and other operations	35,974	36,222	(248)	(1%)
Result on banking activity	216,298	226,750	(10,453)	(5%)
Result on impairment allowances	(18,017)	(28,447)	10,430	(37%)
Operating expenses and depreciation	(71,492)	(80,134)	8,642	(11%)
Allocation of costs	(85,712)	(74,145)	(11,567)	16%
Result on operating activities	41,076	44,025	(2,948)	(7%)
Tax on financial institutions	(12,803)	(17,002)	4,198	(25%)
Gross segment result	28,273	27,023	1,250	5%

6.7. 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 60 million, or in the case of whom the Bank's exposure is equal to or greater than PLN 18 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 greater than PLN 60 million or with a credit exposure greater than or equal to PLN 18 million (or PLN 40 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 € 150 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.

⁵ See footnote on page.66



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 in the first half of 2021 are provided by 6 Regional Corporate Banking Centres located in: Warsaw, Gdańsk, Poznań, Katowice, Kraków and Lublin. As part of the Regional Corporate Banking Centres, there are 31 Corporate Banking Centres located in the largest business centres in Poland, thus ensuring a wide geographical and sector coverage. Within these branches, consultants provide services to corporate clients locally. After-sales services for the clients of the Corporate Banking segment are also carried out via the Enterprise Service Telephone Center and online banking system.

Main achievements in the first half of 2021

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
GROWTH	<ul style="list-style-type: none"> ▪ Increase in total revenue y/y despite difficult economic environment related to the persistent COVID-19 pandemic. ▪ Y/Y increase in revenue from cash management, including in particular commission revenue. ▪ Y/Y increase in revenue from financial markets products. ▪ Y/Y increase in net loans and advances portfolio. ▪ Increase in new customer acquisitions y/y.
SIMPLICITY	<ul style="list-style-type: none"> ▪ Business and operational activities with extensive use of a secure remote working formula, online and mobile banking channels and remote customer service tools.
QUALITY	<ul style="list-style-type: none"> ▪ Personalised corporate customer service and relationship model - Customer Service Representative, Customer Advisor, Product Specialist. ▪ Continuing to improve customer service processes in the dedicated Business Service Centre unit - the customer support and after-sales service centre: <ul style="list-style-type: none"> ○ FCR (First Contact Resolution) indicator for e-mail orders and telephone calls has been implemented, ○ a notification mechanism has been introduced with information for the customer on the execution time and personalisation of orders processed (name and surname of the employee processing the order). ▪ In the first half of the year, 108,000 e-mail orders were handled and 47,000 telephone calls were made to corporate customers, 98% of calls were answered within 8 seconds. ▪ Procedures and processes to effectively serve clients remotely in the situation of the ongoing COVID-19 pandemic and the constraints of face-to-face contact.
DIGITALIZACJA	<ul style="list-style-type: none"> ▪ Further development of the GOonline Business system, in particular the following modules: new Export and Import Collection modules, extension of the Loans module (e.g. to print schedules and to present PFR subsidies). ▪ Further development of the Self-Service module in GOonline Business: addition of new types of instructions and automation of processes on the Bank side. ▪ Implementation of a fully digital and automated process for the redemption of PFR 1.0 subsidies. ▪ Extend digital onboarding of paperless clients to non-resident accounts. ▪ Provide customers with a Recertification e-Application bringing the KYC periodic recertification process into the digital world.

Product offer

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

The Bank's basic corporate offering includes: cash management, placement of surpluses, financing, trade services and financing, Internet and mobile banking, mid-caps structured financing, real estate financing, investment banking services, financial markets products, factoring offered in cooperation with BNP Paribas Faktoring Sp. z o.o., leasing services offered in cooperation with BNP Paribas Leasing Services Sp. z o.o., services for public sector entities and institutions.



Business line development in the first half of 2021

In the first half of 2021 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).

In the first half of 2021, the Corporate Banking area performed well in terms of sales with a growth in result on banking activity of +1.9% y/y. Business activities yielded good results in terms of new client acquisitions and new credit limit sales, which were significantly higher than those achieved in the first six months of 2020.

The Bank also continued to support Corporate Banking Clients under government aid programs addressed to Polish enterprises:

- **PFR Financial Shield 2.0** offering non-refundable subsidies to industries particularly affected by the second wave of the COVID-19 outbreak, the programme is worth PLN 13 billion. In the first quarter of 2021, the Bank provided customers with a fully digital opportunity to apply for and receive subsidies;
- **PFR Financial Shield 1.0** offering non-refundable subsidies of up to 75%, programme value PLN 100 billion. In the second quarter of 2021, the Bank provided customers with a fully digital process to settle and redeem subsidies received, then will continue to handle the repayment process of the unredeemed part of the subsidies for 24 months.

In the first half of 2021 the Bank continued to organise information, education and business conferences as part of a series called the Foreign Trade Programme (PHZ), aimed at supporting small and medium-sized enterprises and corporations in foreign expansion. 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. Meetings within the PHZ in 2021 were devoted to the topic "Expansion to foreign markets through E-COMMERCE". All conferences were conducted in the form of webinars and met with a very high interest of clients.

In the first half of 2021, the Bank also carried out activities related to the further development of digitalisation and process optimisation, which included:

- The remote onboarding process for customers based on the electronic signature, which does not require a physical meeting with a Bank employee or the use of paper documents, was extended to non-residents. This solution was the Bank's response to customers' expectations related to the pandemic and in line with the motto of BNP Paribas Bank Polska as the "Bank of Green Changes",
- automation of after-sales processes (including self-service) was successively implemented and employee support tools were developed.

Bank guarantees and letters of credit

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

In the first half of 2021, at the request of Corporate Banking customers, the Bank:

- issued 2,481 bank guarantees, with a total value of PLN 1,620 million,
- opened 652 import letters of credit with a total value of PLN 463.1 million and handled 232 export letters of credit with a total value of PLN 482.2 million issued by other banks for those customers.



Commercial volumes

As at 30 June 2021, deposits from Corporate Banking customers amounted to PLN 29,332,053 thousand and were higher by PLN 6,296,854 thousand (by 27%) than at the end of 2020. The share of current accounts in the portfolio structure increased (by 2 p.p., up to 96%), while the share of term deposits decreased (by 2 p.p., down to 4%).

The net value of the Corporate Banking segment's net loan and advances portfolio amounted to PLN 23,140,467 thousand as at 30 June 2021, i.e. 5% above the end of 2020 on a consolidated basis. The increase concerned both investment loans and overdrafts.

Table 28. Deposits and loans – Corporate Banking⁶

in PLN'000	30.06.2021	31.12.2020	change y/y	
			in PLN'000	%
Current accounts	28,061,324	21,473,020	6,588,303	31%
Saving accounts	419	437	(18)	(4%)
Term deposits	1,169,539	1,437,117	(267,578)	(19%)
Overnight deposits	100,772	124,625	(23,853)	(19%)
Accounts and deposits	29,332,053	23,035,199	6,296,854	27%
Investment loans	14,333,943	13,691,947	641,996	5%
Kredyty w rachunku bieżącym	6,457,584	5,977,687	479,897	8%
Overdrafts	1,954,275	1,984,999	(30,724)	(2%)
Factoring	393,588	334,945	58,644	18%
Other loans	1,077	1,417	(341)	(24%)
Net loans and advances	23,140,467	21,990,996	1,149,472	5%

Gross profit of Corporate Banking segment

The Corporate Banking segment generated a gross profit of PLN 225,256 thousand in the first half of 2021 (compared to PLN 231,045 thousand in the first half of 2020, a decrease by 3%). The reason for the decrease was an increase in credit risk costs, partially neutralised by incurring lower operating expenses.

The result from Corporate Banking activities amounted to PLN 534,346 thousand and was higher by PLN 9,938 thousand, i.e. by 2% compared to the first half of 2020. This result accounted for 23.2% of the Group's result from banking activities in the period under review.

Table 29. Gross profit of Corporate Banking segment⁷

in PLN'000	6 months		change y/y	
	ended 30.06.2021	ended 30.06.2020	in PLN'000	%
Interest income	260,344	284,318	(23,973)	(8%)
Fee and commission income	149,406	128,711	20,696	16%
Trading and other income	124,596	111,380	13,216	12%
Income on banking activity	534,346	524,408	9,938	2%
Impairment losses	(62,291)	(30,816)	(31,475)	102%
Operating expenses and amortisation and depreciation	(150,589)	(156,265)	5,677	(4%)
Expense allocation	(56,415)	(60,700)	4,285	(7%)
Operating result	265,052	276,627	(11,575)	(4%)
Tax on financial institutions	(39,796)	(45,582)	5,786	(13%)
Gross profit of the segment	225,256	231,045	(5,790)	(3%)

⁶ see: footnote p.65

⁷ See: footnote p.66



6.8. Agro area

Agro Product offer for the Agro subsegment

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

As regards loans, the Bank offers a wide variety of working capital and investment loans to farmers and Agro enterprises. Such products as the Agro Ekspres overdrafts collateralised with mortgage, and the Agro Progres investment loan for financing agricultural holdings as well as subsidised loans are particularly popular among the Bank's customers. Preferential loans are mostly utilised for the purchase of agricultural land, for the construction and modernisation of buildings, as well as the purchase of machinery and equipment and the establishment of perennial crops. This offer is dedicated not only to farmers, but also to companies from the agri-food processing sector.

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

Crop insurance

In the first half of 2021, the Bank realised sales of compulsory crop insurance under the Agreement with Concordia Polska T.U. S.A. at the level of PLN 11 million gross premiums written, an increase of 12.6% compared to the same period of 2020. In 2021, the premium subsidy for farmers from the state budget is up to 65% of the premium.

Guarantee from the Agricultural Guarantee Fund (FGR)

The agreement concluded between BNP Paribas Bank Polska and Bank Gospodarstwa Krajowego (BGK), allowed us to extend our offer for the Farmer and Agro Customer who is an agri-food processor by a new form of security - a guarantee issued by BGK from the Agricultural Guarantee Fund (FGR), at no cost to the Customer.

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

Customer benefits resulting from the new form of security:

- it may be the sole collateral for (i) an investment loan intended, inter alia, for the purchase and installation of photovoltaic arrays or for 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 in the SME and corporate banking segments;
- when providing additional security for the repayment of the credit it is possible to apply an extended credit period or a lower deductible;
- the possibility of applying an interest rate subsidy to loans secured by an 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 of disbursement, BGK finances part of the interest (the amount of the surcharge is no more than 2% of the credit granted). The maximum loan amount is EUR 200 thousand in PLN;
- lower margin than commercial financing.

Working capital loans with the FGR guarantee and BGK subsidy were originally only to be granted until the end of 2020. Since then, the Bank has twice concluded an annex to the agreement with Bank Gospodarstwa Krajowego. Currently, the offer is available until the end of 2021.

In addition to the extension of the term for granting BGK guarantees and subsidies, a possibility was introduced for SME and CB customers to cover the existing revolving working capital loan in the credit account with FGR guarantee and BGK subsidies in the case of renewal of the loan for a subsequent period or increase in the loan amount. The renewal of the loan may take place in the form of both revolving and non-revolving loan.

From 1 March, for a non-revolving working capital loan with an FGR guarantee and interest rate subsidy, the lending period has been extended to 4 years. This is the maximum period allowed by the agreement with Bank Gospodarstwa Krajowego.



Loans for financing new and used agricultural machinery and equipment

From 1 March this year, the possibility of applying a "0" own contribution in transactions for financing new and used agricultural machinery and equipment has been introduced. The changes applied to both the Agro Progres Loan and the Unia+ Loan.

Preferential loans

In February 2021, the Agency for Restructuring and Modernisation of Agriculture (ARIMR) renewed the line of investment loans with partial repayment of capital for the purchase of agricultural land by young farmers, i.e. persons who, on the day of submitting the loan application, are not older than 40 years, have professional qualifications in agriculture or undertake to complete them within three years of signing the loan agreement. The product is dedicated to farmers who start their agricultural activity or who run 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 realisation 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.

Agro Offensive Campaign

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 Open Account for Agribusiness - 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.

The campaign targeting micro-businesses resulted in PLN 821 million in new sales. The campaign targeting SME customers resulted in:

- nearly 3.2 thousand meetings with potential and existing customers,
- PLN 356.8 million in volume,
- acquisition of 45 new clients.

PROW 2014-2020 Campaign

From 4 June to 31 July 2021, a campaign to support the sale of products for the implementation of investments from RDP 2014-2020 is underway. The products recommended for this purpose are: Credit Union+ and European Lease Loan.

Agronomist.pl Website

Agronomist is a comprehensive and modern web portal created with the participation and for the needs of entities operating in the agri-food sector value chain. It is a unique solution which in one place gathers sector knowledge, provides information on the current situation in the agri-food sector and gives access to a wide range of professional IT tools useful in business.

