



THE MANAGEMENT BOARD'S REPORT

on the activities of BNP Paribas Bank Polska S.A. Group in 2021

(including Report of the Management Board on the activities of BNP Paribas Bank Polska S.A. in 2021)



BNP PARIBAS

The bank
for a changing
world

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

Dear All,

I joined the Supervisory Board of BNP Paribas Bank Polska at a very special time, in the midst of the fight against the pandemic that posed unprecedented challenges to the society, economy and business in Poland and globally. Already then I looked with appreciation at the work of the bank which reacted extremely efficiently to these exceptional circumstances, taking care of the safety of its employees, accompanying clients in overcoming new challenges, and engaging in governmental and sectoral aid programs and social initiatives. At the same time, the bank did not forget for a moment about its strategic goals, implementing more new technological solutions and financing the economy.

The past year has further confirmed the bank's ability to successfully face a volatile environment, especially an environment of changing interest rates, prolonged pandemic and inflationary pressures. 2021 was a year in which BNP Paribas Bank Polska consistently strengthened its position on the Polish banking market, through a significant increase in its lending activity and the number of clients served, acceleration of technological transformation, expansion of the omnichannel approach and digitalization, all in line with the expectations of the clients whose habits were changed by the pandemic. The bank quickly responded to the signs of market recovery, meeting the needs of our clients, e.g. by providing financing for major investment projects carried out by Polish enterprises. These efforts were sealed by the title of the "Bank of the Year" granted to the bank (among many awards) by The Banker monthly.

In parallel, it is crucial for the bank to continuously improve the client experience, the so-called *clients' journey* through, among other things, continuing development of digital services or utilization of technology to increase the availability of modern online and mobile banking in all areas – to name a few – *open banking*, *mobile wallets*, client acquisition, KYC and strengthening the use of technology in the bank's processes, use of data, cloud solutions, etc. Rapid changes are taking place in this area which will be further supported under the bank's new Agile@scale approach.

I am particularly glad that BNP Paribas Bank Polska is an organization aware of its impact on the environment and approaches it with full responsibility. Climate change and environmental, social and corporate governance ("ESG") issues are integral to the bank's long-term strategy and identity. This approach is also reflected in the bank's competitive offering of pro-environmental financial solutions, both for retail clients (e.g. under the Clean Air program) and corporate clients. The growth of financing for broadly understood energy transition and sustainable development is impressive – in 2021 it doubled to PLN 3.9 billion. The bank not only draws on the many years of experience of the BNP Paribas Group, which is the world leader in this sphere, but also builds and develops its own competence in this area. This is exemplified by participation in one of the first syndicated *sustainability linked loans* in the European logistics industry, where the bank acted as Sustainability Coordinator.

The prospects for further development of this area in the coming years are very promising. In this context, it is worth mentioning the bank's involvement in partnerships for sustainable development, such as Chapter Zero Poland – a project aimed at increasing the participation of business (in particular involvement of supervisory and management board members) in the fight against climate change. Last year, the bank became the first company to support this initiative, and I am pleased to chair its Advisory Board.

The bank's last year's results show that positive banking not only supports sustainable development, but can also be business effective. Business growth is best illustrated by the bank exceeding 4 million clients, growth in retail banking and a return to growth in corporate banking. All these achievements were possible thanks to our employees, whose commitment and perseverance in such a difficult time are no less valuable than their high competences, creativity and flexibility. BNP Paribas Bank Polska is an organization that gathers its employees around shared values, building its DNA and culture on the principles of cooperation, mutual support, diversity and inclusion. A good example of this involvement is the Women Changing BNP Paribas initiative and the related WomenUp personal development program. Also, the bank's Management Board was joined by two women, and

the Supervisory Board, which I have the honor to chair since July, already has five women (i.e. 42%). These are very good changes.

I am confident that the excellent commitment of the bank's team of employees and colleagues on the Management Board will allow us to attain the goals set for 2022. I am writing this letter 2 days after the entry of Russian troops into Ukraine. 2022 will be a year marked by this event. I would like to wish us all peace.

Lucyna Stańczak-Wuczyńska

Supervisory Board Chairwoman
BNP Paribas Bank Polska

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

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

another year full of challenges has gone by. The rise in uncertainty was driven by macroeconomic and geopolitical factors, the on-going pandemic and challenges within the banking sector concerning CHF loans, including a growing number of customer lawsuits against banks, which we are also seeing at our bank. Despite all of this, it was a good year for us, one in which we consistently grew the scale of our business. We developed dynamically in the retail area and returned to a growth path in corporate banking. Sales of personal accounts and mortgage loans in parallel with outstanding corporate loans reached their historic highs.

Our net banking income reached a record level of PLN 4,809 million in 2021 thanks to growth in both interest income and commission income. We recorded PLN 176 million in net profit, with the year-on-year decline being due to the recognition of additional provisions for claims related to CHF loans, amounting to PLN 1,045 million. Without the provisions for Swiss franc loans, our net profit would have reached PLN 1.2 billion.

Our achievements in 2021 have been acknowledged and recognised. BNP Paribas Bank Polska was named as the Bank of the Year in Poland in 2021 by prestigious monthly *The Banker*, which is part of Financial Times Group.

The past year was also the final year in our Fast Forward strategy. We delivered as expected in each of the five "pillars" that our development was based on (simplicity, digitalisation, quality, growth, enthusiasm). We substantially improved customer service quality, recorded a decline in the number of complaints and reduced the time for their examination. In certain areas, such as digitalisation, we achieved higher growth than what had been expected. The achievement of our financial goals was considerably influenced by changes in the macroeconomic situation caused by the pandemic and resulting in a major decrease in interest rates as well as a temporary decline in customer activity. Despite the unfavourable conditions and numerous challenges, the growth in business scale and revenue we recorded is a cause for satisfaction and a good starting position for further development.

Digitalisation – both in the customer services area and in our own business – remains a priority. Our activities, including continuous development of online and mobile banking functionalities, are being noticed, and the best proof of this is the dynamically growing number of customers in our remote channels, which has exceeded 1.5 million users. The bank's daily operations are to an increasingly large extent based on agile. In 2021, we prepared to implement Agile@Scale, a new operating model that transposes agile thinking, values and rules onto the entire bank. Approx. 1,300 people began work in Agile@Scale on 1 January 2022. Across 14 Tribes, 46 Products and 54 Chapters, they create and develop products and work on process and system implementations.

As always, what matters to us is not only what targets we want to achieve but also the way in which we want to achieve them. The values of our new organisational culture adopted last year: transparency, courage, empowerment, simplicity and cooperation, are the foundation of our activities. We are guided by these values in our daily work.

Reducing the negative environmental footprint resulting directly from our business and deriving from the investments we finance, turning the sustainability concept into reality, exerting a positive social impact and fighting for the natural environment are all still very high on our agenda. This is why we not only accompany our customers in their energy transition (the total value of "sustainable financing" granted in 2021 reached PLN 3.9 billion) but we also inspire and show the way. We are striving to build up our stakeholders' awareness and to implement and promote good market practices in ESG. 100% of the electricity purchased by our bank in 2021 came from renewable sources. Our car fleet is being systematically electrified, and implementing the paperless concept by deploying Autenti solutions is a source of pride for us.

In order to respond to the most pressing challenges even more effectively, we established the Sustainability Area within the bank. This step reflects the importance of ESG aspects for us and our commitment to pursuing the sustainability mission.

I have very high hopes for further development and for an even greater emphasis on our key values and ideas in the bank's new strategy, which we intend to publish in the first quarter of this year, after it is approved by the Supervisory Board.

The growth in business scale and achievement of objectives – despite the difficult market environment – let us look to the future with optimism. I am hoping that this year will bring us a significant decline in the impact of the COVID-19 pandemic on our lives. I am content with the Monetary Policy Council's decisions on the gradual adjustment of interest rates to reflect the economic reality. Uncertainty over the further development of the pandemic, impact of geopolitical events on our economy and the CHF loan issue remain the key risk factors. Despite the uncertainty, we are fully focused on further growth and on providing the highest quality services to our customers. Our employees, without a doubt, remain the most important factor in our future success. It is their involvement, professionalism and ability to cooperate that allowed us to reach our current position and let us think about further development with optimism.

Przemek Gdański

CEO

BNP Paribas Bank Polska

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

1.1. Brief overview of the Capital Group

BNP Paribas Bank Polska S.A. (hereinafter referred to as the "Bank") is a universal bank with a comprehensive product offer for:

- retail clients,
- Polish and international corporations,
- SME segment,
- farmers.

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.

Employment in the Group represented by full-time equivalents (FTEs) - 8.7 thousand.

The Group provides services through a nationwide branch network and alternative distribution channels, including online and mobile banking for individual and corporate customers. The Group conducts operating activities in the territory of Poland.

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

The Bank operates within the leading international banking group BNP Paribas (hereinafter referred to as the BNP Paribas Group).

In Poland, the BNP Paribas Group is active 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 for 2021

PLN
131,777 million
assets

16.9 %
total capital ratio

4.1 mln
customers

PLN
176 million
net profit

1.5 %
ROE

1.5 mln
customers using remote channels

PLN
4,809 million
result on banking operations

85.5 %
loans/deposits

427
branches

PLN
2,544 million
costs

52.9 %
cost/income

8.7 ths.
FTEs

Table 1. Key financial data

	2021	2020	2019	2018	2017
Statement of financial position (PLN m)					
Total assets	131,777	119,577	109,954	109,023	72,655
Loans and advances to customers*	86,299	75,637	73,811	73,414	52,968
Total equity	11,362	12,031	11,159	10,560	6,559
Amounts due to customers	101,093	90,051	86,135	87,192	56,329
Statement of profit or loss (PLN m)					
Net profit	176	733	615	360	280
Normalized net profit**	1,222	889	983	576	309
Net interest income	3,141	3,060	3,169	2,107	1,927
Net fee and commission income	1,049	916	820	567	486
Net income on banking activity	4,809	4,705	4,550	3,289	2,696
Result on provisions for legal risk related to foreign currency loans	(1,045)	(168)	(32)	-	-
Net result on impairment losses on financial assets and provisions for contingent liabilities	(266)	(601)	(442)	(558)	(355)
General administrative expenses, depreciation and amortization	(2,544)	(2,506)	(2,922)	(2,049)	(1,681)
Financial ratios (%)					
Net ROE	1.5%	6.3%	5.7%	4.8%	4.4%
Net ROA	0.1%	0.6%	0.6%	0.5%	0.4%
Cost / Income	52.9%	53.3%	64.2%	62.3%	62.3%
Normalized net ROE**	9.9%	7.6%	8.9%	6.5%	4.8%
Normalized net ROA**	1.0%	0.8%	0.9%	0.6%	0.4%
Normalized Cost / Income**	52.9%	53.5%	55.3%	59.9%	61.0%
Net interest margin	2.51%	2.63%	2.92%	2.65%	2.67%
Share of impaired receivables (NPL ratio)***	3.6%	5.4%	5.7%	5.6%	7.4%
Cost of risk	(0.32%)	(0.78%)	(0.59%)	(0.96%)	(0.61%)
Total capital ratio	16.91%	18.65%	15.05%	14.63%	13.75%
Tier 1 capital ratio	12.33%	13.55%	12.80%	12.38%	10.81%
Information on shares					
Stock market capitalization (PLN m)	13,454	9,376	10,024	7,150	5,719
Number of shares (million)	148	147	147	147	84
Year-end share price (PLN)	91	64	68	49	68
Business information					
Number of Bank Clients (ths), including:	4,117	3,938	3,887	3,783	2,743
Individual Customers	3,810	3,639	3,601	3,493	2,546
Corporate Customers	307	299	286	290	197

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

** Normalized values calculated excluding integration costs incurred in connection with the implementation of the merger processes in 2016-2020 and the impact of risk provisions related to litigation related to CHF housing loans in 2019-2021. In 2018 the impact of non-recurring events resulting from the adopted method of accounting for the acquisition of RBPL's Core Business, i.e.: the cost of the allowance for expected credit losses in connection with the acquisition of RBPL's Core Business (ECL) and the gain on the bargain purchase of RBPL's Core Business was additionally excluded. From 2020 onwards, provisions for proceedings relating to CHF housing loans are presented as a separate line apart from income, this change has also been included for 2019.