In the first half of 2021, new tools and functionalities unique to the market were made available on the portal, which respond to the needs of entities operating in the agri-food sector:

- AgroEmisja - greenhouse gas emission calculator dedicated to agricultural production. The only calculator available on the market, in Polish, which enables calculation of GHG emission equivalents for a farm involved in crop and dairy production. BNP Paribas Polska is the first financial institution which, pursuing the objectives of sustainable development, makes a free tool available to support farmers and agricultural producers in the transformation towards sustainable production.
- The 'Role of Lawyers' section explains, in accessible language, the intricacies of the law associated with operating in the agri-food sector.
- Food&Agro Sonar video series in which BNP Paribas Food&Agro Hub analysts comment on the current situation on agricultural markets.



- Food Cabinet - a series of inspiring talks with leaders of the food sector in Poland.
- Extension of the "Green Changes" module to include educational material on the transition towards sustainable production and opportunities to exploit the competitive potential associated with the requirements and objectives of the European Green Deal.

At the end of June 2021, the number of registered users on the portal increased by 56% compared to the same period of 2020, and the number of hits on the portal in the first half of 2021 was over 380,000.

6.9. 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 following key areas:

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

Main areas of activity of the **Financial Markets Division** implemented in the first half of 2021:

- 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;
- meeting customer needs by expanding the available product range.



6.10. Other banking activity

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

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

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

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

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

During the period of increased incidence of COVID-19, the Bank adjusted internal product behaviour models affecting the Bank's interest rate and liquidity risk profiles on an ongoing basis. The ALMT division works with the business lines through regular meetings and consultations to optimise the Bank's product structure and maintain the Bank's profitability at the maximum possible level in the current macroeconomic conditions. The Bank participates in activities supporting the fight against pandemics by purchasing additional issues of bonds issued under the introduced financial shields.



6.11. IT and cybersecurity

The biggest challenge in the area of IT and cybersecurity in the first half of 2020 was the implementation of the Bank Transformation objectives with simultaneous coordination of work and constant changes related to the coronavirus (COVID-19) pandemic. Thanks to efficient and quick action, the planned work was carried out. Good organisation of remote work allowed for further development of front-end systems while ensuring a high level of security and compliance with regulatory requirements. The banking systems were extended with the possibility of handling the Government Anti-Crisis Shield.

Development activities carried by the New Technology and Cybersecurity are focused mainly on two areas:

- Projects for business lines - support for achieving their sales goals as part of the second stage of Bank Transformation;
- Projects related to day-to-day operations, including increasing the agility of the organisation and adaptation to the dynamically changing Cyber Security and infrastructure conditions.

Key IT projects within particular areas in the first half of 2021

I. BUSINESS LINES PROJECTS	
Retail Banking and Personal Finance	<ul style="list-style-type: none"> ▪ Providing the Bank's customers with the mojeID (myID) service, i.e. the possibility to confirm their identity via the Internet, including the creation of a Profil Zaufany (Trusted Profile); ▪ Continuous improvement of the GOMobile application and the GOonline environment through the provision of new functionalities, such as convenient application for new products or changes to existing products, the ability to repay loans from a different bank account or self-service functions such as generating bank confirmations; ▪ Continuous development of the GOone application supporting customer service in Branches and Contact Centres with new capabilities, including a universal mechanism for digital signing of bank documents, extensions of mobile onboarding processes for further customer groups, provision of the ability to register complaints in the new GObetter system for handling bank complaints; ▪ Adaptation of banking systems to legal and regulatory requirements for handling PFR Shield, 500+ and Good Start applications in timely manner; ▪ Launch and continuous improvement of the GOinvest system to support advisers in handling investment products offered to Clients.
Corporate and SME Banking	<ul style="list-style-type: none"> ▪ Credit Process - implementation of a new e-Termsheet application for the SME sector, which enables automation of activities in the credit process in terms of preparation and approval of credit decisions, preparation of credit documentation and monitoring of contract terms. ▪ Onboarding and after-sales services - implementation of a solution that handles the beneficial owner's VAT documents. ▪ Syndicated Loans - launch of a new tool to automate the processing of syndicated loans.
Corporate and Institutional Banking	<ul style="list-style-type: none"> ▪ Development of the GOFx trading platform with functionalities enabling the customer to react more quickly to the changing environment. The functionalities include, among others, faster access to currency rates, the ability to split transactions. ▪ Development of the FXPLUS trading platform to support foreign payments for customers without accounts in those foreign currencies, including exotic ones. ▪ The implementation of a new product in the Bank's offering, the Fixed Rate Loan, through the use of the IR CAP mechanism, customers will be able to hedge loans against interest rate increases.



II. PROJECTS RELATED TO THE BANK'S DAILY OPERATIONS

Cross-cutting projects for business lines and regulatory projects

- **NDOD** - implementation of changes in IT systems, in particular implementation of the New Definition of Default (NDOD) risk application to ensure compliance with European Banking Authority (EBA) regulations.
- **BigData** - development and improvements of the Hadoop platform, including: optimisation of DSA (Data Storage Area) data management processes allowing for a 30% reduction in storage occupancy, implementation of DSA rights management via the OneIDM system.
- **Implementation of central SMS integration** - a set of services has been made available to enable comprehensive support of the Bank's communication with customers via SMS. The provision of already predefined, centrally available services ensuring sending, delivery status and authorization tokens significantly lowers the threshold for joining the use of the offered services. Currently, any area can join the use of the services offered without the need for additional development.
- **SWIFT complaint analysis** - reduce SWIFT complaint handling time by 80% by using AI and Big Data algorithms to automate the process of analysing and verifying complaint requests - the system analyses SWIFT messages on a daily basis, indicates their handling path on an ongoing basis, and handles and closes some of them on its own.

Infrastructure projects

- Implementation of a modern, virtualized, automated and scalable hardware platform for banking systems.
- IT monitoring - increase the number of applications covered by IT monitoring.
- Optimisation of the database refresh process on test environments.
- Update and expansion of the ServiceNow platform supporting IT and business processes in the Bank.

Cyber-security projects

- Readiness of Multi-Factor Authentication solution for implementation for Bank business applications achieved.
- Taking SOC security monitoring for Linux servers and databases to an even higher level.
- Taking security to an even higher level in the software development cycle: Installation and configuration of an environment for Fortify - Static Application Security Testing.
- Expanding the scope of privileged identity management in CyberArk (new solutions for Windows, Unix / Linux, ESX, development of glass break procedure).
- New security clauses in IT outsourcing contracts (risk monitoring requirements).
- Launch of Security Form application replacing MS Excel for risk classification and assessment of information systems.
- Defining and agreeing with DevOps action plans for the comprehensive implementation of security requirements for all key systems;
- Preparation of a series of webinars for Bank employees from the "sensitive population" group (Supervisory Board members, Management Board).
- Facebook "red light" customer awareness campaign - 10 educational videos and articles.
- Workshop for call centres on handling scenarios related to e-banking fraud.



6.12. Operations and business support area

MAIN ACTIVITIES WITHIN OPERATIONS AND BUSINESS SUPPORT AREA IN FIRST HALF OF 2021	
COVID-19	<ul style="list-style-type: none"> The branches and buildings of the Head Office have been adapted to work under pandemic conditions and are also prepared for the return of staff to hybrid work. Disinfection (ozonation) of office areas and branches was carried out on an ongoing basis, employees were provided with personal protective equipment
OPERATION TRANSFORMATION PROJECTS	<ul style="list-style-type: none"> The implementation of the <u>New Operations Model</u> aimed at improving process efficiency, collaboration and NPS growth has been initiated. The programme consists of three pillars: Optimisation, Partnership and Efficiency within which among others a transparent form of collaboration with branches was introduced in the first half of 2021. Activities related to the creation of competence matrices, measurement of processes, setting new KPIs, construction of multiskilling (a process enabling quick response to increased volume of instructions submitted by customers) were continued.
BRANCHES AND HQ TRANSFORMATION PROJECT	<ul style="list-style-type: none"> 2021, 13 branches were closed and more were adapted to serve people with disabilities. The Bank has obtained a total of 61 "Barrier-free Facility" Certificates issued by the "Integracja" (Integration) Foundation. Space in the Warsaw head office was optimised (Prime Grzybowska building) and the Bank's newly opened head office in Warsaw was adapted to allow employees to return in hybrid mode.
OPTIMIZATION PROJECTS	<ul style="list-style-type: none"> In the first half of 2021, 28 new robotised processes have been implemented. Redesign of E2E processes within business areas and branches for corporate and mortgage lending, KYC and depaperwriting, among others. As part of CSR and sustainable development strategy, the Bank implemented green solutions. An agreement for the purchase of electricity from renewable sources (hydroelectric power plants) was signed. Within the eco-fleet the Bank owns 3 electric cars and 218 hybrid ones, which accounts for 12% of the total car fleet. EV chargers were installed in Warsaw and a campaign to sell furniture from liquidated Head Offices was implemented. A revision of the Car Policy is in preparation, taking into account the development of EcoFleet. New EVA chatbot modules have been commissioned, improving communication between the Bank's branches and the operations division. The implementation of an integrated multi-module system to handle processes and transactions in the Bank's own business area is initiated.

6.13. Cooperation with financial institutions

As at 30 June 2021, the Bank was a correspondent bank of ca. 1,000 other banks and held 56 nostro accounts for 25 major currencies in other banks.

In the analysed period, the Bank extended its activity in terms of maintenance of loro accounts by taking over 16 accounts from BNP Paribas Branch in Poland, thus the Bank maintains 34 loro accounts denominated exclusively in PLN for foreign banks. Loro accounts maintained in the Bank's books constitute an external source of sourcing cost-free working capital for the Bank's operations. Such accounts are used mainly for purposes of customer and bank-to-bank transfers.

In the first half of 2021, the Bank continued its cooperation with other domestic and international financial institutions, including investment funds, insurance companies, pension fund companies, brokers and banks, which enabled the conclusion of a wide range of treasury and deposit transactions. A number of contracts were concluded with new and existing contractors from these segments and actions were taken towards the signing of new contracts, in line with ISDA and Polish Bank Association recommendations.



6.14. Entities of the BNP Paribas Bank Polska Group in the first half of 2021

BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.

BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A. ("BNPP TFI", "the Company") has been carrying out business in the financial services industry since 1992. Before that date, it was active on the Polish capital market as a brokerage house.

BNPP TFI operates based on the authorization of the Polish Financial Supervision Authority regarding investment fund establishment and management, as well as intermediation in sale and redemption of units and shares in foreign funds.

In the first half of 2021, the following significant events occurred in relation to the company's operation:

- distinctions for funds managed by the Company, awarded by the industry portal Analityka Online: (i) BNP Paribas Lokata Kapitału - awarded the prestigious Alfa 2020 award, in the category of the best fund of Polish corporate securities, (ii) BNP Paribas Konserwatywnego Oszczędzania - awarded in the category of Polish debt securities funds, (iii) BNP Paribas Obligacji - awarded in the category of Polish long-term debt securities;
- the Company participated in the final, fourth stage of the implementation of the Employee Capital Plans (PPK) programme concerning companies with less than 20 employees and public finance sector entities. The completion date for the implementation of ECP has been set for April/May 2021.

As at 30 June 2021, the Company managed the following funds:

- **BNP Paribas FIO** (until 15 January 2020 the fund existed as BGŻ BNP Paribas FIO) - it started its operations in March 2016. It comprises 7 sub-funds with a diversified investment policy, which enable customers to invest in various classes of assets, both on the local and global market. BGŻ BNP Paribas FIO also offers an Individual Retirement Account: BNP Paribas - IKE and an Individual Pension Insurance Account: BNP Paribas - IKZE. As at the end of June 2021, assets under management totalled approx. PLN 4,163.5 million.
- **BNP Paribas Parasol SFIO** (until 29 September 2019 the fund existed as BGŻ SFIO) – it was taken over by the company from Ipopema TFI in January 2016, once a relevant authorization had been granted by the Office of Competition and Consumer Protection. It comprises three. As at the end of June 2021, assets under management totalled approx. PLN 591.4 million.
- **BNPP FIO** (until 29 September 2019 the fund existed as BNP Paribas FIO) - it entered the Polish market in 2005. It comprises three sub-funds investing mainly in the Polish market. As at the end of June 2021, assets under management totalled PLN 59.6 million.
- **BNP Paribas Premium SFIO** (until 3 February 2020 the fund existed as Spektrum SFIO) - created in July 2014, with four separated sub-funds (one of them, BNP Paribas Aktywny, is being liquidated). Fund management was acquired as a result of the merger with Riviera TFI. The value of assets at the end of June 2021 amounted to PLN 71.6 million.
- **FWR Selektywny FIZ** - created in May 2014, fund management was acquired as a result of the merger with Riviera TFI. The value of the fund's assets at the end of June 2021 was PLN 3.9 million.
- **BNP Paribas PPK SFIO** with nine sub-funds (defined date funds) intended for clients Employee Capital Plans. The value of assets at the end of June 2021 amounted to PLN 89.5 million.

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

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

in PLN'000	30.06.2021	31.12.2020	31.12.2019
Balance sheet total	38,568	36,748	37,781
Long-term investments	47	44	327
Equity	30,906	30,087	29,066
including: net financial result	1,796	1,086	54



The share capital of BNPP TFI amounts to PLN 16,692.9 thousand and is divided into 695,538 shares with the par value of PLN 24.00 each. As at 30 June 2021, its equity totalled PLN 30.9 million and was sufficient to ensure security of the entity's daily operations.

As at 30 June 2021, assets under management of BNPP TFI totalled PLN 4,979 million (compared to PLN 4 million at the end of 2020), which means that the value of assets increased by almost 25%. The increase in the value of assets was observed despite the situation related to SARS-CoV-2 epidemic. The epidemic has had a negative impact on financial markets, where there was a lot of anxiety. In the first half of 2020 almost all of asset classes experienced a significant loss. This situation has also caused the reduction of the value of participation units of the funds managed by the Company and urged customers to withdraw their savings from funds and convert them into cash. The value of redemptions of fund units recorded by the investment fund market was one of the highest in history. However, the second half of 2020 and the first half of 2021 brought an improvement. Interest rate cuts by central banks and improved sentiment in financial markets resulted in increased inflows into investment funds.

BNPP TFI recorded year-to-date net inflows of PLN 925.4 million and in the first half of 2021 the positive net financial result amounted to PLN 1,796 thousand.

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.

In view of the situation related to the COVID-19 pandemic, one of the most significant risk factors was the compliance of customers with the timely repayment of their obligations to the Company. As a result of the measures taken, i.e. extending the repayment of instalments or intensifying repayment monitoring and debt collection activities, the Company managed to maintain a comparable quality of its portfolio compared to December 2020, limiting the impact of the pandemic on credit risk costs.

After a sales-weakened 2020, when the value of new contracts fell significantly short of financial plans, 2021 brought a significant recovery, with the Company regularly achieving or exceeding the levels of new contracts planned for the first half of the year. The recovery was mainly driven by the economic recovery and increased levels of investment in the corporate sector, resulting in the industry as a whole recording marked increases in the volume of financed assets. The automotive and agricultural machinery sectors performed particularly well during this period.

To summarise the first half of 2021, the Company has concluded 11,700 agreements for PLN 1,545,400 thousand, which was an increase of 97% compared to the first half of 2020.

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

in PLN'000	30.06.2021	31.12.2020	31.12.2019
Balance sheet total	4,447,976	4,028,835	3,439,131
Long-term investments*	4,087,238	3,610,100	3,139,626
Equity	3,760	1,459	(2,752)
including: net financial result	2,302	4,211	(9,996)

* *receivables due to granted financing*

The portfolio of financed assets grew to a record level, exceeding PLN 4 billion, and the value of revenue in the period under review was PLN 40.3 million compared to PLN 34 million in the same period last year.

For the six months of 2021 the Company recorded a net profit of PLN 2,302 thousand, thus maintaining a positive equity balance. Despite the pandemic situation, the value of the Company's assets at the end of the first half of 2021 increased by 10% compared to the end of 2020.

In 2021 the Company signed a €200 million loan agreement with the European Investment Bank ("EIB") to support asset financing for small and medium-sized enterprises. The financing is expected to commence in the third quarter of 2021.



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 IT services** for the development of applications as well as for banking and financial systems for entities from the BNP Paribas Group;
- comprehensive **management of loyalty programs** for parties connected with the Bank and for Bank's Clients;
- **providing marketing services** for employees of the Bank's partners, Bank's Clients and Bank's employees.
- **services auxiliary to insurance brokerage**, consisting in administration and performance of group insurance contracts made by the Bank;
- **agency services** for insurance services.

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

in PLN'000	30.06.2021*	31.12.2020	31.12.2019**
Balance sheet total	41,591	42,246	45,401
Short-term investments	33,123	34,364	35,644
Equity	37,440	34,411	38,926
including: net financial result	3,029	8,515	13,032

* - non-audited data

** - including the effects of the merger with BNP Paribas Financial Services Sp. z o.o., where BNPP GSC acted as the acquirer

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.

Until the end of November 2020, BNP Paribas Solutions Sp. z o.o. held the status of a National Payment Institution (under the authorisation of the Polish Financial Supervision Authority dated 22 September 2015), which authorised it to keep payment records and to carry out interbank transfers by its customers. 1 December 2020 the Company relinquished its status as a National Payment Institution in connection with the closure and termination of its currency exchange and fast transfer platform - Rkantor.com.

Currently Company's business is focused exclusively on providing services related to software development and consulting in the area of information technology, data processing and website management (hosting). As an important part of the innovation ecosystem of BNP Paribas Bank Polska, the Company carries out a number of open banking projects. Examples of currently running projects include:

- development of API in compliance with PSD2 requirements,
- building CRM applications and applications for syndicated loans (LEAF),
- developing an online transaction platform for currency exchange (New FX PI@net).

In accordance with the resolution of the Extraordinary General Meeting of Shareholders, the Company's share capital in June 2020 was increased by PLN 1.5 million through creating 3,000 new shares. The Company's share capital currently amounts to 4.05 million and is divided into 8,100 equal and indivisible shares with a nominal value of PLN 500 each.

As a result of the recognition of costs incurred in connection with the closure of the www.Rkantor.com FX platform, the Company recorded a net financial loss in 2020. The net loss for 2020 resulted in a negative equity value. In the current circumstances, the Group does not intend to recapitalise 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 subjected to the prudential regulation of the FSA's capital standards.



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

in PLN'000	30.06.2021	31.12.2020	31.12.2019
Balance sheet total	6,591	4,316	74,419
Short-term investments	4,433	1,339	69,701
Equity	(1,632)	(1,236)	2,989
including: net financial result	(396)	(5,725)	(660)

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 disposed of its property.

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

in PLN'000	30.06.2021*	31.12.2020	31.12.2019
Balance sheet total	26,359	42,587	56,824
Long-term investments	0	0	56,577
Equity	26,356	42,426	48,238
including: net financial result	(96)	(5,812)	549

* - 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 ongoing pandemic and the imposed restrictions, the Company introduced the preparation of takeaway catering services, including meals for medics from the covid ward of the hospital in Sochaczew. Since May this year, the Company has been trying to adapt its activities to external conditions, basing its offer primarily on the offer for individual customers, providing accommodation services, running an open-air restaurant, recreational activities, family parties and, on a much smaller scale, wedding receptions and small turnout groups.

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.



7. Key risks management



7.1. 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 (including country risk, residual risk, settlement risk and concentration risk);
- counterparty risk;
- market risk;
- interest rate risk in the banking book;
- liquidity and financing risk;
- operational risk (including legal risk, compliance risk, business continuity risk and IT risk);
- business risk (including financial result risk and strategic risk);
- reputation risk;
- model risk;
- insolvency risk (including leverage risk);
- 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 conclusion of 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 the use of 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. Liabilities are dominated by short-term fixed-rate deposits and current and savings accounts. On the active side, the Group offers the following credit products: mortgage loans, cash loans, credit cards, overdrafts, investment and working capital loans, preferential loans with subsidies, factoring, leasing, guarantees, foreign trade financing 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.



7.2. Key risks

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 officers, independent of the business staff,
- 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 subsidiaries;
- 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 the first half of 2021, the Bank continued a number of activities concerning, inter alia:

- the possibility for customers to request temporary deferrals of repayments of principal and interest on loans under non-statutory and statutory moratoria,
- review of the loan portfolio with particular attention to sensitive industries, which are particularly hard hit by the consequences of the pandemic.

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

The Bank has also started cooperation 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 has provided customers with the technical capability to apply for funding from these programmes via electronic banking.

In the period from mid-January 2021, to the end of March 2021, the Bank focused on making the fullest possible use of available customer assistance programmes (non-statutory/private and statutory moratoria), including granting temporary deferment of instalments on loans, processing customer requests on an ongoing basis. After 31 March 2021, customer requests for deferment of instalments could only be submitted and processed in terms of statutory moratoria.

The Bank has monitored the behaviour of exposures covered by moratorium support. Exposures subjected to statutory credit holidays are transferred to Phase 3. For exposures subjected 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 30.06.2021, the total gross value of loans and advances covered by ongoing and expired moratoria of the Group amounted to PLN 6,558,507 thousand, of which statutory moratoria amounted to PLN 233,129 thousand. The balance of expired moratoria at the end of the first half of 2021 amounted to PLN 6,397,415 thousand and the balance of active moratoria amounted to PLN 161,092 thousand.

As part of the response to the COVID-19 situation in the first half of 2021, the Group introduced changes in the identification of a significant increase in risk. The group monitors the behavior of the exposures supported by moratoria. In the first half of 2021, the Bank offered non-statutory moratoria in the period from January 18, 2021 to March 31, 2021.



Restructuring and debt collection

In the first half of 2021, the Bank recovered a total of PLN 422.4 million of receivables, of which:

- PLN 134.8 million - as a result of debt collection activities (corporate entities – PLN 13.5 million, SME – PLN 14.3 million, micro-enterprises – PLN 44.3 million, individual customers – PLN 52.2 million, mortgage loans – PLN 10.5 million);
- PLN 234.5 million – as a result of portfolio restructuring (corporate entities – PLN 132.4 million, SME – PLN 102.1 million);
- PLN 53.1 million – as a result of sale of the 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 the first half of 2021, the limits specified in Article 395 of the EU Regulation No. 575/2013 were not exceeded and the Bank's exposure to financing customers / groups of customers with capital or organisational links does not exceed the exposure concentration limit. The Bank's largest exposure was 21.68%

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 the first half of 2021, similarly as at the end of 2020, is characterised by concentration towards such industries as: Agriculture, Forestry, Hunting and Fishing (according to the section defined in PKD). As at the end of the first half of 2021, they accounted for 25% of the Bank's exposure towards institutional clients, while in at the analogical period-end of the previous year they constituted also 25% of the Bank's exposure.

As at the end of first half of 2021, the largest share of non-performing loans was observed in the following industries: Culture, Entertainment and Recreation activities (21.6%), Hotels and Restaurants (21.1%).

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

During the first half of 2021, the Bank continued its conservative policy concerning country risk. Country limits have been reviewed periodically and the limit level modified to match precisely the anticipated business needs and risk appetite of the Bank.

As at the end of June 2021, transactions related to foreign credit activity of the Bank represented 51% of the Bank's exposure toward countries, treasury transactions (including deposits and derivatives) represented 25%, while the remaining part, i.e. 24%, was related to international trade transactions (letters of credit and guarantees). France accounted for 40% of the exposure, Luxembourg for 16%, the Netherlands and Belgium for 8% each, Czech Republic for 6% and Switzerland for 5%. The remaining exposures were concentrated in the Italy, Germany, UK, and Turkey.

Counterparty risk

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



As at the end of June 2021, 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 caused by COVID-19 and the related turbulence in the market for financial instruments forced a significant reduction in open interest rate positions. However, this did not adversely affect the realisation of the assumed budget in the first half of 2021. In addition, in the second quarter the Bank started to maintain an open position in interest rate options after obtaining the required approvals from the Financial Supervision Authority in order to be able to offer customers better pricing conditions for this product and to be able to hedge positions arising from embedded customer options.

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 30 June 2021. Utilisation of set limits is below the maximum values.

Table 35. Interest rate gap (in PLN million)

term	gap
1M	(11,306)
3M	10,066
6M	(338)
1Y	(5,618)
2Y	(8,929)
3Y	(11,831)
5Y	(13,339)
10Y	(1,381)



The average length of capital investment and non-interest bearing current accounts as at 30 June 2021 was exceeding 5.6 years.

The sensitivity of interest income at interest rate curves shifts by +50bp as at 30 June 2021 is presented in the table below:

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

1st year	2nd year	3rd year
28.9	30.1	40.8

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

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

scenario	PLN million	% of own funds
+200bp	-717.4	-4.52%
-200bp	+339.6	+2.14%

As at 30 June 2021, 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 6M, EURIBOR 3M, EURIBOR 1M, USD LIBOR 6M, USD LIBOR 3M.

As at 30 June 2021, the Group applies fair value hedge accounting (micro 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 the fixed coupon bond PS0422. 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.

As at 30 June 2021, the Group applies cash-flow hedge accounting. The hedged risk is interest rate risk and in particular changes in the cash flows of the hedged item caused by changes in a specified reference rate. The hedged items are: variable coupon bonds WZ1131. The hedging instruments are plain vanilla interest rate swaps (IRS) in PLN, under which the Bank receives a fixed interest rate and pays 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 June 2021, the Bank financed a portfolio of mortgage loans in CHF with funds in EUR and USD by concluding medium- and long-term foreign exchange transactions.

Loan financing structure

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

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

Table 38. Structure of loan portfolio financing

in PLN million	30.06.2021
Net loans and advances	75,743
Total sourcing of funding	107,515
Customer deposits, including:	97,038
- retail customers	43,423
- corporates	49,555



in PLN million	30.06.2021
- non-banking financial institutions	2,706
- public sector institutions	1,354
Amounts due to banks	1,391
Debt securities issued	0

As at 30 June 2021, compared to December 2020, the amount of wholesale funding received from the BNP Paribas Group remained at the same level. The Bank finances its foreign currency loans with deposits accepted from customers using, if necessary, foreign exchange transactions. In case of a necessity, the Bank may use funds from medium and long-term loans from the BNP Paribas Group, which provides stable financing to cover currency shortages in EUR, USD or CHF.