*** For a portfolio measured at amortized cost.

Market share

At the end 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

	31.12.2021	31.12.2020
Loans for non-bank customers	6.0%	5.7%
Loans for individual customers	5.4%	5.0%
Non-financial corporations	9.1%	8.6%
Deposits from non-bank customers	5.6%	5.5%
Deposits from individual customers	4.7%	4.8%
Non-financial corporations	9.1%	8.1%

In the "loans to non-bank customers" category, the Bank's share in the sector amounted to 6.0% as at the end of 2021, 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.

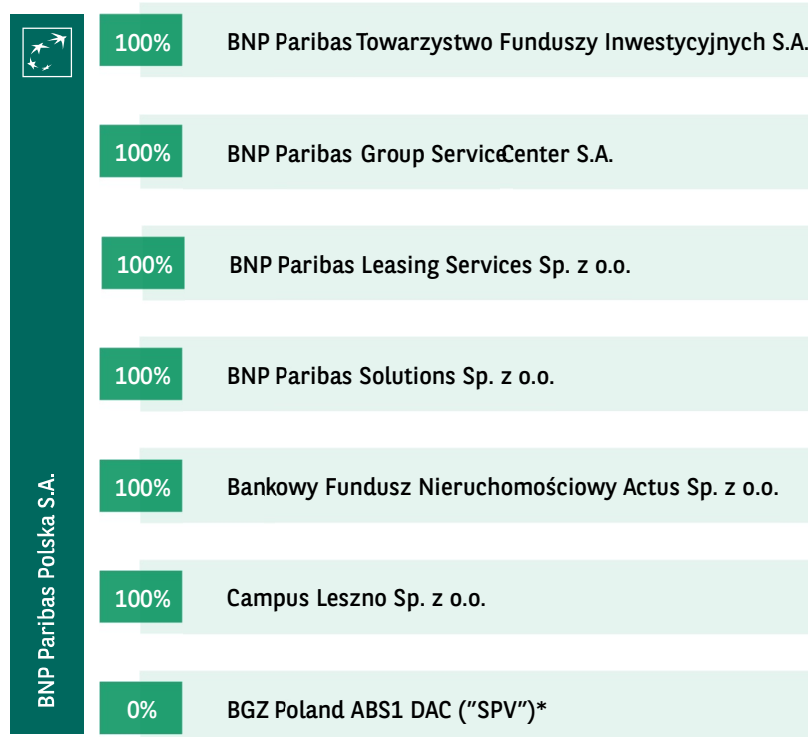
The Bank's share in deposits to non-bank customers recorded an increase to 5.6% compared to 5.5% at the end of 2020. This occurred against a slight decrease in the share of the retail segment compared to December 2020 and a marked increase in the Bank's volume and share of corporate deposits, the main component of the non-financial business segment.

1.2. Structure of the Capital Group and consolidated entities

BNP Paribas Bank Polska S.A. (hereinafter: the Bank) is the parent entity of the BNP Paribas Bank Polska S.A. Group. (hereinafter: the Group). Fully consolidated subsidiaries included in the Group are listed below: The Bank's share in the equity of the respective subsidiaries is presented in percentages:

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

In 2021 there were no changes in the structure of BNP Paribas Bank Polska S.A. Capital Group.

All transactions between the Bank and its related parties resulted from the current operating activity and included mainly loans, deposits, transactions in derivatives as well as income and expenses on advisory services and financial intermediation. Detailed information on transactions with affiliated entities can be found in Note 53 of the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Capital Group for 12 months ended 31 December 2021.

In addition to the companies listed above (which are part of the Group), at the end of 2021 the Bank held equity investments in the infrastructure companies (including among others: Biuro Informacji Kredytowej S.A., Krajowa Izba Rozliczeniowa S.A., VISA Inc., Mastercard Inc., SWIFT) and a portfolio of several companies in which it held minority, non-controlling interests. This portfolio included mainly interests, shares or convertible bonds issued by limited mid-sized companies operating Poland. The value of investments in minority interests and shares is not material from the Group's and Bank's business scale and financial results point of view. The investments are financed from the Group's own resources.

1.3. Business model

The BNP Paribas Bank Polska Group runs its business based on the following operating segments (share of the business line in Group's banking activity, NBI, for 12 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 49.7%;
- **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 (24.1% share in NBI);
- **The 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 (6.1% share in NBI);
- **Other activities** including the Asset and Liability Management Division and Corporate Centre (10.7% share in NBI).

We live in a changing world. That is why it is so important for us to secure financial needs and introduce innovative solutions. We support our customers in sustainable development. We care about professional development and employee engagement. We generate increased shareholder value and benefits for the economy, the environment and local communities.

Foundations of the activity of BNP Paribas Bank Polska S.A. Group

Completeness of the offer

We offer our customers a variety of financial products and services provided by the Bank and Group companies. We are close to our customers. We provide services in a network of bank branches, and we are constantly developing and adapting our outlets to their needs. Our loan products are also available at partner shops and selected car dealer networks. To meet technological challenges, we are constantly developing our products and digital service channels: mobile and online banking, new forms of communication.

Availability of the offer

We strive to provide every customer with equal access to banking. To this end, we improve our products and introduce facilities in our branches. Through these facilities, we provide access to banking for people with disabilities, seniors and people from groups at risk of exclusion.

Responsible risk management

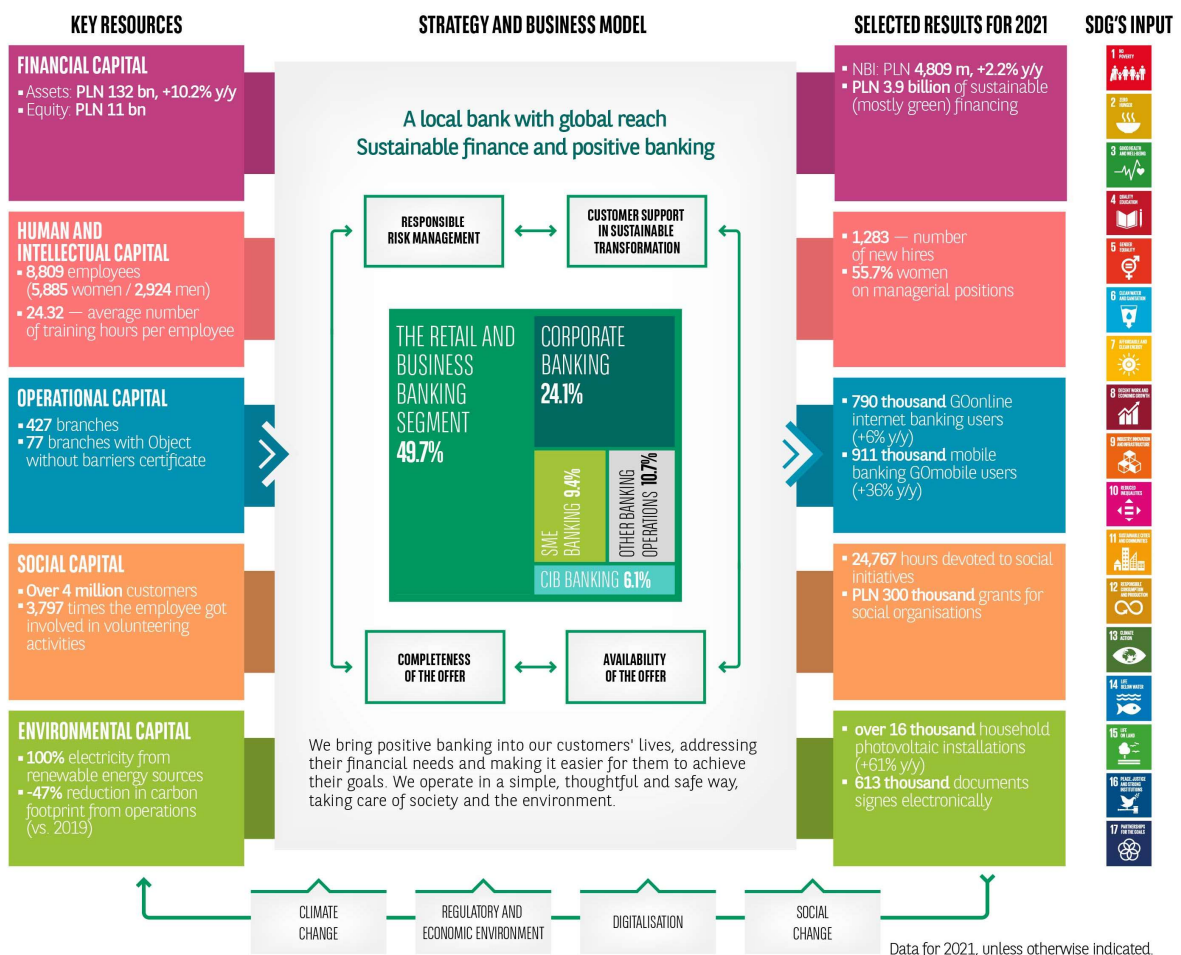
Our objective is to deliver the highest quality of service to our customers. Prudent market management and a culture of Compliance are the pillars of our business activities. We have implemented and apply procedures through which we manage risk. One of the key elements of this system is ESG risk management, including climate risk.

Customer support in sustainable transformation

Long-term support for sustainable development of the economy and building lasting relationships with customers and other stakeholders of the Bank is a key dimension of our responsibility. We offer products and services tailored to the changing needs of our customers, while responding to global challenges and local market conditions.

Value creation model

IN A CHANGING WORLD, WE SUPPORT CUSTOMERS IN SUSTAINABLE DEVELOPMENT



Capital	Key resources	Effects for stakeholders
Financial	We use the funds raised from customers and shareholders as well as the profits we generate to offer responsible financial products and services.	We strive to continuously increase shareholder value while respecting the principles of sustainable development. We support customers in their green transformation and contribute to the pace of its achievement.
Human and intellectual	Thanks to the knowledge and competence of our employees, we create innovative products and services in response to our clients' needs.	We create a responsible workplace with a broad range of opportunities for growth and social engagement.
Operational	We work agilely and continuously to develop and improve the quality and accessibility of our services through traditional and digital contact channels.	We provide financial services at the highest level and ensure professional customer service based on stable relations.
Social	As a public trust institution, we initiate actions for positive changes in our environment.	We engage in social activities in response to the challenges of our environment, so that together we can build a citizen society. We support equal opportunities and counteract social exclusion.
Environmental	We care about the environment and offer solutions to support a sustainable economy.	We offer environmentally friendly products and services in pursuit of environmental and climate protection. We promote responsible attitudes and raise awareness on climate change.

1.4.HR management

Headcount

At the end of December 2021, the Capital Group of BNP Paribas Bank Polska S.A. had 8,667 FTEs (including employees on maternity leave, childcare leave and longer sick leave) as compared to 9,019 FTEs at the end of December 2020 (decrease by 352 FTEs). The decrease in employment y/y was mainly due to the adaptation of the business model to the changed business environment and natural fluctuation of employees.

The table below presents the Capital Group's employment structure rounded up to FTEs.