As at 30 June 2021, the structure of open long-term lines of credit was as follows:

Table 39. Structure of loans from the BNP Paribas Group

in million	30.06.2021
CHF	150
EUR	200
PLN	2,740

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

in million	30.06.2021
PLN	131

The net liquidity coverage ratio (LCR) at the end of June 2021 equaled 203%, which constitutes an increase of 22 p.p. as compared to the end of 2020 (181%). The increase in the LCR measure is mainly due to the designation of the operational part of the corporate current accounts.

In addition, in the process of securitisation of the loan portfolio, the Bank received financing of the total amount of PLN 1,040.5 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 line with the rules binding at the Bank.



8. Investor information



8.1. Shareholder structure and share prices of the Bank

Shareholders

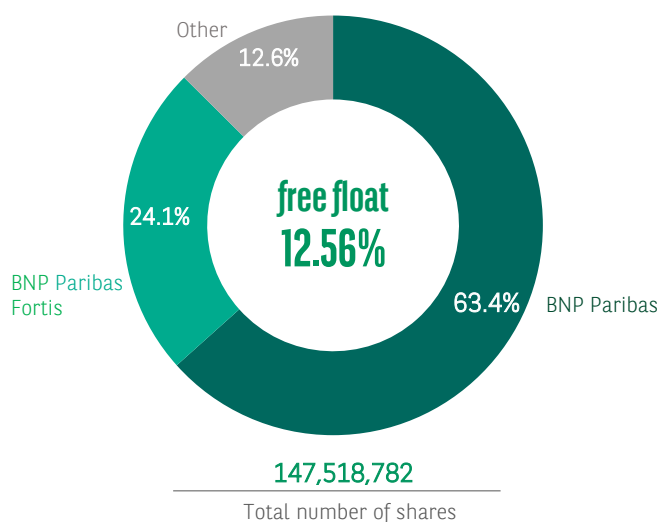
As at 30 June 2021, there were two shareholders with at least 5% of the total number of votes at the General Shareholders' Meeting: BNP Paribas and BNP Paribas Fortis SA/NV, jointly holding 88.44% of votes. The remaining part of the Bank's shares (12.56%) is in free float.

The changes that took place in the shareholder structure of the Bank in the first half of 2021 are described in the *Shares and shareholders* Chapter of this Report. 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.

The shares are included in mWIG80 and mWIG80TR indices.

Chart 14. Shareholder structure as at 30.06.2021



BNP Paribas Group

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

which operates in three key areas:

- **Retail Banking** - brings together all the Group's retail activities and specialised business lines,
- **Investments & Protection Services** - includes specialist companies offering a wide range of savings, investment and insurance services,
- **Corporate & Institutional Banking** - offers tailored financial solutions for corporate and institutional clients.

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

BNP Paribas Group operates in 68 countries and employs over 193,000 people, including 148,000 in Europe.



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

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

At the beginning of June this year, a transaction took place to sell part of the Bank's shares held by BNP Paribas SA. The transaction is described below in section: *Changes in the shareholder structure in the first half of 2021*.

Shares and Shareholders

Shareholder structure of the Bank

As at 30 June 2021, the structure of the shareholders of BNP Paribas Bank Polska S.A., specifying those holding at least 5% of the total number of votes at the General Shareholders' Meeting (GSM), was as follows:

Table 41. Shareholder structure as at 30.06.2021

Shareholder	number of shares	interest in share capital	number of votes at the General Shareholders' Meeting	% share in the total number of votes at the General Shareholders' Meeting
BNP Paribas, in total:	128,991,553	87.44%	128,991,553	87.44%
<i>BNP Paribas Directly</i>	93,501,327	63.38%	93,501,327	63.38%
<i>BNP Paribas Fortis SA/NV directly</i>	35,490,226	24.06%	35,490,226	24.06%
Other shareholders	18,527,229	12.56%	18,527,229	12.56%
Total	147,518,782	100.00%	147,518,782	100.00%

As of 30 June 2021, the Bank's share capital amounted to PLN 147,519 thousand.

The share capital is divided into 147,518,782 shares with the par value of PLN 1.00, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 series shares, 8,000,000 G series shares, 5,002,000 H series shares, 28,099,554 I series shares, 2,500,000 series J shares, 10,800,000 K series shares, 49,880,600 L series shares and 99,864 M series shares.

The Bank's shares are ordinary bearer and registered shares (as at 30 June 2021, 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.

Changes in shareholder structure in the first half of 2021

On **6 April 2021**, under the settlement orders referred to in §6 of the Detailed Rules of Operation of the National Depository for Securities, 99,864 M series ordinary bearer shares of the Bank, with a par value of PLN 1 each ("M Series Shares"), were registered with the National Depository for Securities and admitted to trading by the Warsaw Stock Exchange, and M Series Shares were recorded in the securities accounts of the eligible persons.

M Series Shares were issued under a conditional increase of the Bank's share capital pursuant to Resolution No. 5 of the Bank's Extraordinary General Meeting of 31 January 2020, as amended by Resolution No. 37 of the Bank's Annual General Meeting of 29 June 2020. M Series Shares were subscribed in exercise of the rights attached to A series registered subscription warrants, each of which gave the right to subscribe for one M Series Share.



Pursuant to Article 451 §2, second sentence of the Commercial Companies Code, the allotted M Series Shares entered into force upon their entry in the securities accounts of the eligible persons.

In view of the above, pursuant to Art. 451 §2 in connection with Art. 452 §1 of the Code of Commercial Companies, rights from a total of 99,864 M Series Shares of the total nominal value of PLN 99,864 were purchased and the share capital of the Bank was increased from the amount of PLN 147,418,918 to PLN 147,518,782.

The total number of votes resulting from all shares of the Bank is 147,518,782. The number of votes resulting from the allotted M Series Shares is 99,864.

The value of the conditional increase of the share capital after the issuing of the M Series Shares amounts to PLN 476,136.

2 June 2021, a notice from two shareholders of the Bank, BNP Paribas SA and Rabobank International Holding B.V. (the "Shareholders"), in which the Shareholders announced the completion of an accelerated bookbuilding process ("ABB") for the sale by the Shareholders of not more than 7,472,786 ordinary bearer shares in the Bank, representing in aggregate not more than 5.07% of the Bank's share capital and representing not more than 5.07% of the total voting rights in the Bank (the "Sale Shares").

According to the Notice, as a result of the ABB process, the total number of Sale Shares was determined to be 7,472,786, representing 5.07% of the shares in the Bank's share capital and in the total number of votes in the Bank, of which:

- BNP Paribas SA will sell 1,858,911 Sale Shares, which represent 1.26% of shares in the Bank's share capital and in the total number of votes at the Bank, and
- Rabobank International Holding B.V. will sell 5,613,875 Sale Shares, representing 3.81% of the shares in the Bank's share capital and in the total number of votes in the Bank.

Upon settlement of the sale of the Sale Shares under the ABB process:

- BNP Paribas SA directly holds 93,501,327 shares of the Bank representing 63.38% of the total number of shares and votes at the Bank, and together with other entities of the BNP Paribas SA capital group controls a total of 128,991,553 shares of the Bank representing 87.44% of the total number of shares and votes at the Bank,
- Rabobank International Holding B.V. does not hold any shares of the Bank.

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

The shareholding structure of BNP Paribas Bank Polska S.A. and rights to shares owned by the members of the Bank's Board of Executives and Supervisory Board as at the date of publishing the report for the first quarter of 2021 (13.05.2021) and this report for the first half of 2021 (12.08.2021) is presented below.

Table 42. Number of shares/subscription warrants held by members of the Bank's Management Board

Bank's Management Board member	Shares* 13.05.2021	Sale of shares	Shares 12.08.2021	Subscription warrants** 12.08.2021
Przemysław Gdański	7,989	0	7,989	9,148
Jean-Charles Aranda	2,211	2,211	0	2,338
Andre Boulanger	0	0	0	3,129
Przemysław Furlepa	4,458	0	4,458	2,722
Wojciech Kembłowski	5,127	5,127	0	3,195
Kazimierz Łabno	2,542	0	2,542	1,862
Magdalena Nowicka	0	0	0	0
Volodymyr Radin	614	0	614	895

* M series shares subscribed on 6 April 2021 in exercise of rights attached to A1 series subscription warrants (A1 series registered subscription warrants were subscribed on 8 March 2021; one warrant entitled to subscribe for one M series ordinary bearer share of BNP Paribas Bank Polska S.A., at the issue price of PLN 1.00 per share); in the case of Mr Przemysław, the number of M series shares subscribed was 7,489 units, the number of shares purchased on the WSE share market was 500 units

** A2 series subscription warrants subscribed on 25.03.2021 - one A2 series warrant entitles to subscribe for one M series ordinary bearer share of BNP Paribas Bank Polska S.A., at the issue price of PLN 1.00 per share; the number of shares held by particular members of the Board of Executives has not changed since the previous report publication date, i.e. 13.05.2021



The members of the Bank's Supervisory Board did not declare holding any shares/privileges in BNP Paribas Bank Polska S.A. as at 30 June 2021 and as at the publication date of this semi-annual report, i.e. 12 August 2021, which has not changed since the date of submitting the quarterly report for the first quarter of 2021, i.e. 13 May 2021.

8.2. Share prices

At the session on 30 June 2021, the closing price of the Bank's shares was PLN 64.00, an increase of 32.51% compared to 30 June 2020. During the same period the WIG-Banks index increased by 57.51%. The factor that significantly affected the stock price in 2020 were the changes in the pandemic situation and expectations about the impact of the freezing of the economy on the performance of companies, including banks. A clear fall in quotations occurred in mid-March 2020 with the start of the first wave of the pandemic in Poland (on 10 March 2020 the Bank's share price was PLN 60.40, on 20 March 2020 it was PLN 48.00). The second and third quarters did not improve, and the minimum for the period June 2020-June 2021 was recorded on 30 October (PLN 33.10), with the increase in the number of illnesses and uncertainty about the scale and duration of renewed sanitary restrictions. A permanent trend reversal did not occur until November and persisted until mid-March 2021 (local maximum for Bank shares on 17 February: PLN 74.20). The second and third quarters did not improve, and the minimum for the period June 2020-June 2021 was recorded on 30 October (PLN 33.10), with the increase in the number of illnesses and uncertainty about the scale and duration of renewed sanitary restrictions. A permanent trend reversal did not occur until November and persisted until mid-March 2021 (local maximum for Bank shares on 17 February: PLN 74.20). The first quarter of 2021 ended with a correction of the Bank's stock price and a drop below PLN 60 per share. The second quarter of 2021 brought a continuation of the upward trend, ending with the establishment on 31 May 2021 of the maximum for the period June 2020-June 2021 (PLN 74.60).

The Bank's share price was positively influenced by the consistent implementation of the strategy and the resilience of the business model to negative external conditions visible in 2020, evident, among other, in the effectiveness of adaptation measures to neutralise the negative impact of the coronavirus pandemic on the Bank's financial results.

In third quarter of 2020, the average daily share price remained at its lowest level in the analysed period (PLN 46.13). October was the worst month with the average at the level of PLN 38.12. The increase in the price in November and December allowed for a slight increase in the average of the fourth quarter to PLN 46.49. Despite fluctuations of quotations observed in subsequent quarters (decreases in the second half of March and in June), the first quarter of 2021 brought an increase in the average rate to the level of PLN 66.14, and the second quarter of 2021 to the level of PLN 68.08.

Average daily trading volume in the third quarter of 2020 remained low at 2,473.15 shares (comparable to the first two quarters of 2020). The reversal of negative trends observed in the fourth quarter of 2020 resulted in a doubling of the average daily trading volume to 5,784.13 shares, which, after falling to 3,529.19 shares in the first quarter of 2021, recovered to 5,767.40 shares in the second quarter of 2021.

Combined with changes in the average price, this was reflected in changes in the average daily trading value, which in the quarters under review amounted to respectively: PLN 109.46 thousand, PLN 261.45 thousand, PLN 224.02 thousand and PLN 379.50 thousand. On the session on September 18, 2020 the maximum trading volume (84,909 shares) was recorded and on the session on March 19, 2021 the maximum trading value (PLN 4,612.87 thousand) for the period June 2020-June 2021 was recorded.

In addition to the apparent increase in trading volumes, the increase in investor interest in the Bank's shares is evidenced by the accelerated bookbuilding process carried out at the beginning of June 2021 to sell all the shares held by Rabobank International Holding B.V. and part of the shares held by BNP Paribas SA (representing 1.26% of the Bank's share capital). Upon completion of these transactions, the total percentage of shareholders holding less than 5% of the Bank's share capital increased to 12.56%.