Table 3. Headcount in the Capital Group of the Bank

in FTE's	31.12.2021	31.12.2020
Capital Group of the Bank	8,667	9,019
Total Bank, including:	8,504	8,845
Head Office	4,669	4,662
Branches	3,704	4,048
Mobile Relationship Managers	80	84
Brokerage office	46	44
Trade Unions	5	7
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	36	38
BNP Paribas Group Service Center S.A.	76	72
Campus Leszno Sp. z o.o.	8	10
BFN ACTUS Sp. z o.o.	0	0
BNP Paribas Leasing Services Sp. z o.o.	7	6
BNP Paribas Solutions Sp. z o.o.	36	48

Employment restructuring

Due to the need to adapt the Bank's business model to the changing business environment, a new redundancy programme was announced in agreement with the Trade Unions. An agreement to this effect was signed on 18 December 2020. The collective redundancies are planned for the period 2021-2023.

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

In 2021, employment contracts were terminated with 86 employees as part of collective redundancies.

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 the recommendations of the Ordinance of the Finance, Funds and Regional Policy Minister of 8 June 2021 regarding a risk management and internal control system and a remuneration policy in banks, and the Banking Law. On December 9, 2021, an update of the policy took place related to a change in the limit of the amount to which the deferral period does not apply and payment in the form of a financial instrument (shares) for the deferred portion of variable remuneration and the introduction of a 5-year deferral period for Senior Management (4 years of deferral before the change).

The Bank has established a 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 Committees prepare opinions and recommendations for the Supervisory Board, with respect to the terms of employment of Members of the Bank's Management Board, including the variable remuneration determined and granted to such Members.

Incentive schemes

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

The Bank has implemented:

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

Gender Pay Gap

The Gender Pay Gap at the end of 2021 was 7.32%. This means that men's salaries were 7.32% higher than those of women in comparable positions. The indicator is a weighted average of the size of the different employee groups.

We have calculated it for homogeneous employee groups to ensure transparency and consistency of data. We therefore divided employees into groups by area of employment and grade level. This enabled us to compare the salaries of men and women who perform similar work.

In calculating this ratio, we included all active employees whose tenure with the Bank exceeded one year and who remained employed on 31 December 2021. In the analysis, we included total salaries for comparable positions. We also recorded the differences that result from variable remuneration and other processes

We reduced the Gender Pay Gap by 0.94 p.p. in 2021 compared to 2020.

Training and development

The development activities offered by the Bank support the implementation of its business strategy. The activities include programs addressed to all employees, including specialized programs for managers. In addition, projects are conducted to support the development needs of individual units of the Bank.

In 2021, training activity was carried out in close cooperation with the Bank's business lines. The total number of training participants was over 170 thousand, including 145 thousand participants of e-learning, 727 participants of external training, 18 thousand participants of internal online trainings (Skype, Webex).

Table 4. Average number of training hours per employee in the Bank in 2021, by gender and employment structure

Employment structure	BNP Paribas Bank Polska S.A.		
	Women	Men	Total
Management Board	22.5	26.5	25.7
Management	39.1	33.3	36.5
Other employees	22.8	21.9	22.5
Total	24.6	23.8	24.3

The table above includes: e-learning, modular training, external and internal training.

The numbers of training hours collected for this calculation have been rounded to one decimal place.

Major training initiatives in 2021

Onboarding

- Training for new employees supporting: basic general banking scope - *Nice to see you* and initial training profiled in the process of onboarding business lines (new product offer and operating systems support);

Development and training activities implemented for dedicated business units

- In the area of product, process and system knowledge as well as development of sales and personal, specialist competencies (EFPA EFA) of the Retail and Business Banking Area employees;
- Supporting development paths in the Retail Banking area - Premium Academy, Business Academy, Leadership Academy, Mortgage Academy;
- Developing sales competences and knowledge about product and process changes for Personal Finance Banking sales forces;
- Product and process-oriented training, strengthening cooperation in teams, increasing sales competences for SME and Corporate Banking employees;
- Developing soft skills: actions in the area of team building, communication, remote work, specialist skills, personal and managerial competencies (tailored to the needs of individual organizational units);
- Agile (e.g. Agile on Demand, Scrum Master Academy) - training supporting Agile@Scale transformation, providing knowledge and shaping skills necessary for agile work.

E-learning trainings

- Providing knowledge, building awareness and proactive attitudes and behaviors of employees in the topics of compliance, financial security, insurance, Agile approach, information technology risk and cyber security, knowledge of domestic customer groups, sustainability and social responsibility, risk management, capital markets, regulatory, knowledge of risk factors and risk awareness, data quality and security, operational risk;
- Digital/e-learning training programs:
 - provision of Digital Data Agile Academy and other development programs provided by the BNP Paribas Group that are geared towards digital culture, new technologies and methodologies,
 - Data Governance Academy trainings,
 - Simple Language training,
 - Personal Brand Building trainings;
- Foreign language learning through eTutor, a language platform free of charge for Bank employees, supporting English language learning.

Training available to all employees or dedicated for participants in development programs

- *Zoom on development* - a program focused on key competencies of the future: flexibility, networking, digital knowledge and culture, customer orientation, implemented in the form of online training, webinars and other development activities;
- *Fridays with Development* - a development training program for employees overworked, fatigued, demotivated, and experiencing communication difficulties and stress in the face of the next wave of the COVID-19 pandemic - delivered through online training, webinars;
- *NewWays of Working* - a program supporting functioning in remote and hybrid teams, tames the tools used for remote working through modern forms, i.e., podcasts, webinars and online trainings;
- *#MamToDamTo* - program implements the concept of a learning organization by providing employees with an opportunity to exchange knowledge and support mutual development. Implemented in the form of online training and webinars, among others, in the area of skills in using MS Office tools, SQL and developing industry knowledge in the area of finance. In 2021, we launched two additional program formats:
 - Passionate *#MamToDamTo* - a formula where employees share their non-work skills (like photography or sailing),
 - "On-point" *#MamToDamTo* - training that cover highly specialized areas/topics. We piloted three open-ended training topics concerning banking applications;
- Academy of Leadership Development Well Leading - a program for managers shaping in its participants the leadership attitude desired in the Bank (e.g. customer orientation or innovation support), develops the managerial competencies necessary in our organization (e.g. delegating, motivating, remote management), supports the building of Agile culture and attitudes (direct communication, transparency, accountability, commitment). Activities in the program are implemented in the form of online training, webinars and other development activities;

- *Leaders for Tomorrow talent development programme* - includes nearly 200 employees. These people achieve above-average results and, most importantly, have the potential to further develop and take on higher managerial positions within the Group. It is implemented according to the competence model: 70/20/10. We engage leaders in the implementation of projects of business and strategic importance. As part of cross-functional projects, we strengthen cooperation between areas, taking into account different experiences and perspectives;
- *Mentoring Program* - supporting employees and organizations in achieving business goals based on Mentee potential using Mentor knowledge and experience. Conducted on the basis of trust, partnership, creation, presence and responsibility, it complements development activities according to the needs of use. Activities implemented include online training and webinars;
- *WomenUp* - is an original program prepared by women for women, aimed at supporting courage and releasing potential. The program lasts 12 months and includes workshops, webinars, action learning and participation in various initiatives and projects;
- *Resulting from the Employee Lifecycle* - webinars on Annual Evaluation, Mid-Year Evaluation, Quarterly Feedback, Profile Completion, and PDP (Personal Development Plan) at About Me.

Internship and partnership programs – cooperation with universities

- *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. BNP Paribas Bank Polska S.A. on the Warsaw Stock Exchange

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

Shareholder structure

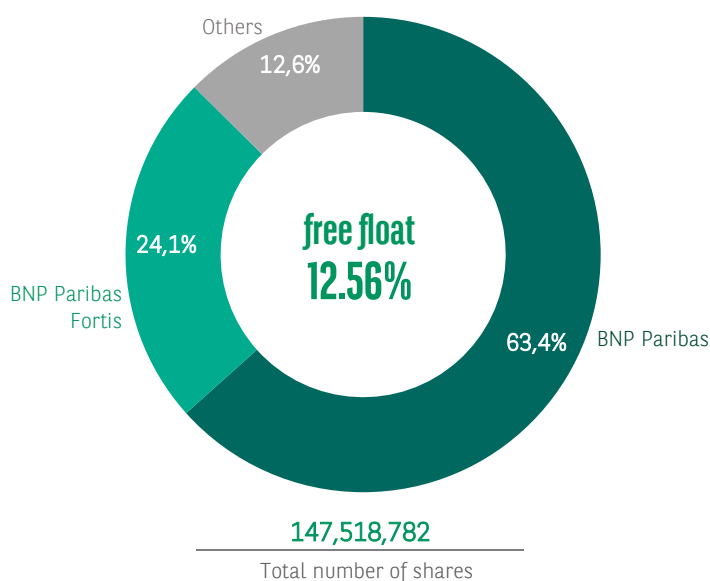
As at 31 December 2021, there were two shareholders with at least 5% of the total number of votes at the General Shareholders' Meeting: BNP Paribas and BNP Paribas Fortis SA/NV, jointly holding 88.44% of votes. The remaining part of the Bank's shares (12.56%) is in free float.

The changes that have taken place in the shareholding structure of the Bank in 2021 are described in Section 10.2 *Shares and shareholders*.

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

- ISIN code: PLBGZ0000010
- abbreviated name: BNPPPL
- WSE Ticker: BNP
- WSE indices: mWIG80, mWIG80TR

Chart 1. Shareholder structure as at 31.12.2021 r.



BNP Paribas Group

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

which operates in the following key areas:

- **Retail Banking** - includes all of the Group's retail operations and specialised business lines,
- **Investment & Protection Services** - includes specialised companies that offer savings, investment and insurance services,
- **Corporate & Institutional Banking** - offers customized financial solutions for corporate and institutional customers

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

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

At the beginning of June 2021 BNP Paribas Group sold parts of its shareholding in the Bank. Details of this transaction are described in Section 10.2 *Shares and shareholders*.

Share prices

During the session on 30 December 2021, the share closing price amounted to PLN 91.20 and was 43.40% higher than on 30 December 2020 (PLN 63.60). In the same period, the WIG Banks index increased by 81.32%.

Changes in the pandemic situation and expectations about the impact of sanitary restrictions on the performance of companies, including banks, remained a factor that significantly affected share prices in the first half of 2021. The upward trend seen since November 2020 continued until mid-March 2021 (the maximum for the Bank's share price in the first quarter took place on 17 February and amounted to PLN 74.20). The first quarter of 2021 ended with a correction of the quotation of the Bank's shares and a drop below PLN 60.00 per share (a 5.66% decrease compared to the end of 2020). The minimum for the first quarter (and the whole of 2021) was PLN 58.00 and occurred on 22 and 25 March 2021.

The second quarter of 2021 brought an end to another wave of pandemic and a reversal of the downward trend on the WSE. The increase in the Bank's share price ended with the establishment of a local maximum at PLN 74.60 on 31 May 2021. Despite another correction which took place in June, in the entire second quarter the price of the Bank's shares increased by 6.67%.

The third quarter of 2021 was the best period in terms of quarterly share price movement, which was certainly influenced by improved expectations regarding the external situation and sentiment towards the WSE. The Bank's share price rose by 31.25%. This growth continued until 5 November when the annual maximum of PLN 100.50 was recorded. The fourth quarter ended with a price increase of 8.57%.

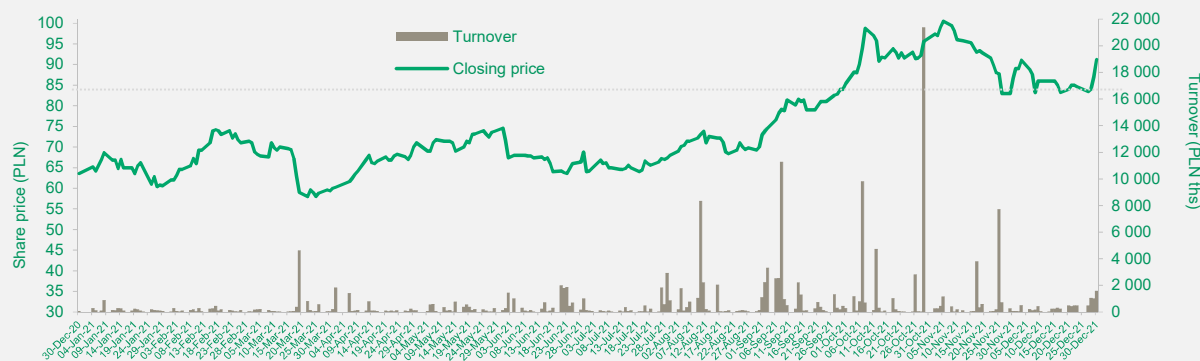
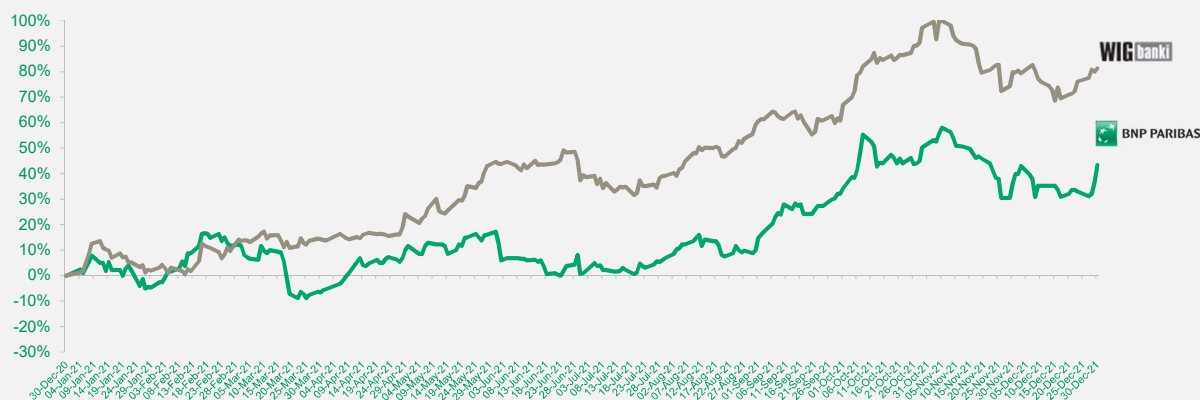
The development of the Bank's share price was positively influenced by the consistent implementation of the strategy and the resilience of the business model to negative external conditions evidenced in 2020 and 2021, as evidenced, i.a., by the effectiveness of adaptation measures aimed at neutralising the negative impact of the coronavirus pandemic on the Bank's financial results and the realised growth in core income.

In the first quarter of 2021, the average daily share price remained at the lowest level in the analysed period (PLN 66.14). January was the worst month with the average at the level of PLN 64.49. An increase in the share price in May allowed the average for the second quarter to increase to the level of PLN 68.08. The upturn observed in subsequent months allowed for an increase in the average rate to the level of PLN 71.94 in the third quarter and PLN 90.39 in the fourth quarter of 2021. The average for the whole of 2021 amounted to PLN 74.18 and was higher than the average for 2020 (PLN 52.23) by 42.04%.

The average daily trading volume in the first quarter of 2021 remained low at 3,529.19 shares (slightly higher than the average for the whole of 2020 - 3,164.17 shares). The gradual recovery observed in the second quarter of 2021 brought an increase in the average daily trading volume to 5,767.40 shares. The second half of 2021 was the best not only in terms of share price growth but also in terms of trading volume. The average daily volume doubled: to 11,701.61 shares in the third quarter and 11,929.48 shares in the fourth quarter of 2021.

Together with changes in the average price, this was reflected in changes in the average daily trading value, which in the analysed quarters amounted to respectively: PLN 224.02 thous., PLN 379.50 thous., PLN 870.10 thous. and PLN 1,098.23 thous. The session on 29 October 2021 saw the maximum volume of trading (224,787 shares) and the maximum value of trading (PLN 21,358.39 thous.) for year 2021.

In addition to the visible increase in trading volumes (average for 2021: 8,351.63 shares, a 163.94% increase compared to 2020), 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). Following the completion of these transactions, the total shareholding of shareholders holding less than 5% of the Bank's share capital increased to 12.56%.

Chart 2. The Bank's share price and turnover from 30.12.2020 to 30.12.2021

Chart 3. Change in Bank's share price vs. WIG-Banks from 30.12.2020 to 30.12.2021 (30.12.2020 = 100%)

Table 5. Key information on shares of BNP Paribas Bank Polska S.A.

	2021	2020	2019	change 2021/2020
Share price at the end of the year (PLN)	91.20	63.60	68.00	+43.4%
Average share price (PLN)	74.18	52.23	58.90	+42.0%
Maximum share price (PLN)	100.50	78.60	73.80	+27.9%
Minimum share price (PLN)	58.00	33.10	47.60	+75.2%
Value of WIG-Banks at the end of the year (points)	8,640.27	4,765.33	6,768.39	+81.3%
Number of shares at the end of the year (units)	147,518,782	147,418,918	147,418,918	+99,864 (+0.1%)
Capitalisation at the end of the year (PLN '000)	13,453,713	9,375,843	10,024,486	+43.5%
Average trading volume per session (units)	8,351.63	3,164.17	1,860.55	+163.9%
Average trading volume per session (PLN '000)	652.14	155.94	118.26	+318.2%
Earnings per share (PLN)*	1.20	4.97	4.17	-3.78
P/E ratio*	76.31	12.79	16.31	+63.52
Book value per share (PLN)*	77.02	81.61	75.70	-4.59
P/BV ratio*	1.18	0.78	0.90	+0.40

* calculation on a consolidated basis

2.2. Ratings

At the end of 2021 the Bank's ratings have been assigned by Moody's Investors Service Ltd.

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.

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

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

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

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

As of February 2022, Moody's ratings are not ordered by the Bank.

In January 2022 the Bank was rated by Fitch Ratings

Fitch Ratings	Rating
Long-Term Issuer Default Rating (LT IDR)	„A+” with a stable outlook
Short-Term Issuer Default Rating (ST IDR)	„F1”
National Long-Term Rating (Natl LT)	„AAA(pol)” with a stable outlook
National Short-Term Rating (Natl ST)	„F1+(pol)”
Viability Rating (VR)	„bbb-”
Shareholder Support Rating (SSR)	„a+”

The Bank's IDR and SSR ratings reflect Fitch Ratings' belief that there is a high likelihood of support from BNP Paribas SA (hereafter BNPP, IDR of 'A+', outlook stable). The same level of the Bank's and BNPP's ratings reflects BNPP's expected very strong propensity to provide support, given the Bank's inclusion in BNPP's group forced restructuring plan (as part of a single-point-of-entry strategy) and the significant reputational risk to BNPP in the event of the Bank's bankruptcy.

Any necessary support for the Bank would be insignificant relative to BNPP's ability to provide it. The stable outlook for the Bank's IDR reflects the outlook for BNPP's rating. According to Fitch Ratings, the Bank's VR rating of 'bbb-' reflects, among other things, the Bank's moderate and relatively less established franchise in the competitive Polish banking market, as well as its traditional, well-balanced business model resulting in a moderate overall risk profile.

2.3. Investor relations

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

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

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

In 2021, the Bank published a digital version of its annual report for 2020 for the second time. The report is available on the website: <https://raportroczny.bnpparibas.pl/en>.

In 2021, recommendations for BNP Paribas Bank Polska shares were issued by 9 domestic financial institutions. At the end of 2021, the Bank had 7 recommendations, of which 2 "Buy" and 5 "Hold". The median of target prices from the recommendations amounted to PLN 96.0 and the average target price - PLN 93.3, i.e., it was higher than the share price as at 30 December 2021 (PLN 91.2) by 5.3% and 2.3% respectively.

3. Major events

3.1. Key corporate events

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 thousand to PLN 147,519 thousand.**
- Determination of the annual contribution to the banks **restructuring fund for the year 2021 by the BFG for BNP Paribas Bank Polska S.A.** The contribution amounts to **PLN 90,147 thousand.**

March 2021

- Appointment of the Management Board of BNP Paribas Bank Polska S.A. for a new tenure
- Ordinary General Meeting of Shareholders
- Appointment of the Supervisory Board of BNP Paribas Bank Polska S.A. for a new term of office
- 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

- **The Bank launches a share repurchase program** in relation to the implementation of an incentive program for persons with a significant impact on the Bank's risk profile
- **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 147,519 thousand
- Notification from two shareholders of the Bank about the **launch of the process** of selling a part of their shares in BNP Paribas Bank Polska S.A. under the **accelerated demand book building ("ABB")***.

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**

November 2021

- Part of the amendments to the Bank's Articles of Association adopted by the Extraordinary General Meeting of the Bank on 17 June 2021 shall be entered in the National Court Register
- **The BFG sets the minimum level of own funds and eligible liabilities ("MREL")** for the Bank at an individual level: 15.90% Total Risk Exposure Amount ("TREA") and 5.91% Total Exposure Measure ("TEM"). This requirement should be achieved by 31 December 2023.
MREL interim targets: in relation to TREA are: 11.95% at the end of 2021 and 13.92% at the end of 2022, and in relation to TEM are: 3.00% at the end of 2021 and 4.46% at the end of 2022.



October 2021

Part of the amendments to the Bank's Articles of Association adopted by the Extraordinary General Meeting of the Bank on 17 June 2021 shall be entered in the National Court Register



* Details of the process of sale by BNP Paribas S.A. and Rabobank International Holding B.V. of part of their shares in the Bank are described in Chapter 10.2. Shares and shareholders.

Any changes in the composition of the Bank's Management Board and the Supervisory Board that took place in 2021 are described in Chapter 10.3. of the herein Report – Statutory bodies of the Bank.