Chart 15. The Bank's share price and turnover from 30.06.2020 to 30.06.2021

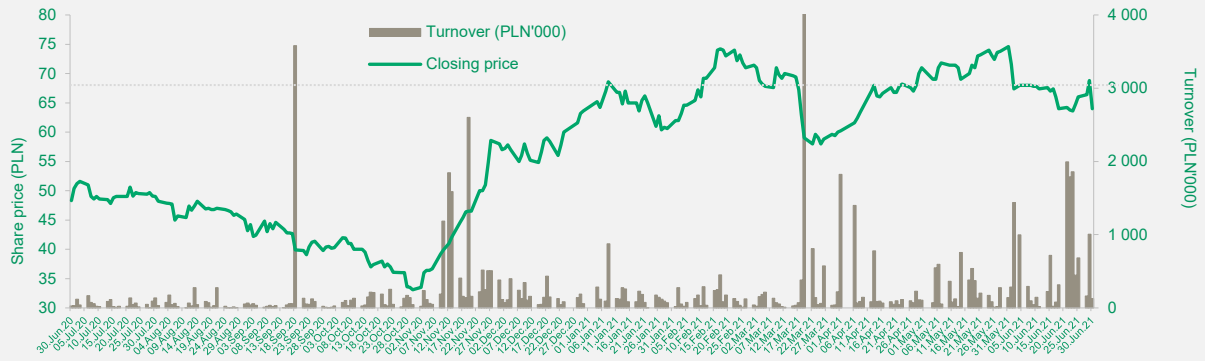
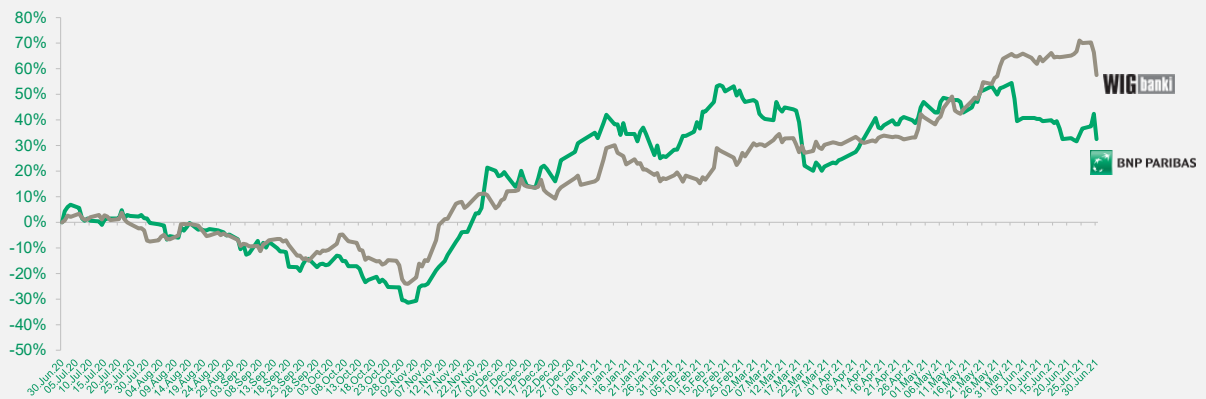


Chart 16. Change in Bank's share price vs. WIG-Banks from 30.06.2020 to 30.06.2021 (30.06.2020 = 100%)





8.3. Statutory bodies of the Bank

General Shareholders' Meeting

Two General Shareholders' Meetings of BNP Paribas Bank Polska S.A. were held in 2021:

- 24 March 2021** - Ordinary General Meeting of the Bank, which approved the financial statements, the management report and the non-financial information report of the Bank for 2020 submitted by the Management Board and the Supervisory Board. The General Meeting resolved on the distribution of net profit for 2020 (transfer of the entire profit to reserve capital) and discharged the members of the Management Board and the Supervisory Board for the performance of their duties in 2020 and, after prior approval of the individual and collective suitability assessments of the Supervisory Board, appointed the members of the Supervisory Board for a new tenure. In addition, the General Meeting presented an update on the CHF mortgage portfolio, including a preliminary analysis of the assumptions of the voluntary settlement programme.
- 17 June 2021** - the Bank's Extraordinary General Meeting (NWZ), which set the target number of members of the Supervisory Board of the new tenure, and after approval of the Supervisory Board's individual and collective adequacy assessments, appointed new members of the Bank's Supervisory Board (Ms Małgorzata Chruściak, Ms Géraldine Conti and Ms Khatleen Pauwels), and also adopted a resolution on determination of remuneration of the Supervisory Board members. Additionally, the EGM adopted a resolution on the approval of the Remuneration Policy for the Supervisory Board Members of BNP Paribas Bank Polska S.A. and the Remuneration Policy for Individuals with a Significant Impact on the Risk Profile of BNP Paribas Bank Polska S.A. (including the members of the Bank's Management Board). At the same time, the EGM gave a positive opinion on the Report on Remuneration of the Supervisory Board and Management Board of BNP Paribas Bank Polska S.A. for the years 2019 and 2020 presented by the Supervisory Board and amended the Bank's Statute and the Regulations of the General Meeting of BNP Paribas Bank Polska S.A. In addition, the General Meeting presented an update on the CHF mortgage portfolio, including a preliminary analysis of the assumptions of the voluntary settlement programme.

The General Meetings were streamed in real time over the Internet and the recordings are posted on the Bank's website in Polish and English.

Supervisory Board

Table 43. Composition of the Supervisory Board as at 30.06.2021 with the information on members' independence

Office held in the Supervisory Board	Full name of the Supervisory Board member
Chairman of the Supervisory Board	Józef Wancer
Vice-Chairman of the Supervisory Board	Lucyna Stańczak-Wuczyńska <i>Independent member</i>
Vice-Chairman of the Supervisory Board	Jean-Paul Sabet
Member of the Supervisory Board	Jarosław Bauc <i>Independent member</i>
Member of the Supervisory Board	Francois Benaroya
Member of the Supervisory Board	Stefaan Decraene
Member of the Supervisory Board	Magdalena Dziewguć <i>Independent member</i>
Member of the Supervisory Board	Vincent Metz
Member of the Supervisory Board	Piotr Mietkowski
Member of the Supervisory Board	Mariusz Warych <i>Independent member</i>

Changes in the Supervisory Board of the Bank in the period between 1 January and 30 June 2021:

- On 24 March 2021, the Ordinary General Meeting of the Bank appointed the above persons as members of the Supervisory Board for another five-year tenure. Ms Sofia Merlo did not stand for election to the Supervisory Board of the new tenure (she served as a member of the Supervisory Board until 24 March 2021),



- On 21 May 2021, Mr Stéphane Vermeire submitted a resignation from the position of the Member of the Supervisory Board of the Bank with the effect from 31 May 2021,
- On 2 June 2021, Mr Józef Wancer submitted a resignation from the position of the Member and the Chairman of the Supervisory Board of the Bank with the effect from 30 June 2021,
- On 17 June 2021, the Extraordinary General Meeting of the Bank appointed the above persons as members of the Supervisory Board from 1 July 2021 until the end of the current five-year joint tenure:
 - Ms Małgorzata Chruściak (independent member),
 - Ms Géraldine Conti,
 - Ms Khatleen Pauwels.

The competences and professional experience of the members of the Bank's Supervisory Board are presented on the Bank's website <https://www.bnpparibas.pl/english-info/bank-authorities>.

Table 44. Composition of the Supervisory Board and Supervisory Board Committees as at 30.06.2021

Full name	Office 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 Dzięwguć	Independent member				
Vincent Metz	Member				
Piotr Mietkowski	Member				
Mariusz Warych	Independent member	Chairman	Member		

Management Board of the Bank

Table 45. Composition of the Bank's Management Board as at 30.06.2021 and division of functional responsibilities of particular Board members

Full name	Office held in the Management Board of the Bank	Supervised area
Przemysław Gdański	President of the Management Board	Bank Management, Strategy & Agro Markets Area , including supervising the Internal Audit Line, Compliance Line, Marketing, Communication and Social Involvement Line, Legal Line, Strategy and Market Analysis Line, Agro-business Line, HR Area, Transformation Area
Jean-Charles Aranda	Vice-President of the Management Board	Finance Area , including Financial Accounting Line, Capital Management Department, Management Accounting and Investor Relations Line, Tax Department, Asset and Liability Management Line, Data Governance Department
André Boulanger	Vice-President of the Management Board	Banking (CIB) , including the Financial Markets Line, Strategic Clients Department (CIB), Support and Business Development Department (CIB) and the Trust Services Department *SME and Corporate Banking Area , including the Corporate Banking Sales Network Line, the International Corporates, Public Sector and Institutions Division, the Corporate Banking Credit Decision Department, the Business and Organisational Development Line, the Specialised Finance Line, the Cash Management Line, the SME Sales Network Management Line, the SME Product Development, Strategy and Credit Decision Line, the Leasing Department, the Trade Finance



Full name	Office held in the Management Board of the Bank	Supervised area
		Department, the Factoring Management Department, the Transaction Advisory Department, the Large Corporates Office
Przemysław Furlepa	Vice-President of the Management Board	Retail and Business Banking Area , including Sales Line, Internet Banking Line, Retail and Business Products Line, Credit Decision Department, Retail Banking Budgeting and Analysis Office, Wealth Management Department, Customer Relationship Development Department, Customer Transformation and Experience Development Department, Brokerage Office
Wojciech Kembłowski	Vice-President of the Management Board	Risk Area , including the SME and Agro Customer Risk Line, Systemic Risk Management Line, Corporate Restructuring and Recovery Line, Financial and Counterparty Risk Line, Operational Risk, Credit Control and Fraud Prevention Line, CIB and Corporate Risk Line, Retail and Micro-corporate Risk Line
Kazimierz Łabno	Vice-President of the Management Board	Operations and Business Support Area , including Operations Line, Real Estate and Administration Department, Operations Control Department, Central Procurement Department
Magdalena Nowicka	Vice-President of the Management Board	New Technologies and Cyber Security Area , including New Technologies, Architecture and IT Support Line, Central Functions IT Development Line, Corporate Banking and Capital Markets IT Development Line, Retail IT Systems Development Line, Project Portfolio Management and IT Organisation Department, Security and Business Continuity Management Line
Volodymyr Radin	Vice-President of the Management Board	Personal Finance (PF) Banking Area , including Consumer Finance Sales Line, Automotive - Personal Finance Sales Line, 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

* The SME and Corporate Banking area is temporarily supervised by Mr André Boulanger (for the period 8 March-31 August 2021 - until Ms Agnieszka Wolska becomes Vice-President of the Bank's Management Board).

The competences and professional experience of the members of the Bank's Management Board are presented on the Bank's website <https://www.bnpparibas.pl/english-info/bank-authorities>.

Changes in the Management Board of the Bank in the period between 1 January and 30 June 2021:

- On 8 March 2021, the Bank's Supervisory Board appointed the above-mentioned persons as members of the Bank's Management Board for a new three-year tenure, commencing after the Ordinary General Meeting of the Bank approving the financial statements for 2020 (i.e. 24 March 2021). Mr Jerzy Śledziwski did not apply for the position of Vice-President of the Management Board for a new term of office (he held the position of Vice-President of the Management Board until 8 March 2021).
- The Bank's Supervisory Board on 12 May 2021 appointed as of 1 September 2021. Ms Agnieszka Wolska to the position of Vice President of the Management Board supervising the SME and Corporate Banking Area.



8.4. Ratings

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

The Bank's ratings by Moody's Investors Service Ltd. ("the Agency") confirm the stable situation of BNP Paribas Bank Polska S.A., with the Bank's long-term deposit rating at Baa1 and short-term deposit rating at Prime-2, despite uncertainty over the development of the COVID-19 pandemic and potential settlements of CHF mortgage loan agreements.

Due to the steady improvement in the Bank's financial position, the Baseline Credit Assessment (BCA) is at ba1 level and the Adjusted Baseline Credit Assessment and Counterparty Risk Assessments are at Baa3 and A3(cr)/Prime-2 (cr) levels respectively.

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

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

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

8.5. Investor relations

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

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

A dedicated organisational unit within the Bank, the Investor Relations Office, is responsible for relations with shareholders, investors and other capital market participants. Important information for investors, Bank shareholders and analysts is available on the dedicated Investor Relations website <https://www.bnpparibas.pl/investor-relations>.

In 2021 the Bank made the digital version of its annual report available for the second time. The 2020 report is available at: <https://raportroczny.bnpparibas.pl/en/>.

In the first half of 2021, 9 financial institutions issued recommendations for the shares of BNP Paribas Bank Polska. At the end of June 2021, the Bank had 9 recommendations, of which 7 were "Buy" and 2 "Hold". The median of target prices from the recommendations amounted to PLN 76, i.e. it was higher than the share price as at 30 June 2021 (PLN 64) by 18.8%.



9. Other information



9.1. Legal cases

As at 30 June 2021, no proceedings had been instituted before courts, arbitration or public administration bodies with respect to the Bank's receivables or liabilities, the value of which would exceed 10% of the Bank's equity.

Court decision regarding calculation of the interchange fee

On 6 October 2015, the Court of Appeals issued a decision regarding calculation of the interchange fee by banks acting in agreement. Thus, the decision of the 1st instance (Regional) Court of 2013 was changed by dismissing the banks' appeals in whole, while upholding the appeal brought by the Office of Competition and Consumer Protection (UOKiK), which had questioned a considerable reduction in the fines by the 1st instance court. This denotes that the penalty imposed under the first decision of the President of UOKiK of 29 December 2006 was upheld. It involved a fine levied on 20 banks, including Bank BGŻ S.A. and Fortis Bank Polska S.A., for practices limiting competition by calculating interchange fees on Visa and MasterCard transactions in Poland in agreement.

The total fine levied on Bank BGŻ BNP Paribas (currently BNP Paribas Bank Polska S.A.) amounted to PLN 12.54 thousand and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9.65 million; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2.89 million. The penalty was paid by the Bank on 19 October 2015. The Bank brought a last resort appeal against the aforesaid court decision on 25 April 2016. By a ruling issued on 25 October 2017, the Supreme Court overturned the verdict of the Warsaw Court of Appeal and referred the case for reconsideration. Acquisition of the core business of Raiffeisen Bank Polska S.A. (RBPL) did not change the situation of the Bank as RBPL was not a party to this claim.

On 23 November 2020, the Court of Appeal overturned the judgment of the Court of First Instance and remitted the case for a fresh decision.

Corporate claims against the Bank (interchange fee)

As at 30 June 2021, the Bank received:

- 33 requests for settlement from companies (marchands), associated with interchange fees paid due to the use of payment cards (of which two businesses applied twice, one applied three times 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. As at the date of the report, the date of the court hearing in this case has not been set yet.

Legal proceedings concerning CHF credit agreements in the banking sector

More than a year after the judgment of the Court of Justice of the European Union in the CHF-indexed mortgage case (C-260/18), the number of lawsuits related to CHF mortgages against banks is gradually increasing. According to data from the Polish Bank Association (ZBP), the number of pending lawsuits related to CHF loan agreements reached almost 58,500 at the end of June 2021 compared to almost 39,000 at the end of 2020. This resulted, inter alia, in a significant increase in provisions for these proceedings created in 2020 as well as in the first half of 2021 by banks with CHF mortgage loan portfolios. The amount of provisions created by listed banks in 2020 amounted to approximately PLN 10.0 billion and in the first quarter of 2021 to approximately PLN 0.9 billion, translating into total provisions for this purpose at the end of 2020 of PLN 11.7 billion, and at the end of the first quarter of 2021 of over PLN 12.4 billion.

Proceedings instigated by the Bank's customers being parties to CHF denominated loan agreements

The carrying amount of mortgage loans granted to individual customers in CHF at 30 June 2021 was PLN 4.4 billion, compared to PLN 4.8 billion at the end of 2020.

As at 30 June 2021, the Bank was a defendant in 1,378 (736 new cases in the first half of 2021 and one case legitimately concluded) pending court proceedings (a total of 1,404 actions against the Bank was brought by the customers, including legitimately concluded cases), in which the Bank's customers demand to declare the mortgage loan contract is invalid in terms of granting a foreign currency loan or denominated to CHF by determining that the Bank granted a loan in PLN without denomination to a foreign currency or settlement of the loan due to invalidity of the agreement or depriving the executory title of enforceability, as well as the spread reimbursement. The Bank is not a party to any collective action that would involve such loan agreements. As at 30 June 2021, the total value of claims pursued in currently pending cases was PLN 507.0 million (as at 31 December 2020 it was PLN 217.8 million), and PLN 35.2 million in legitimately concluded and binding cases (as at 31 December 2020 it was PLN 35.0 million).

The following judgements were made in 26 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 8 the court stated in its justification that the agreement was invalid, in one, only the claim for low own contribution insurance was awarded, in the remaining proceedings the court dismissed the claim.

The Bank recognises provisions on an ongoing basis for pending court proceedings concerning denominated or CHF-indexed loans, taking into account the current status of legitimate judgements in cases against the Bank and the line of the case-law.

In the first half of 2021 the the balance of provisions created by the Bank for risk related to CHF loans increased of PLN 258.4 million (in 2021 it increased of PLN 168.2 million). The increase in the provision in the first half of 2021 was mainly due to the increase in the number of new lawsuits (the number of new lawsuits in the first half of 2021 amounted to 736, 499 of which concerned denominated loans and 237 concerned foreign CHF-indexed loans), the update of the assumptions and parameters of the model used by the Bank as well as the observed unfavourable development of the case law line for the Banks. The total value of provisions created for proceedings concerning CHF loans as at 30 June 2021 amounted to PLN 458.7 million (as at 31 December 2020 it 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 approximately 15% 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 CHF-indexed and denominated loan portfolios. Due to the observed volatility in case law, the Bank only takes into account



judgments made after the CJEU judgment of 3 October 2019 when estimating the probability of an adverse judgment.

In estimating the loss in the event of a judgment declaring the loan invalid, the Bank assumes that the customer is required to repay the principal disbursed without taking into account the remuneration for the use of the principal, that the Bank is required to repay the sum of the principal and interest instalments repaid using the historical rate and that the Bank writes down the credit exposure.

If the assumed average loss were to change by +/- 5%, with all other significant assumptions unchanged, the amount of the provision would change by +/- PLN 21 million.

The Bank conducted a sensitivity analysis of the model on the estimate of the number of lost cases. A change in this estimation 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
Percentage of lost cases	+5 p.p.	+ PLN 28.4 million
	-5 p.p.	- PLN 28.4 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 35.5 million
	-20%	- PLN 35.5 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 with CHF loans then the loss from legal risk would increase by approx. PLN 26 million.

Calculating the expected loss on legal risk related to CHF loans, the Bank has applied simplifications resulting from the short horizon of available historical data and the relatively small number of cases concluded with judgments. 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 the significant divergence of both the facts (in particular different contractual provisions and the scope of information for the customer) and the judgments handed down in Poland in cases involving indexed, denominated and CHF-indexed loans, which makes it difficult to precisely estimate the scale of the risk. The Bank monitors the judgements on a current basis and will adjust the level of provisions to the developing case law line.

Relevant CJEU and Supreme Court case law on CHF loans

On 29 April 2021, the Court of Justice of the European Union made its judgment in case C-19/20, in which it confirmed, inter alia, that the aim of Directive 93/13 is not to invalidate all contracts containing provisions which are not permitted, and that preference should be given to legal solutions upholding contracts. At the same time the Bank pointed out that key issues such as whether a given clause is prohibited, the solutions available in the event that a clause is found to be abusive and the manner in which limitation periods are calculated are a matter of national law, and thus the need to analyse the above issues should arise in each individual case. The Bank will, on an ongoing basis, analyse the impact of the CJEU judgment on the judgments of national courts and will take into account the changes in the case law in the calculation of provisions.

On 7 May 2021, the Civil Chamber of the Supreme Court, composed of 7 judges, issued a resolution having the force of law in the case ref. III CZP 6/21. In the ruling responding to the legal issue presented by the Financial Ombudsman, the Supreme Court indicated, inter alia, that:

- (1) the borrower may agree to the continued validity of terms which may be unfair, in which case they shall take effect from the date of conclusion of the contract,



- (2) in the event of a contract termination due to the prohibited clauses contained therein, each of the parties is entitled to claim reimbursement of the performance rendered by that party (the so-called two-conditions theory),
- (3) the limitation of claims period for the Bank's claims for repayment of principal begins at the time when the contract has become definitively ineffective (the basis for service performance has been removed),
- (4) the contract becomes permanently ineffective from the moment when the borrower, having been informed of all the consequences of the contract termination, including the possible specific negative consequences of such a failure, makes a declaration opposing its maintenance. The borrower should in principle be informed of the consequences of the contract termination by the court in the course of the proceedings.

On 10 June 2021, the Court of Justice of the European Union issued a summary judgment in Case C-198/20, in which it confirmed that consumer protection is available to any consumer and not only to the "reasonably well-informed and reasonably attentive and reasonable average".

The meeting of the full panel of the Civil Chamber of the Supreme Court at which a resolution was to be adopted on the legal issues presented on 29 January 2021 by the First President of the Supreme Court, scheduled for 11 May 2021, was postponed due to the need to obtain additional opinions, including those of the President of the NBP and the Chairman of the PFSA. As at the date of publication of the financial statements, all opinions requested by the Supreme Court have been received.

The new meeting date has been set for 2 September 2021.

The First President of the Supreme Court requested a resolution from the Civil Chamber on the following issues:

1. If it is held that a term in an indexed or denominated credit agreement which refers to the manner in which the rate of exchange of the foreign currency is to be determined constitutes an illicit contractual term and is not binding on the consumer, may it be assumed that that term is replaced by another manner of determining the rate of exchange of the foreign currency which results from legal or customary rules?

If the answer to the above question is negative:

2. In the event that it is not possible to fix a foreign currency exchange rate binding on the parties in a credit agreement indexed to such a currency, may the agreement be binding on the parties in its remaining scope?

3. If it is not possible to fix a foreign currency exchange rate binding on the parties in a credit agreement denominated in foreign currency, can the agreement be binding on the parties in its remaining scope?

Regardless of the answers to questions 1-3:

4. If a credit agreement pursuant to which the bank has disbursed to the borrower all or part of the amount of the credit and the borrower has made repayments is invalid or ineffective, do separate claims for wrongful performance arise in favour of each of the parties, or does a single claim, equal to the difference in performance, arise in favour of the party whose total performance was higher?

5. If the credit agreement is invalid or ineffective as a result of the unlawful nature of certain of its provisions, does the limitation period for the bank's claim for repayment of the sums paid under the credit begin to run from the time at which those sums were paid?

6. If, in the event that a credit agreement is invalid or ineffective, either party has a claim for repayment of the consideration given in performance of such agreement, may that party also claim consideration for the use of its money by the other party?

The Bank will analyse the content of the resolution after its publication, in particular its anticipated impact on further case law and the value of the parameters used to determine the value of legal risk provisions. At this moment it is not possible to foresee the impact of the resolution on the estimation of provisions. The Bank, in determining the value of the provision, relies on all information available as of the date of signing the Report.



Proposal of the PFSA's Chairman

As a consequence of the growing number of lawsuits and the value of provisions created by banks, in December 2020 the Chairman of the Polish Financial Supervision Authority - Jacek Jastrzębski - presented a proposal for a sectoral solution to the franking problem. In simple terms, the Bank would treat a credit in CHF as if it had been granted in PLN from the outset and bear interest at the appropriate WIBOR rate plus a margin historically applied to this type of credit and make an appropriate recalculation. Adopting such an approach would impose a very heavy burden on the sector, although its scale is difficult to estimate precisely today. The costs would depend on a number of variables, such as the date on which the loan is granted, the exchange rate table of the specific bank, or the commission policy, and the detailed assumptions of the proposal, including legal and tax issues, or the types of loans to be converted, undefined at the time of publication of this Report.

The Management Board of the National Bank of Poland, in a statement dated 9 February 2021, stated that it may consider possible involvement in the process of converting 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 joined a working group that is analysing the solution proposed by the Chairman of the PFSA. The preliminary estimate prepared by the Bank of the cost of a potential conversion in line with the assumptions reported by the Bank in the annual financial statement for 2020 is PLN 0.7 billion, assuming that the currency conversion proposal is addressed only to borrowers with denominated loans, or PLN 1.3 billion assuming that the proposal covers the entire CHF loan portfolio (denominated and CHF-indexed loans). The potential cost was estimated as the difference between the current carrying value of foreign currency or CHF-denominated loans and the carrying value of hypothetical PLN loans. The Bank conducted a survey among its customers and a test with several of them, which showed the customers' preliminary interest in the settlements. At the time of publication of these financial statements, the Bank has not decided to launch a settlement programme for the Banks' customers and is at the stage of analysing the proposed solution. Neither the criteria for the programme nor the plans for its implementation are defined and therefore the Bank does not recognise a provision for the effects of offering settlements. At the same time, the Bank does not rule out concluding settlements on terms individually agreed with borrowers.

9.2. CSR (corporate social responsibility) and sustainable development

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 Management Board 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.