3.2. Awards and distinctions

January 2021

- **Distinction of the "DOBRZE" programme** in the category of Best Wellbeing Practices in "The best of Wellbeing 2020" #pozytywnywpływ (#positiveimpact)
- The title of **Top Employer Polska** for an HR policy developed in line with best market practices
- The Bank receives bronze for "POCIĄG DO ZMIAN" in the 18th edition of the "**Złote Spinacze**" competition

March 2021

- BNP Paribas Lokata Kapitału fund managed by BNP Paribas TFI awarded as **the best Polish corporate paper fund** with a Alpha 2020 award by to Analizy Online website
- the Bank receives **distinctions (TOP3 nominations)** in the Polish Debt Securities sub-fund category for BNP Paribas Konserwatywne Oszczędzanie 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"
- BAKCYL programme, Bankers for Youth Financial Education - distinction at the 5th Congress on Financial Education and Entrepreneurship for volunteer activity in 2020 in the in the categories: the highest number of trained volunteers and the highest number of conducted lessons.
- **Przemek Gdański**, President of BNP Paribas Bank Polska ranks third in Forbes' **Banker of the Year** ranking

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 was granted to the Economic Analysis Department of BNP Paribas Bank

May 2021

- **Mastercard World Elite**, issued by BNP Paribas Wealth Management, in **3rd place in Forbes magazine's black credit card ranking**
- For the third time, the Responsible Business Forum places the Bank on the **Diversity IN Check** list. The list includes companies that best manage diversity and build an inclusive organisational 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 "DOBRZE" 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
- The Bank is ranked first in the 7th edition of the Star of Banking ranking in the ESG category for the Bank's actions that take into account environmental, social and governance factors

July 2021

- Bank receives Fastest Time to Value award in the first edition of the Sonatype Elevate Awards 2021 for its fast and successful implementation of the **Responsible Companies Nexus** platform

August 2021

- BNP Paribas Wealth Management is awarded the title of **Best Private Bank in Poland** in the international competition Global Private Banking Innovation Awards 2021, and BNP Paribas Group is awarded in 8 categories

September 2021

- Bank uzyskuje tytuł **NEXT MMP 500** dla najbardziej proekologicznie zaangażowanych marek w Polsce
- **Moje Konto Premium** zostaje uznane za najlepsze wśród aktualnie obecnych na rynku ofert kont premium przez portal Bankier.pl

November 2021

- The Bank wins the main award in the Social Campaign / CSR category for the campaign "Where are our Patrons?" and an honourable mention in the Digital category - mobile applications / games for the project "Misja Samodzielność" in the **Kreatura 2021 contest**
- The Bank wins four statuettes for the campaign "Where are our patrons?" in the **Advertisement Creators Club Competition** and bronze in the **Innovation 2021 Competition**

October 2021

- The Bank wins the second main prize in the 16th edition of "**The Best Annual Report 2020**" competition of the Accounting and Tax Institute
- **My Premium Account** again takes the first place in the ranking of premium accounts of the Bankier.pl portal
- The Bank is announced as a finalist in the **Digital Excellence Awards** competition organised by CIONET in the Environmental & Social Impact category for the implementation of the Autenti Platform
- The "Bank of a Changing World" campaign is awarded silver in the Long Term Marketing Excellence category of the **Effie Awards 2021**

December 2021

- The Bank is awarded the title "**Bank of the Year in Poland**" by "The Banker" monthly
- The bank's campaign , "Superheroes, or family choices" wins a double bronze in the Sustainability and CSR Communications category and in the Finance category in the "**Złote Spinacze**" competition

The full list of awards can be found on our website: <https://www.bnpparibas.pl/o-banku/nagrody-i-wyroznienia>

3.3. Impact of the COVID-19 pandemic on the activity and performance of the Bank and the Group in 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.

In 2021, with the recovery of the economy, the Bank recorded increasing customer interest in banking products, both credit, savings and investment products, as reflected in rising sales volumes of investment accounts, cash loans and mortgages. The second half of 2021 reflected an increase in the activity of Corporate Banking and SME clients, which resulted in an increase in the balance of corporate loans by 11.9% y/y.

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.
- New models of work in the Bank's Head Office - as of 16 August 2021, by decision of the Bank's Management Board, 4 models of remote work were introduced - taking into account the specificity of tasks performed by individual areas and the need to ensure safe working conditions. The models provided for remote work of several to over a dozen days per month. In connection with the worsening of the epidemic situation at the end of 2021, employees returned to remote work in a larger proportion than assumed by the above-mentioned work models. In December 2021, more than 85% of Head Office employees were working remotely.
- Remote work in the sales network - enabling remote performance of duties by sales network employees is based on separate rules developed directly by the Retail and Business Banking Sales Division together with branch representatives so that this form of work does not affect relations with customers. Remote work in branches depends, among other things, on the business situation, staffing and the scope of tasks to be performed.
- Customer service standards - a service model adapted to epidemic conditions is still in 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;
- 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. In addition, webinars on the prevention of chronic diseases and the "2 hours for Health" action were held in November.
- Support for social initiatives - funds from the „Wspieram Cały Rok” programme for 2021 were donated, among others, to maintain the hotline of the „Stowarzyszenia Aktywnie Przeciwko Depresji”, which supports people in mental crisis caused by the COVID-19 pandemic. As part of the fight against the effects of the pandemic, in December 2021 we donated meals for the employees of the Hospital - Nowodworski Medical Centre in Nowy Dwór Mazowiecki worth PLN 100 thousand.
- Free COVID 19 tests – 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.
- Discounts on COVID-19 tests – under the agreement with ALAB, Bank employees can take advantage of a 25% discount on serological tests. Under the agreement with LUX MED, each employee who has an active medical care package (minimum Silver) is entitled to a 20% discount on serological test for IgG antibodies from blood and antigen test. The offer applies to tests performed in LUX MED's own medical facilities.
- Uniqo psychological helpline – employees and their spouses/partners and children who subscribed to Uniqo insurance could benefit from a consultation with a psychologist or psychiatrist until 31 August 2021. People with all issues that are related to the COVID-19 outbreak and have mental health implications could make an appointment for a consultation.
- Remote working allowance – was paid to the Bank's employees to support the effective and safe performance of their work duties remotely.

- Vaccination programme against SARS-COV-2 – in April 2021, the Bank joined the government's initiative to engage employers in a vaccination programme; in June and July vaccinations were carried out in several cities (Gdańsk, Kraków, Poznań, Katowice, Warsaw) for willing employees of the Bank and BNP Paribas Group companies in Poland and their family members. Additionally, in November, willing employees could receive the flu vaccine free of charge in the largest locations of the bank's branches (Warsaw, Krakow, Ruda Śląska) or in any of the own or partner branches of the medical operator LUX MED.

The vast majority of employees (over 80%) believe that the Bank provides a comfortable and safe working environment during a pandemic, based on the results of the Pulse Check survey.

Measures supporting customers and digitalisation

- Customer assistance programs - from mid-January 2021 to the end of March 2021. The Group focused on making the fullest possible use of available customer assistance programs, including granting temporary deferment of installment repayments on loans.
- As at the end of December 2021, the number of customers to whom loans and advances subject to moratoria were granted amounted to PLN 37.2 thousand, with total gross balance sheet exposure of the Group of PLN 5,709,313 thousand, of which: PLN 2,960,346 thousand related to individual customers, PLN 2,213,339 thousand to business entities, and PLN 535,628 thousand to leasing and other receivables. Moreover, the total gross value of loans and advances covered by statutory moratoria at the end of December 2021 amounted to PLN 255 747 thousand. The balance of expired moratoria amounted to PLN 5,696,483 thousand and the balance of active moratoria - PLN 12,830 thousand.

Detailed information on loans and advances subject to moratoria and the impact of the pandemic on risk management is presented in Note 56 Financial Risk Management in the Consolidated Financial Statements of the BNP Paribas Bank Polska Group.

- The Bank remained a partner in the government program to support the Polski Fundusz Rozwoju S.A. (hereinafter: PFR). Under the program, in January 2021 the Bank purchased PFR0827 bonds for PLN 540 million. In total, the Bank's exposure in PFR bonds at the end of December 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.
- Tarcza Finansowa PFR 2.0 (PFR Financial Shield 2.0) - 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. The Bank's share in the distribution of funds to customers is 4 thousand of positive decisions for an amount of PLN 0.7 billion. The total amount disbursed by PFR under the Shield 2.0 through the banks for micro, small and medium-sized enterprises was, as of 15.08.2021 - PLN 7,133 million.
- Promote digital solutions that allow customers to make even greater use of mobile devices and electronic banking in their dealings with the Bank, through their further development and modification. For example, the submission of applications regarding the PFR financial shields was made available to businesses in the GOonline and BiznesPI@net (now: GOonline Biznes) e-banking systems. In addition, a fully digital and automated process for the redemption of PFR Shield Subsidies 1.0 and 2.0 was implemented. The Bank also expanded the range of services related to convenient currency exchange by offering 24/7 availability of the FX PI@net platform. Individual customers were provided with the myID service - free creation of an Electronic Identity allowing remote identification for the needs of official and commercial matters. In 2021, the Bank's customers made 400 thousand of authorisations with the trusted profile.

Measures monitoring the impact of the pandemic on the Bank and the Group

Taking into consideration adequately reflecting the impact of the COVID-19 situation in the loan portfolio valuation, the Group monitors the loan portfolio for threats related to the epidemiological situation. In particular, when determining impairment allowances, the Group takes into account the impact of macroeconomic scenarios and the specific nature of the portfolio of clients particularly exposed to the effects of the pandemic, including clients receiving public support and operating in industries exposed to COVID-19.

In 2021, as a result of improved macroeconomic forecasts, including in particular the growth rate of Poland's gross domestic product, the Group released PLN 155,854 thousand of provisions for unrealized credit losses related to changes in macroeconomic scenarios. At the same time, being aware that in case of some customers the recognition of negative effects of COVID-19 on credit quality will be delayed (among others due to the fact that companies use public support under the crisis shields, which supports their financial and liquidity position), the Group accounted for the risk of deterioration of their financial position in the future by adding provisions in the amount of PLN 122,130 thousand. The net release of provisions related to COVID-19 in 2021 amounted to PLN 33,724 thousand.

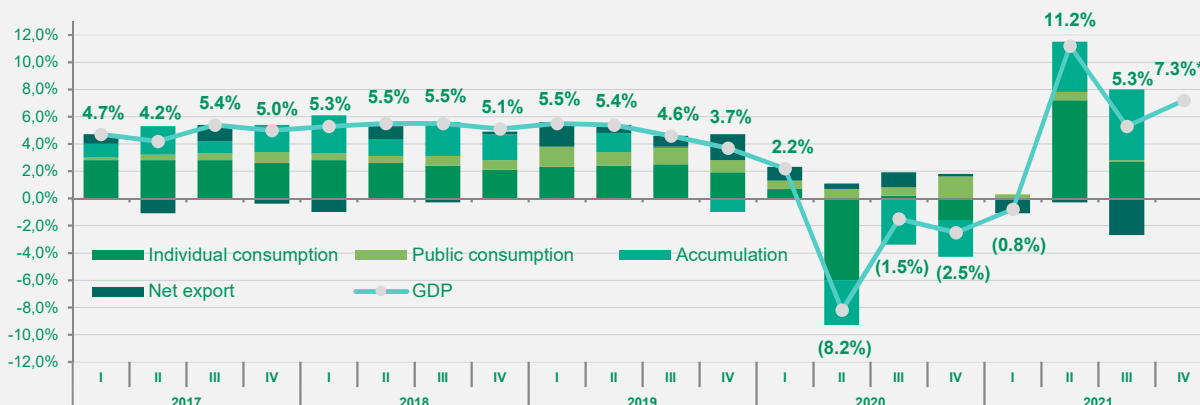
4. External environment

4.1. Macroeconomic conditions

GDP

In the second half of 2021, the recovery of activity from the 2020 pandemic continues. Already in the first half of 2021, the Polish economy recovered from the restrictions imposed in 2020. In the third and fourth quarter of 2021, GDP in Poland continued its dynamic growth. Importantly, the economic recovery was increasingly widespread. In addition to private consumption, investments also rose. As a result, last year the Polish economy grew by 5.7%. The main growth driver was private consumption, which added 3.4 pp and investments, which accounted for around 1.3 pp of total dynamics. Before the outbreak of the war in Ukraine, our forecast was for GDP growth to weaken to around 4.5% in 2022. Currently, any revision to this forecast is difficult to quantify, not knowing how long the war will last, what additional sanctions on Russia will be introduced and what its retaliatory actions will be (e.g. limiting exports of oil, gas and other commodities), and what the political solution to this conflict will be. Increased uncertainty will probably limit investment activity of companies and possibly household consumption. On the other hand, spending on defence and aid for refugees from Ukraine will probably increase.