Focusing on environmental, social and governance aspects (ESG, E - environmental, S - social, G - governance) and wanting to more effectively implement the mission of sustainable development, in October 2020, by the decision of the Management Board, BNP Paribas Bank Polska S.A. appointed a new function in the organization - **Chief Sustainability Officer (CSO), whose role is to manage and coordinate the activities of the organisation in the field of ESG, sustainable development and combating climate change**. The CSO reports directly to the President of the Management Board, who supervises the implementation of strategic consideration of ESG aspects in the activities of the organisation. In November 2020, the Sustainability Council was established, which is responsible for ensuring that the strategic goals related to the implementation of the 2030 Agenda are understood and shared in all areas of the Bank's operations and among customers, also thanks to the development of banking products and services. Its main responsibilities include defining and monitoring strategies in terms of ESG aspects, supervising the development of sustainable banking products and services, and combining initiatives taken in various areas of activity. The Council is composed of 16 representatives of the Bank's key areas and business lines. The Sustainability Council and the Chief Sustainability Officer report quarterly to the Bank's Management Board. In May 2021, 90 Sustainability Officers were selected from among the Bank's employees by the decision of the



Sustainable Development Council and the Bank's Management Board. **In this way, the Sustainability Community was created, consisting of CSO, Sustainability Council and Sustainability Officers, responsible for the active implementation of the bank's commitments in the field of sustainable development, including in particular the fight against climate change.** The Sustainability Community also includes the units responsible for sustainable development and ESG activities previously operating within the Bank's structures: the **Office for Sustainable Development Programs** - an internal center of competence in the field of sustainable finance and the **CSR and Sustainable Development Office** responsible for coordinating the overall CSR and Sustainable Strategy Development, consisting of four pillars of responsibility: economic, workplace, social and environmental.

Strategic inclusion of sustainable development in the activities of the organization has been repeatedly appreciated (the awards received are described in Chapter 2.2. *Awards and distinctions*).

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 the first half of 2021, 98 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.

Assessment of ESG risk in credit process

The EBA/GL/2020/06 guidelines on loan granting and monitoring oblige banks to include the analysis of ESG factors in the credit process. Therefore, from 30 June 2021, for each new financing or increase in financing, the Bank will perform an ESG risk analysis for Corporate Clients and SMEs, and from 1 September 2021, such an analysis will also be carried out for clients from the micro-enterprise segment.

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 the first half of 2021, the following positive-impact products and services were in Bank's offer: **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. Moreover, the Bank continued development and promotion of offer aimed at parents and the youngest "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. In order to emphasise the meaning of financial education of the youngest, in May 2021 the Bank organised an on-line workshop "Samodzielniaki ogarniają budżet" ("Self-reliant kids get how budgeting works"). The contents of the workshop were managed by the invited experts: Martyna Filipiak - psychologist, Ewa Wojtan - blogger, Łukasz Grygiel - economist and Grzegorz Kasdepke – author of books for children.

Products and services supporting the energy transition and combating climate change are discussed later on 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 (Non-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 being subject to an audit (with positive results), the Bank became a Signatory to the Declaration and has continued to actively promote the Declaration's assumptions in the current year.

In the first half of 2021, activities under the **Simple Language** program were also continued. The Bank's goal is to simplify the language used to communicate with customers as much as possible. In cooperation with linguists from the Simple Polish Workshop at the University of Wrocław, he corrects and edits bank magazines, announcements, and promotional materials. The process will be continued and extended to other business areas. At the same time, the Bank provided its employees with online training and a simple language manual.

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 that support sustainable development of customers from this sector. The Bank shares its specialist knowledge and offers specific tools that help to run a modern farm on **Agronomist.pl portal** – the Bank's proprietary platform for farmers and agri-food processors. Its users can make use of, among others, useful calculators (e.g. for nitrogen production in animal fertilisers), an agricultural weather service, as well as precision farming tools, including satellite field monitoring. Users of the portal also have at their disposal the "Real Estate" module or the "Role of a Lawyer" module. Agronomist.pl also features quotations of average prices of agricultural products, a calendar of industry events and other useful information.

In June this year, the Bank launched the free **AgroEmisja (AgroEmission) calculator** on Agronomist.pl portal, which allows agricultural producers and farmers to estimate greenhouse gas emissions from crop and dairy production. The tool is based on the Cool Farm Alliance science and business consortium's calculation model and will make it easier to reduce on-farm emissions. It is the first and only solution of its kind in Polish.

BNP Paribas Bank Polska SA is also preparing farmers to effectively respond to the assumptions of the **European Green Deal**, i.e. the strategy that aims to transform the European Union into a climate-neutral, modern, sustainable and competitive economy. It covers transformation not only of energy, industry or transport, but focuses on more efficient use of resources and environmental protection in all sectors of the economy, including agriculture. The transformation of food systems is defined by the "farm to fork" strategy. In order to prepare farmers for its implementation, BNP Paribas Bank Polska SA organised a series of video-casts based on the diagnosis of the situation on Polish farms.

Innovation initiatives

Two editions of **Office Hours** were held in the first half of 2021. These meetings are part of a simplified procurement and implementation process (no tender), the Bank's proprietary approach to working with young technology companies. So far, there have been 18 editions of Office Hours, during which Bank experts looked at more than 800 solutions from the market, more than 17 solutions were implemented (e.g. chatbot EVA in cooperation with SentiOne or a solution for deaf customers with Migam) and 4 framework agreements were signed. In this year's editions, the Bank was looking for an innovative solution that would become an elite virtual communication zone for the Wealth Management client and for solutions to streamline the process of remote conclusion of bank account agreements and related products by new business clients.

BNP Paribas Bank Polska S.A. wants to responsibly support and stimulate the development of innovation in Poland and the expansion of domestic enterprises on foreign markets. It is guided by the belief that the startup environment is one of those that best understand and most quickly translate knowledge into real action. Therefore, in 2018, it was the first bank in Poland to present the "Code of Cooperation with Startups" and continuously supports innovations working towards sustainable development. It relies on partnerships and actively undertakes cross-sectoral cooperation for sustainable development, thus supporting the implementation of the 17th Goal of Agenda 2030. This year, **for the third time, the Bank became a partner of the Report "Startups of Positive Impact. Radical Social Innovation" published by Kozminski Business Hub**. The project identifies 21 of the most innovative startups working towards the Sustainable Development Goals.



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

In 2021, the priority in strengthening the organisational culture is to promote diversity, inclusion, as well as collaboration. The Bank has implemented the **campaign on good collaboration**, which started in 2020, during which it showed good habits and principles that make it possible to work more effectively and in a good atmosphere. Meetings in the series "**Przemek Gdański invites for lunch**" have also been held for nearly three years. Every month, employees have the opportunity to meet with the President of the Management Board. During the meetings the challenges facing the organisation are discussed.

Promoting diversity

In the first half of 2021, BNP Paribas Bank Polska S.A. continued its efforts to promote diversity. The Bank launched a campaign "**Different opportunities, common goal**" sensitising people to differences and drawing attention to the power of diversity. As part of the campaign a number of meetings with interesting people were organised, including Tomasz Manikowski under the slogan "Not everything must have arms and legs", as well as with the Pride Polska Group. The Bank also became a partner in the celebration of Diversity Month, organised by the Responsible Business Forum, the coordinator of the Diversity Charter in Poland, to which the Bank has been a signatory since 2016. In its communications, the Bank shows solidarity with the LGBT+ community and all minority groups at risk of exclusion and against whom human rights are violated.

BNP Paribas Bank Polska S.A. has become the highest ranked bank in the Ranking of Institutions Caring for Professional and Social Equality of LGBT+ People published in the "Cashless for Equality" report. In a comparison of all financial institutions, it took 4th place. The report has been prepared by the editors of the cashless.pl portal. For the third time, the bank was on the list of leading employers in terms of diversity management and inclusion Diversity IN Check.

The Bank also continued the process of adapting the organisation and increasing employment of persons with disabilities in cooperation with the Integralia Foundation. As part of an internal campaign to educate on the needs of persons with disabilities and the value OzN bring to teams, a guidebook "Savor-vivre towards persons with disabilities" was produced in cooperation with the Integralia Foundation and an internal counselling line for OzN.

BNP Paribas Bank Polska S.A. together with partners from over a dozen other companies and organisations has prepared a practical guide for companies developing on the basis of diversity and inclusion ideas. "Diversity and inclusion culture step by step" is a publication which comprehensively discusses the most important aspects of diversity management and practical implementation of an attitude open to another human being.

The Bank continues its partnership with the Share the Care Foundation in the area of building parental equality, which is an element of gender equality. The Bank participated in the work of the Foundation Council, which prepared and submitted recommendations to the Ministry of Development, Labour and Technology regarding the transposition of Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on work-life balance for parents.

The Bank is a partner of the teamrodzina.pl website, which addresses parenting issues from the perspective of working parents and shows the role of employers in promoting "work-life balance". The Bank also organised a Parenting Week - thematic webinars which attracted 1,150 participants.

The Bank established a network for fathers: Dads, you've got it like in the bank, whose aim is to promote a partnership family model. The women's initiative is also thriving: "Women changing BNP Paribas".

The Bank also continued efforts to strengthen the role of women. It launched a marketing campaign "Where are our Patronesses?", encouraging nameless schools to adopt the names of their patronesses and familiarise young people with the lives of extraordinary women. The campaign received a special award for creative and effective promotion of diversity for its action in the Golden Arrow competition. The Bank also became a strategic partner of the 4th edition of the I am a Leader programme.

The President of the Bank has joined the #JamaisSansElles (Never Without Her) initiative. The French association #JamassSansElles works to promote equal opportunities and the visibility of women in public life. By signing the #JamaisSansElles charter, BNP Paribas Group board members and now key managers from 14 countries have pledged not to attend any public event over three people - debates, expert panels, discussions, etc. - if they are not attended by a woman.



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**. The first half of 2021 also saw another edition of the Development Festival - a virtual event where employees had the opportunity to meet experts and learn about the development programmes on offer.

The activities of the **DOBRZE ("WELL") Program** were continued, which includes both preventive measures, i.e. giving tools and educating on how to improve psychophysical condition. On-line and on-site, employees have the opportunity to consult coaches, psychologists, nutritionists, personal trainers. The organisers of the HR of Change competition appreciated the DOBRZE program implemented since 2020 – BNP Paribas Bank Polska S.A. received the main award for it in the "training and development" category.

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:

- 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 (61 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.

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

The World Needs You!

Since 2017, BNP Paribas Bank Polska S.A. has been a partner of Agenda 2030, adopted by UN member states in 2015. Through the implementation of its CSR and Sustainability Strategy, the Bank supports the achievement of "the Sustainable Development Goals" (SDGs) of the 2030 Agenda for Sustainable Development. Within the various pillars of responsibility, the Bank has identified those goals to which it makes the most significant contribution. The Bank is guided by the belief that essential to the success of the 2030 Agenda is the achievement of Goal 17, and therefore actively engages in cross-sectoral cooperation for sustainable development. This has resulted, among others, in a partnership with the 17 Goals Campaign, inaugurated on 22 April 2021.

On Earth Day, the Bank launched the initiative "The World Needs You", in which it shows that the actions of each of us have a huge impact on the state of our planet and its inhabitants, and how the responsible choice of sustainable products and services influences the implementation of the 2030 Agenda.



CSR Days

Every year, as part of the European Sustainability Week, BNP Paribas Bank Polska S.A. organises CSR Days. During these events, employees get acquainted with activities under 4 key pillars of the Bank's responsibility and learn how to change their environment. Due to the pandemic, the main event was moved to autumn, but the Bank continued its tradition of promoting shared responsibility, education and mutual motivation to take action to build a better world for future generations. During this year's CSR Days, employees had the opportunity to take part in webinars and workshops aimed at showing how, in a simple way, every day you can contribute to the implementation of the Agenda 2030 plan for repairing the world. Due to the ongoing pandemic, this year's meetings were held 100% remotely, with all materials posted on the internal intranet.

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 EUR to the global Help2Help program for each employee taking part in the training.

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 program

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 the 2020/2021 school year, 100 scholarship holders participate in the programme.

Agrotalenty (Agritalents) scholarship program

A comprehensive "Agrotalents" programme is a system of scholarship programmes addressed to ambitious young people interested in development in agriculture. The BNP Paribas Foundation, together with partners: educational institutions, experts and the Bank's Customers, cooperates to reinforce agricultural education.

Wiedza do potegi (Knowledge to the power) tutorial-scholarship program

In 2018, the BNP Paribas Foundation together with the Ocalenie ("Salvation") Foundation launched the "Knowledge to the Power" program 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

The Dream Up programme was launched by BNP Paribas Group in 2015. It currently takes place in 29 countries on 5 continents and has been implemented in Poland since the beginning. The second edition of the programme started in September 2018, in cooperation with the Praga-Południe Centre for Culture Promotion. Participants in the project benefit from free classes conducted twice a week at the Centre by professional musicians, within six instrument and vocal sections. During the pandemic, classes continued online. In addition to learning to play and sing, the young musicians attended concerts at the National Philharmonic Hall and other activities of the Praga-Południe Cultural Promotion Centre. By the decision of BNP Paribas Group, the programme will be continued in Poland. The operator of the third edition of the Dream Up programme is the Association of Creative Educators in partnership with FabLab Pobite Gary! The classes will be held in community centres, and the participants will be children from socio-therapeutic day centres in Warsaw.



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 provinces in Poland. In the first half of 2021, there were 433 broadcasts.

Strategic partnership – Ocalenie (Salvation) Foundation

BNP Paribas Foundation will cooperate even more closely with the Ocalenie Foundation, whose overriding objective is to help migrants build a new life in Poland. Establishing a strategic partnership is the next step in joint activities of both organisations. The cooperation between BNP Paribas Foundation and Ocalenie Foundation has been ongoing since 2016 and started with the "Global Challenges Local Solutions" project, which aimed to directly assist refugees in meeting their basic needs and support the adaptation process.