Chart 4. GDP growth (y/y)



*estimate

Source: CSO

Business activity

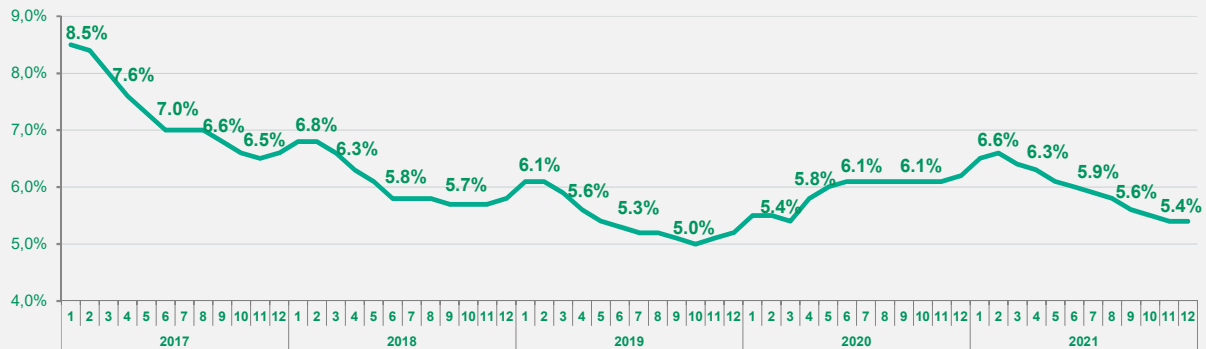
Since the beginning of 2021, economic activity has gradually increased, with GDP exceeding pre-pandemic levels in the middle of the year. In the fourth quarter, industrial production increased by 13.0% y/y.. Growing external demand was the driving factor behind the increase in industrial production in Poland. This was also partly due to the effect of the low base from last year, but the impact of this factor in the second half of the year was much less than even in Q2,2021. Construction and assembly production is also gradually recovering. In Q4, construction production growth amounted to 6.3% y/y. Retail sales (in real value terms) have also been growing continuously since the second quarter. Much more lenient restrictions than last year contributed to satisfying consumer demand, resulting in a 9.0% annualised growth in the fourth quarter.

Inflation

In 2021, the price level in Poland increased by 5.1% on an annual basis. While in the first half of the year the CPI inflation dynamics remained at or just above the inflation target set by the National Bank of Poland (i.e. 2.5% +/- 1 p.p.), it has clearly accelerated since June. In the third quarter, the average price level increased by 5.4% y/y, and in the fourth quarter the increase was already 7.7% y/y. The dynamic acceleration of inflation in Poland was largely due to the situation on global commodity markets. The increase in gas and oil prices translated into higher fuel and

energy prices. In addition, disruptions in supply chains combined with the aforementioned increases in raw material prices resulted in higher production costs, which also accelerated CPI inflation in Poland. In addition to external factors, the increase in core inflation, which excludes energy and food prices, had a large impact on the acceleration of inflation. In Q3, it increased by 3.9% y/y, and in Q4, growth remained around 4.8% y/y. In the current year, a significant increase in energy prices (+54% gas, +24% electricity) will continue to drive inflation in Poland, although in the first months of the year, the impact of this factor will be somewhat mitigated by the Anti-Inflation Shield (reductions in VAT and excise taxes on electricity and gas). We also expect core inflation to remain high in 2022 due to low unemployment, among other factors. In addition, core inflation will be boosted by an increase in excise tax on alcohol and tobacco, which will increase its dynamics by about 0.2 p.p. starting from January. Potentially faster growth of energy commodity prices in the aftermath of the war in Ukraine and its impact on inflation may be limited by weaker economic growth, but most importantly by the extension of the government's Anti-Inflation Shield.

Chart 5. Registered unemployment rate

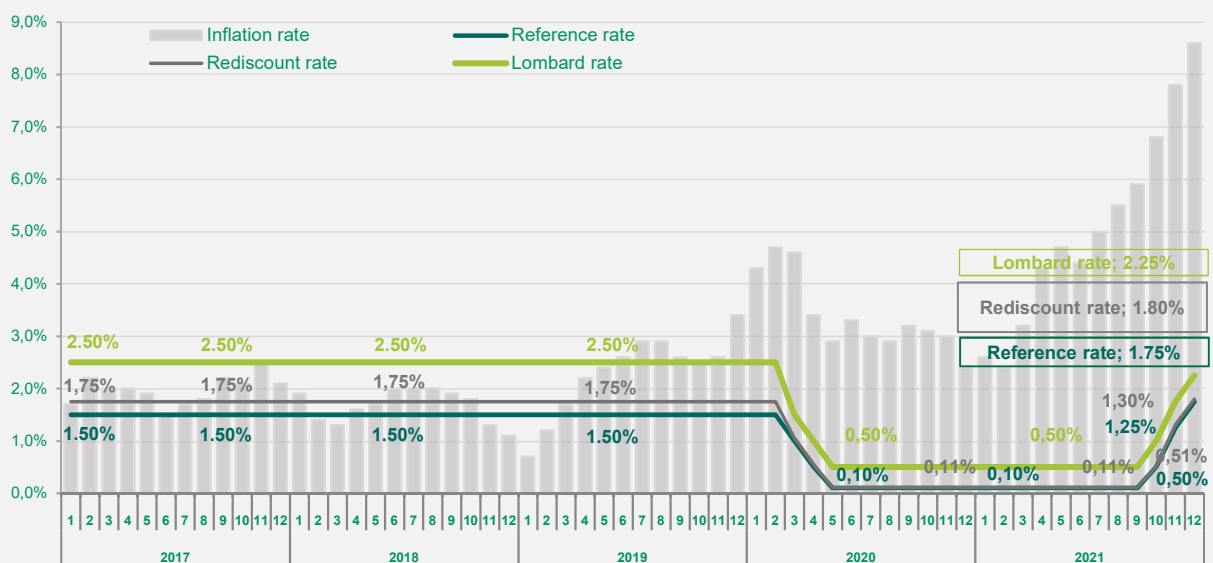


Source: CSO

Monetary policy

In October 2021, the Monetary Policy Council (MPC) decided to start a cycle of monetary policy tightening in Poland. By December last year it had made three increases amounting to a total of 165 bp to 1.75%. In February 2022 the MPC decided on a further increase in interest rates. The reference rate increased to 2.75%. According to President Adam Glapiński, the cycle will continue at least until the reference rate reaches 4.0%. In his opinion this is a level which would not have a negative impact on economic activity in Poland. As a result, we expect the MPC to continue raising interest rates at a rate of +50 bp at least until March. In our opinion, the MPC will continue to raise interest rates in the coming months, although the pace and scale of rate hikes will depend on the combination of economic growth, inflation and the exchange rate of the zloty, which is currently difficult to predict due to the war in Ukraine.

Chart 6. Inflation and interest rates



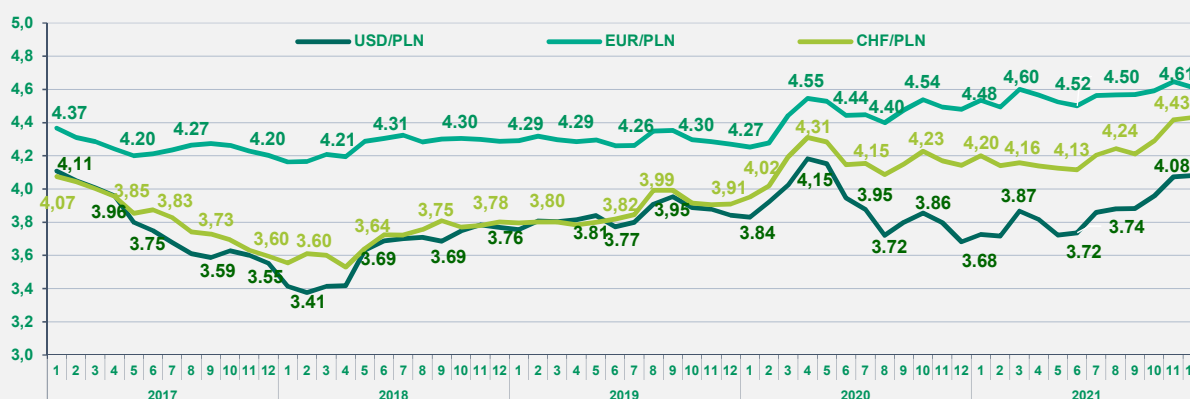
Source: CSO, NBP

Bonds market

Treasury bond yields in Poland in H2,2021 were mainly influenced by the situation on core markets (US and Eurozone) and domestic data on inflation, public debt, as well as investors' expectations regarding the MPC's future monetary policy. Especially the latter factor has clearly influenced the increase in yields of Polish government bonds. Since July 2021, the yield on Polish 10-year bonds has increased from 1.60% to 3.65% at the end of last year. The risk premium for long-term Polish bonds (as measured by the spread over 10-year German bonds) widened to over 380 bp at the end of the year, up from around 168-200 bp at the start of the year. The widening of the spread between bond yields, falling in the July-December period, was largely influenced by actions taken by the Monetary Policy Council in Poland.

Foreign exchange market

Chart 7. PLN exchange rate (monthly average)



Source: Macrobond

In the second half of 2021, the USD/PLN exchange rate fluctuated in the range of 3.85-4.20 compared with 3.66-3.96 in the first half of the year. The greatest depreciation of the zloty occurred in early November, when the USD/PLN exchange rate exceeded the 4.00 level. This was associated with a strong appreciation of the dollar due to growing expectations of interest rate increases in the USA. In addition, a decrease in risk appetite in equity markets weakened demand for the zloty. The EUR/PLN exchange rate also behaved similarly, reaching its highest level since 2009, exceeding 4.70. The weakness of the zloty in the second half of the year was also evident in the case of the CHF/PLN currency pair, which in November exceeded the level of 4.50. Nevertheless, the last month of 2021 was marked by the appreciation of the zloty. Due to the sharp increase in uncertainty in the financial markets after Russia's invasion of Ukraine, the zloty, as well as other regional currencies, weakened again and the EUR/PLN exchange rate reached 4.70.

4.2. Performance of the banking sector

Main categories of the banking sector profit and loss

In 2021, the net financial result of the banking sector in Poland, according to preliminary data from the Financial Supervision Authority (KNF), amounted to PLN 8.8 billion and was higher than the result achieved in 2020 by PLN 9.2 billion. In 2020, the banking sector recorded a loss of PLN 0.3 billion, mainly due to the establishment of significant reserves for legal risks relating to FX mortgage loans (mainly reserves created by one of the banks for the costs of settlements with customers holding FX mortgage loans). The net profit achieved in 2021 was determined by the improvement in the other result (which includes the aforementioned reserves for risks related to FX loans), the result from impairment losses and other reserves and the increase in net fee and commission income, which offset the decrease in interest income and the increase in operating expenses.

Reserves for legal risk related to FX housing loans are recognised by banks in other result (other operating expenses) or in the result from impairment losses and other provisions.

Net impairment losses and other provisions improved y/y by PLN 5.5 billion, or 29%, due to a decrease in the volume of impaired receivables from non-financial sector entities, mainly retail businesses and SMEs, and the release by some banks of provisions created in 2020 for the effects of the COVID-19 pandemic. The improvement in net impairment losses offset the deterioration in net other provisions (up by PLN 1.0 billion, or 17.5% year on year, to approximately PLN -6.5 billion), which was due to an increase in the legal risk of the portfolio of foreign currency housing loans as a result of a growing number of lawsuits and a change in the line of jurisprudence in favour of borrowers.

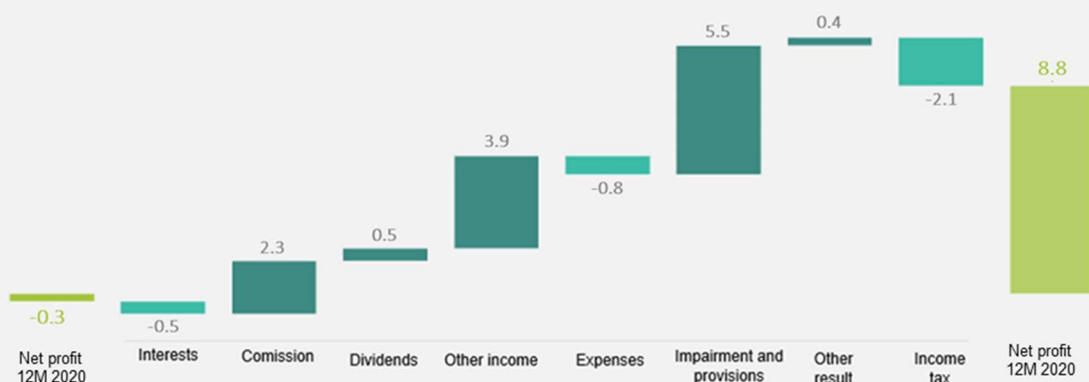
The increase in the sector's other income to PLN 3.0 billion (vs. PLN -0.9 billion in 2020) was a result of the aforementioned base effect - high provisions for legal risk related to foreign currency loans in 2020.

The improvement in net impairment losses and other provisions as well as an increase in other revenues was followed by higher net fee and commission income by approximately PLN 2.3 bn (i.e. 15.3%) and an increase in dividend income (by PLN 0.5 bn). The increase in net fee and commission income was determined, on the one hand, by increases in fees and commissions and, on the other hand, by the inflow of funds to investment funds distributed by banks and the change in the structure of their assets to those of higher risk, i.e. more profitable from the banks' point of view.

The sector's result was negatively affected by a decrease in interest income by PLN 0.5 billion y/y (i.e. by 1.2%), which resulted from interest rate cuts made by the MPC in the first half of 2020 and was only partly offset by interest rate increases initiated in the fourth quarter of 2021.

The worsening interest income was accompanied by increase in costs (including depreciation and bank tax) by PLN 0.8 billion (i.e. by 2.0%). This was due to an increase in operating costs and employee costs, the impact of which was neutralised by a lower contribution to the Bank Guarantee Fund (BFG).

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

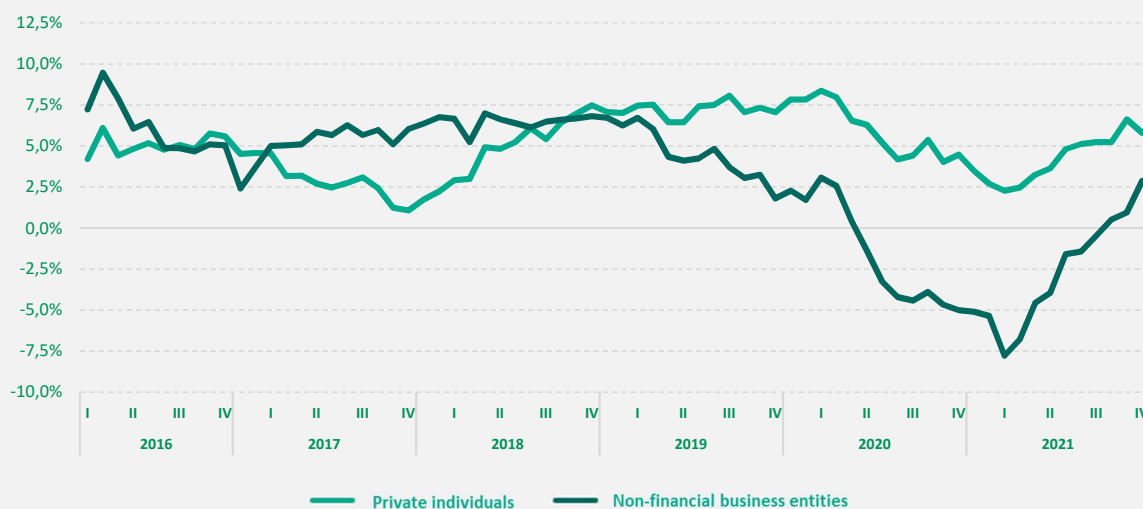


Source: PFSA

Main categories of the balance sheet of the banking sector

The level of loans to non-bank clients at the end of 2021 reached PLN 1,379 billion. The 5.1% y/y growth was a clear recovery from the slowdown caused by the pandemic (in 2020 the annual growth rate was 0.7%), the dynamics returned to the level from 2019 (5.0% y/y). The growth was driven by PLN housing loans and corporate loans.

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

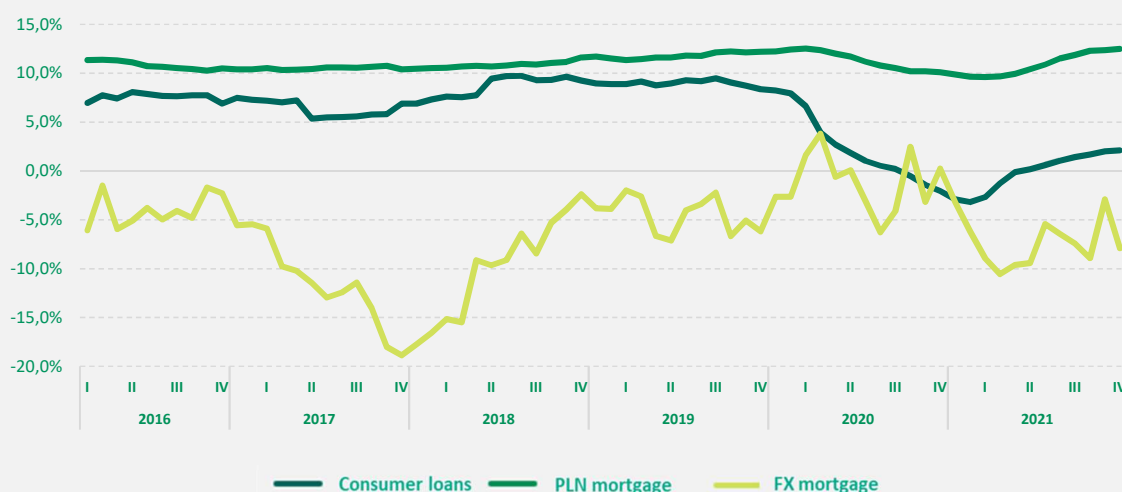


Source: NBP

After falling by 5.0% last year, loans to non-financial businesses grew by 2.9% at the end of 2021. The positive dynamics were driven by a change in the trend in loans to corporates, which increased by 4.2% y/y against a decline of 4.9% y/y at the end of 2020. Similarly to the previous year, negative dynamics continued in loans for individual entrepreneurs and farmers (-1.7% y/y and -2.0% y/y respectively).

The improvement in the current epidemic and economic situation was reflected in an increase in working capital loans for both businesses (to 14.2% y/y against -15.1% at the end of 2020) and individual entrepreneurs (to 0.8% y/y against -8.0% y/y at the end of 2020). However, the economic recovery observed in the short term did not affect the investment mood of enterprises, which translated into negative dynamics of investment loans for both enterprises and individual entrepreneurs (-2.1% y/y and -4.9% y/y respectively).

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



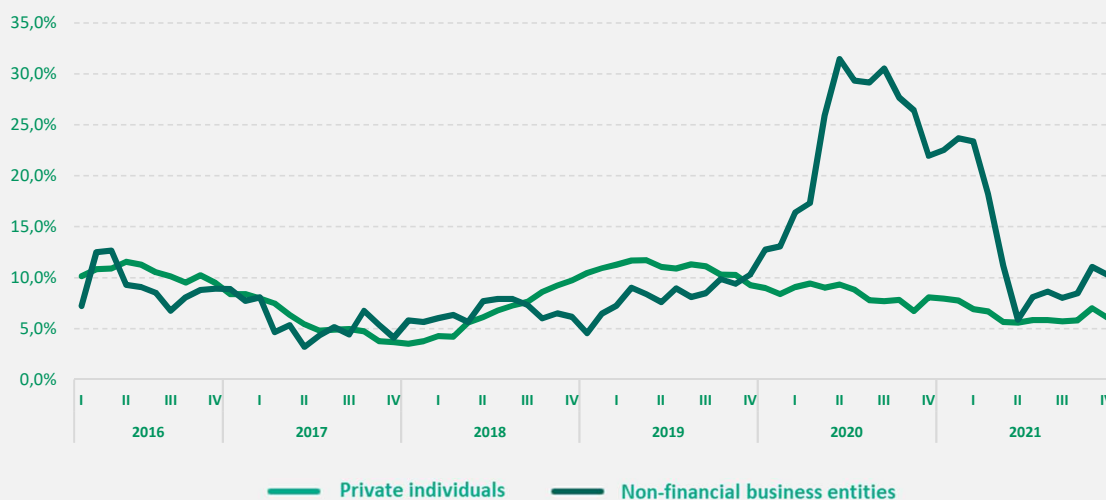
Źródło: NBP

The volume of loans to individual customers increased by 5.8% y/y compared with an increase of 4.5% at the end of 2020. This increase was driven, on the one hand, by rapidly growing PLN housing loans (12.5% y/y vs. 10.1% y/y at the end of 2020) and, on the other hand, by positive consumer loans growth of 2.1% y/y (vs. a decline of -2.1% y/y at the end of 2020). At the same time, the volume of FX housing loans fell by -7.9% y/y (+0.2% y/y at end-2020) in an environment of PLN depreciation against CHF.

The increase in PLN housing loans occurred as a result of the continuing high demand for real estate stimulated by the low level of interest rates. At the same time, due to the continuing trend of rising property prices, the amounts of loans granted also increased. According to the Credit Information Bureau (BIK), the average value of a home loan applied for in December 2021 was 10.8% higher y/y.

The continuation of the upward trend in consumer loans was due to, inter alia: banks loosening the criteria and conditions for granting consumer loans in connection with the improvement of the economic situation of households and increased demand resulting from the need to finance durable goods. According to BIK, high value loans (i.e. over PLN 30 thousand) accounted for the largest share in the sales of cash loans.

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



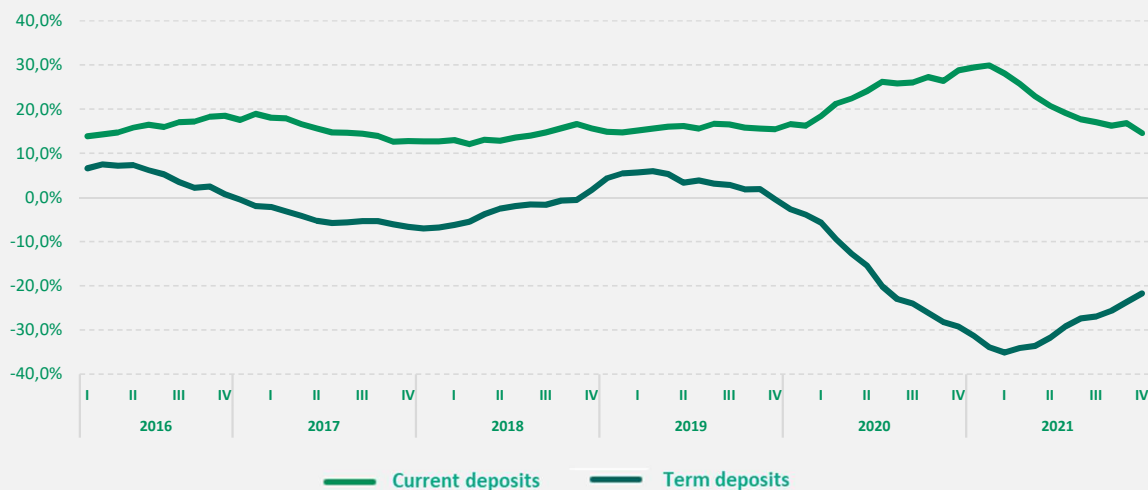
Source: NBP

At the end of 2021, deposits from non-bank customers increased by 10.9% y/y, compared with 13.8% at the end of 2020. This slowdown was caused by a sharp decline in the growth rate of deposits from non-financial businesses. At 10.3%, it was more than twice as low as at the end of 2020 (22.0%). This decrease was mainly due to a high base effect related to the distribution of Financial Shield funds, which occurred mainly in the second quarter of 2020.