In 2018, both foundations launched a joint programme "Knowledge to Power" - a scholarship-tutoring-mentoring programme aimed at refugee youth continuing their education in the Polish education system. Participants receive support in their studies and can apply for scholarships and support grants. So far, 108 children from 15 countries have participated in the programme. BNP Paribas Foundation financed the participation of 78 of them.

Employee social engagement and employee volunteering program

Since 2011, there has been an employee volunteer programme in the Bank whose motto is "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 carry out their own initiatives. Each employee is entitled to two additional days off for volunteering per year. Employees can get involved individually or in teams. The programme is coordinated by BNP Paribas Foundation.

During the first half of 2021, Bank staff participated in a number of initiatives, including:

- *Competition for Voluntary Projects* - for nine years now, the Bank's employees, in cooperation with non-governmental organisations, have been coming up with ideas for voluntary activities to support local communities. Under the "Competition for Voluntary Projects", the budget for this year's competition amounts to PLN 200 thousand.
- *Financial education BAKCYL* - since 2013, bank 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 the first half of 2021, employee-volunteers conducted 62 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 to an organisation chosen by the employees. In 2021, 444 people covered almost 72,000 km, therefore the BNP Paribas Foundation donated PLN 25,000 to Actively Against Depression Association, PLN 10,000 to Open Door Association, PLN 6,000 to SYNAPSIS Foundation and PLN 5,000 to Open Heart Association in Ruda Śląska.
- *Social action 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 269 litres of blood. In the first half of 2021, 33 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 purpose. All employees of the Bank can participate in the programme. In 2021, the employees' choice supports Aktywnie Przeciwko Depresji (Actively Against Depression) Association and SYNAPSIS Foundation, which helps people on the autism spectrum and their families. Voluntary payroll deductions are a simple and convenient tool of individual philanthropy enabling employees to get involved in supporting important social causes and respond to the needs of NGOs (systematic and predictable financial support).

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.

BNP Paribas Bank Polska S.A. granted loans totalling PLN 842 million in the first half of 2021 for the production of energy from renewable sources, thermomodernization of facilities, energy efficiency projects and investments supporting pro-ecological transformation.

In the first half of 2021, the Bank offered a number of pro-environmental products and services and sustainability financing programmes, including:

SEGMENT	PRODUCT OFFER
Retail customers	<ul style="list-style-type: none"> ▪ instalment loan for financing green energy sources ▪ Loan for green changes ▪ Green Mortgage ▪ sustainable investment products
Corporate clients	<ul style="list-style-type: none"> ▪ investment loan Green Energy ▪ technology credit ▪ loan with free Businessmax guarantee ▪ Union+ loan ▪ EKO-FIRMA programme with profit ▪ photovoltaic installations leasing ▪ RES projects financing
Food&Agro sector customers	<ul style="list-style-type: none"> ▪ photovoltaics for the farmer ▪ insurance for renewable energy sources
Housing communities	<ul style="list-style-type: none"> ▪ investment loan with BGK bonus for thermomodernisation of real estate ▪ EKO-WSPOLNOTA (ECO-COMMUNITY) programme with profit

Photovoltaics for prosumers program

In the first half of 2021, as part of the photovoltaics program for prosumers, BNP Paribas Bank Polska, in cooperation with over 500 partners, financed over 6.8 thousand installations for a total amount of over PLN 165 million. From the beginning of the program, over 27 thousand installations were financed by the Bank.

In 2021, the maximum loan amount was increased to PLN 120,000. We also made it possible to finance a new product with an installment loan - home electric chargers. Our clients can also take advantage of the financing of purchases of photovoltaic installations in the e-commerce channel - in the online stores of our partners offering this range.

GPEC green financing

The bank provided financing to the LVV / Leipzig Group in Poland (subsidiary: GPEC in Gdańsk) for the amount of PLN 130 million, combined with an interest rate hedge option. The funds will be used primarily to finance GPEC's ongoing sustainable development projects.

Financing investments in photovoltaics

BNP Paribas Bank Polska S.A. provided financing to five special purpose vehicles that manage PV installations and were purchased by Eques Fotovoltaica 2 FIZ from an entity from the Vortex Energy group. Eques Fotovoltaica 2 FIZ is the first fund on the Polish market to invest in the dynamically developing photovoltaic sector. It was established in February 2020 and is managed by Eques Investment TFI S.A.

BNP Paribas Bank Polska S.A. provided half of the funds under a non-recourse loan package to a fund managed by Aberdeen Standard Investments (ASI). The financing is intended for the acquisition of a portfolio of 130 solar farms. The projects are carried out by R. Power, one of the leading companies in the solar energy market in Poland and will be taken over by ASI when it becomes operational.

In February 2021, BNP Paribas Bank Polska S.A. for the second time he financed green investments of Qair Polska. As part of a consortium of banks, he supported the construction of a portfolio of assets in the renewable energy sector. The total amount of financing is PLN 460 million, and the Bank's share - PLN 184 million. The Bank signed the first loan agreements with its subsidiaries in May 2020. As part of a consortium with the European Bank for Reconstruction and Development (EBRD), it began financing investments in wind and solar farms.



„Clean Air” Program

BNP Paribas Bank Polska S.A. joined the "Clean Air" program. From August this year, the Bank will offer the Clean Air Loan within a banking process, which gives the possibility of submitting an application for a subsidy as part of banking services. Loans granted by the Bank will also be guaranteed by BGK from the Ecological Surety and Guarantee Fund, which will make them more accessible.

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 2021, the Bank continued its programme to minimise resource consumption

Minimising paper usage

The first half of this year shows that the implementation by BNP Paribas Bank Polska S.A. The policy to reduce the use of paper is gathering pace with increasing environmental benefits. The Autenti electronic signature is introduced in subsequent banking processes and more and more often used. In the first half of 2021, the number of documents signed in this way exceeded 326 thousand, which allowed to save a total of over 1.5 thousand reams of paper, or approx. 773 thousand sheets. In this way, we saved 3.2 tonnes of CO2, absorbing this amount of CO2 would take 1 ha of forest for almost 10 months. The effectiveness of the paperless solution was awarded in this year's edition of the TechnoBiznes competition organized by Gazeta Bankowa (the Banking Magazine).

100% electricity from renewable sources

The Bank signed an agreement with Respect Energy for the purchase of energy for the years 2021-2022. Under the agreement, 100% of electricity purchased directly by the Bank from 2021 comes from renewable sources. As a result, the Bank significantly contributes to the reduction of carbon dioxide emissions to the atmosphere, and also reduces the emission of sulfur dioxide, nitrogen oxides and suspended dust.

Promoting eco-attitudes

Bank of Green Changes

In April 2021, BNP Paribas Bank Polska S.A. launched the third edition of the educational campaign, as part of the Bank of Green Changes program, in the field of responsible consumption and sustainable lifestyle. The Bank tries to promote care for the natural environment among its customers and partners. The Bank continues the BNP Paribas Talks eco-podcast series, once again supported the #dlaPlanety Green Ribbon campaign and became the title sponsor of the fourth edition of the BNP Paribas Green Film Festival.

Chapter Zero Poland

In 2021, BNP Paribas Bank Polska S.A. became a supporting partner of Chapter Zero Poland, a program for the development of competences of management and supervisory bodies of companies, the aim of which is to increase the involvement of business in the fight against climate change. As the Supervisor of Chapter Zero Poland, he will have the opportunity to participate in the meetings of the program management bodies and to be widely involved in educational events. In May, Ms Lucyna Stańczak-Wuczyńska, the current Chairwoman of the Supervisory Board of BNP Paribas Bank Polska, became the Chairperson of Chapter Zero Poland. Chapter Zero Poland is part of the Climate Governance Initiative program run by the Center for Climate Engagement, Hughes Hall, at the University of Cambridge in cooperation with the World Economic Forum. The launch of the initiative in Poland is the result of the efforts of the Responsible Business Forum. Deloitte Polska is the content partner of the program.

Net-Zero Banking Alliance

Fulfilling its commitments to combat climate change, BNP Paribas joined the Net-Zero Banking Alliance (NZBA) group, established by the Financial Initiative of the United Nations Environment Program (UNEP FI). This banking alliance is a decisive step in mobilising the financial sector for the climate. It is part of the Glasgow Financial Alliance for Net Zero initiative leading up to the COP26 summit chaired by Mark Carney.

Doconomy

BNP Paribas Bank Polska S.A. strengthens its position in the areas of innovation, sustainable development, positive impact on the climate and customer involvement. The Bank started cooperation with Doconomy on the implementation of tools applicable on the local market. The key will be to enable customers to track and measure their carbon footprint. By introducing the Åland Index impact counter to its offer of intelligent services for customers who want to contribute to positive changes, BNP Paribas Bank Polska S.A. as the first bank in Poland, it becomes a precursor of changes. The application will be launched in the second half of 2021.

The CSR and sustainable development awards received by the Bank are presented in Chapter 2.2. *Awards and distinctions.*



9.3. Sponsorships

The primary and direct objective of the sponsorship policy of BNP Paribas Bank Polska S.A. is to build and enhance brand awareness and create a positive image of the organisation. The direction of sponsorship activities is determined by a global sponsorship strategy of BNP Paribas Group, whose pillars include support for tennis and culture, cinema in particular. Indirectly, sponsorship of specific undertakings is to reinforce relations with the Bank's customers.

The Bank sponsors numerous undertakings related to the development of tennis in Poland, both at the professional and amateur level; film festivals, screenings and premieres, and cultural events.

Tennis events

BNP Paribas Bank Polska S.A. is part of the BNP Paribas Group, the largest sponsor of tennis worldwide. Therefore, the Bank prioritises sponsorship offers for tennis events in Poland. In the first half of 2021, due to the pandemic, no tennis events were held and they were moved to the second half of the year.

Cinema events

Cinema – next to tennis – is one of the most important pillars of the BNP Paribas Group's sponsorship strategy, which is realised under the #WeLoveCinema slogan.

In 2019, we have established cooperation with the largest multiplex chain in Poland. Under the cooperation, we are a partner of all IMAX cinemas in Poland and eight cinema halls in multiplexes in Poland's largest cities. The Bank also became a partner of a series of special film screenings addressed to women called "Ladies Nights", which is organised in selected 19 Cinema City cinemas in the country.

From 25 to 27 June 2021 the Film Festival of UnUsual Encounters in Sandomierz took place. BNP Paribas Bank Polska S.A. was the main partner of this event. This year, the organisers provided for the participants, among others: open-air cinemas in the Old Town and in the courtyard of the Royal Castle, and a number of accompanying events, including: The 13th Film Gardens of the Imagination, the 6th Open Air Journalism Workshop for students of the Faculty of Journalism, Information and Bibliology of the UW and the 1st Meeting of the Guild of Unusual Schools.

Cultural events

BNP Paribas Bank Polska S.A. is a strategic partner of the Warsaw Garden of the Righteous - an idea born during the first celebrations of the European Day of the Righteous (6 March 2013) inspired by the Italian GARIWO Foundation. The Committee of the Garden of the Righteous in Warsaw accepted the proposal of the Wola District to locate the Garden in the square of General Jan Jura-Gorzechowski. Every year trees dedicated to those who saved the lives of others or stood up for human dignity - during nazism and communism, genocides, mass murders, crimes against humanity committed in the 20th and 21st century - grow here.

9.4. Subsequent events

The Group has not identified any material events after the balance sheet date.



9.5. Statements of the Management Board of BNP Paribas Bank Polska S.A.

Fairness and reliability of the presented financial statements

The Management Board of BNP Paribas Bank Polska S.A. hereby declares that to the best of its knowledge:

- Standalone financial statements of BNP Paribas Bank Polska S.A. for the period of 6 months ended 30 June 2021 and Consolidated financial statements of Bank BNP Paribas Bank Polska S.A. for the period of 6 months ended 30 June 2021 and the comparative data was prepared in accordance with the applicable accounting principles, and they reflect in a true, reliable and clear way the financial position as well as the financial result of the Bank and the Bank's Capital Group.
- Management Board Report on the activities of the Capital Group of BNP Paribas Bank Polska S.A. in first half of 2021 contains a true picture of the development and achievements and situation of the Bank's Capital Group, including a description of the basic risks and threats.

Position of the Bank's Management Board on the possibility of meeting previously published forecasts for a given year

The Bank did not publish financial forecasts for 2021.

**SIGNATURES OF BNP PARIBAS BANK POLSKA S.A. BOARD MEMBERS**

11.08.2021	Przemysław Gdański President of the Management Board	<i>signed with a qualified electronic signature</i>
11.08.2021	Jean-Charles Aranda Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
11.08.2021	André Boulanger Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
11.08.2021	Przemysław Furlepa Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
11.08.2021	Wojciech Kembłowski Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
11.08.2021	Kazimierz Łabno Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
11.08.2021	Magdalena Nowicka Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
11.08.2021	Volodymyr Radin Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>