The dynamics of deposits from individual customers amounted to 6.1% y/y and was also lower than in December 2020 (8.1%). Despite the cycle of interest rate increases initiated by the MPC, in October 2021, it did not translate into an increase in deposit interest rates due to the persistently high excess liquidity in the sector. Real interest rates on deposits remained negative due to high inflation. The decrease in dynamics was also influenced by the increase in consumer spending of individual customers and the conversion of funds to investment products with higher risk or guaranteeing at least partial hedging against the effects of inflation. This has resulted, among other things, in an increase in the popularity of so-called savings bonds. Their average monthly sales in 2021 amounted to PLN 3.6 billion, while in 2019 they exceeded only PLN 1.4 billion per month. Strong interest in higher risk investments continued, including: in the housing market, as well as in the capital market. The assets of the investment funds (excluding PPK funds) increased by PLN 6.2 billion in 2021.

No increase in interest rates on time deposits following the interest rate increases contributed to maintaining the structure of deposit growth. At the end of 2021, current deposit growth remained positive at 14.6% y/y (compared to 28.8% at the end of 2020). Retail term deposits fell y/y by 21.7%, but it was a weaker decline than at the end of 2020. (-29.3% y/y).

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



Source: NBP

4.3. Stock market and investment situation

In 2021 the WIG stock index, representing all companies listed on the Warsaw Stock Exchange (hereinafter: WSE), was in an upward trend, recording its highest level since 2007. In the first quarter of 2021 levels between 55,000 and 60,000 points were recorded. On the other hand, the period from April to October was a month of double-digit increases, which at the beginning of November translated into the record level of WIG near 75,000 points. At the end of the year, however, there was a correction, which brought the WIG quotations below 70,000 points.

The year 2021 brought a clear diversification of returns among the company segments, with all major indices listed on the WSE ending the year on a positive note. Between 31 December 2020 and 31 December 2021, the WIG reported a positive return of 21.5%. For the WIG20 index, which groups the largest entities on the Warsaw Stock Exchange, it was also positive but lower and amounted to 14.3%. The index of medium-sized companies mWIG40 closed with a profit of 33.1%, i.e. more than a half higher than the broad market, for which the WIG index remains the benchmark. The smaller companies segment also performed better than the broad market, with sWIG80 generating a 24.6% rate of return.

The indices of the Warsaw Stock Exchange were in line with the performance of foreign equity markets. For example, the US S&P500 index recorded a return of over 26.9% in the 12 months of 2021, the French CAC40 also gained 28.9%, while the German DAX was up 15.8%.

Table 6. Key WSE indices

Index	31.12.2021	31.12.2020	31.12.2019	change 2021 vs 2020	change 2020 vs 2019
WIG	69,296	57,026	57,833	21.5%	(1.4%)
WIG20	2,267	1,984	2,150	14.3%	(7.7%)
mWIG40	5,292	3,977	3,908	33.1%	1.7%
sWIG80	20,056	16,096	12,044	24.6%	33.6%

Source: Bloomberg

The outlook for 2021 on the Warsaw Stock Exchange was influenced by the following factors, among others: (i) concerns about the impact on the global economy of the prolonged COVID-19 pandemic, which is disrupting supply chains and thus creating supply and demand imbalances; (ii) accommodative policies of central banks, with concerns about faster monetary tightening than initially expected due to accelerating inflation, which translated into capital outflows from the debt market; (iii) persistent capital turnover to value and cyclical companies vs. so-called growth companies; (iv) significant improvement in macroeconomic data, including in particular PMI leading indicators, which translated into positive revisions of economic growth; (v) volatility of zloty prices and changes in monetary policy parameters by the Monetary Policy Council.

The year 2021 brought a clear upward trend in Polish government bond yields, which, after a correction in June and July, accelerated in the following months of the year. Finally, yields on Polish 10-year treasury bonds were at 3.64% at the end of the reported year, when at the beginning of January 2021 they amounted to 1.15%. The above 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 rhetoric of the Monetary Policy Council since the beginning of the year, expectations of interest rate increases gradually grew in the market, which finally occurred for the first time in October. At the end of 2021, the reference rate reached 1.75%, which was the result of three consecutive increases from 0.10%.

Table 7. Number of companies, capitalization and trading volume on WSE

	31.12.2021	31.12.2020	31.12.2019	change 2021 vs 2020	change 2020 vs 2019
Number of companies	430	433	449	(0.7%)	(3.6%)
Capitalization of domestic companies (PLN million)	701,152	538,752	550,242	30.1%	(2.1%)
Share trading volume (PLN million)	330,995	311,124	195,215	6.4%	59.4%
Futures trading volume (PLN '000)	11,707	11,115	6,728	5.3%	65.2%

Source: WSE

In 2021, 16 new companies were listed on the WSE's main market, including three foreign companies and four following the transfer of listings from NewConnect, while 19 entities left the floor.

32 issuers debuted on the NewConnect organised market in the 12 months of 2021, with 25 entities delisting at the same time, including 1 foreign issuer.

A total of 547 bond series were traded on the Catalyst bond market, with the value of issues exceeding PLN 1.124 billion.

5. Strategy and prospects

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

The main assumption of the new Fast Forward strategy for 2018-2021, adopted by the Bank's Management Board and Supervisory Board in May 2018, was 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.

5.2. Implementation of the strategy in 2021

The course of events in 2021 has confirmed the oft-repeated thesis that, at present, only uncertainty remains certain. The sweeping waves of the coronavirus with its successive mutations still do not allow for a full return to normality. Disruptions of supply chains, global shortages of materials, and the energy crisis have further fuelled rising inflation. Its scale exceeded all previous forecasts and translated into a relatively strong increase in interest rates. In addition, banks were still struggling with the problem of CHF loans. The year 2021 did not bring the expected decisions in the Supreme Court, the scale of legal uncertainty increased, which made most banks decide to make significant provisions on this account. As a result, financial results were under pressure, sometimes marking the net result at negative levels.

Given the difficult environment, last year was a successful one for the Bank. We strengthened the foundations of organic growth, thanks to which the customer base exceeded 4 million. All key products sold well, with particular emphasis on mortgage loans. Loan balances grew in each quarter, both on the retail and corporate side. The Bank developed its digital capabilities, which was reflected in the growing number of customers using remote channels. Already at this stage, the mobile channel shows the greatest potential for further growth.

The Bank is increasingly supporting initiatives in the ESG area. This is reflected in the change in internal structures, which were directed towards the development of this area and provided the framework for defining plans for the coming years. Importantly, the Bank has not limited itself to classic sustainable products based on customer financing. Equally important is the cooperation with promising startups through which the Bank offers advice on

green transformation. An example of this is the implementation of the online calculator AgroEmisja allowing the Bank to monitor its own greenhouse gas emissions.

2021 is the final year of the Fast Forward strategy horizon for 2018-21, during this time the Bank successfully completed its merger with the separated part of Raiffeisen Bank Polska, rebranded and began to systematically build a new brand identity. Thanks to the scale built, greater diversification of activities, it was able to enter the path of organic growth, improve profitability and efficiency. Individual and corporate customers can also benefit from modern transaction systems. All this has been achieved with a focus on ethics towards customers and on employee safety. Nevertheless, the Bank sees elements that still require attention. Due to lower interest rates than originally assumed, the pandemic and the higher cost burden of provisions for legal risks related to the CHF loan portfolio, profitability as measured by ROE and the cost-to-income ratio were below strategic targets. The lower cost efficiency is partly due to the complexity of systems and processes, in the modernisation and optimisation of which the Bank plans to continue to invest. Furthermore, the focus will remain on further improving customer satisfaction, which will strengthen organic growth opportunities in the next strategic horizon.

Other actions within the strategy are described in the table below

PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS IN 2021
GROWTH	resources (people, IT and capital) focus on the most profitable products and segments to increase acquisitions, sales and ultimately financial performance	<ul style="list-style-type: none"> • Successful customer acquisition, personal account sales in 2021: 321.8 thousand (+25% y/y). • Growing retail loan sales in 2021: <ul style="list-style-type: none"> • mortgage loans PLN 6.6 billion (+18% y/y); • cash loans PLN 3.6 billion (+32% y/y). • PLN 3.9 billion of sustainable (mainly green) financing provided in 2021 • Over 16 thousand photovoltaic installations financed for prosumers. • Participation in significant corporate client transactions: <ul style="list-style-type: none"> • syndicated financing: Ciech (PLN 2.1 billion), Press Glass, (PLN 1.1 billion), Polpharma (PLN 0.8 billion), Cargounit (PLN 0.6 billion), CLIP logistics (EUR 0.14 billion), Arctic Paper (PLN 0.3 billion), Resi4Rent (PLN 0.3 billion), Scanmed (PLN 0.2 billion), post-IPO financing for InPost (PLN 2.75 billion); • Bielenda Kosmetyki structured financing package (PLN 215 million); • exclusive provider of financing for the construction of a logistics park near Wrocław (EUR 70 million); financing of the acquisition of five logistics parks with a total area of 209,000 m2 by the investment company Polish Logistics LLP; • exclusive organiser and dealer of ATAL SA two-year bond issue worth PLN 120 million. Co-organiser and dealer of the record-breaking Ghelamco bond issue worth PLN 285 mln. • Significant green financing transactions: investments by Qair Polska (PLN 184 million), acquisition of a portfolio of 130 photovoltaic farms by Aberdeen Standard Investments; R.Power participation in a consortium financing the construction of 7 solar power plants (PLN 242 million); EIB and BNP Paribas Leasing Services agreement to support SME financing in Poland (EUR 200 million). • First Sustainability Linked Loan for Raben Group worth EUR 225 million. • The 100th structured certificate offered by the Bank Brokerage (first subscription X 2016). • Cooperation with reputable partners: DECATHLON, Media Saturn Holding. • Introduction of the possibility of long-term rental of consumer devices for individual customers. Pilot service made available in stationary iSpot stores. • Joining the Clean Air Programme 2021-22.
SIMPLICITY	simplified product offering, especially in Retail Banking, and simplified and interactive communication with customers, simplified processes and focus on customer service, optimisation of traditional distribution channels and migration of	<ul style="list-style-type: none"> • Development of the Autenti solution: 613 thousand documents electronically signed in 2021 (290 thousand in 2020). • Release of myID (mojeID) service provided by the Krajowa Izba Rozliczeniowa (KIR) - free creation of an Electronic Identity, allowing remote identification for official and commercial matters.

	<p>customers to digital channels, simplification of the organisation to increase its efficiency</p>	<ul style="list-style-type: none"> • Free AgroEmissions calculator that allows agricultural producers and farmers to estimate greenhouse gas emissions from crop and dairy production. • "Local Flavours" („Lokalne Smaki”) promotional campaign launched by BNP Paribas Food & Agro with Allegro Lokalne - a possibility to sell food products online without commissions for the Bank's Customers. • Launch of NFC standard for SwatchPAY watch payments. • Chatbot Eva - development of a self-learning program to support processes inside the Bank.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">QUALITY</p>	<p>a significant improvement in the level of customer service quality and satisfaction by changing the organisation and streamlining service processes and focusing on the customer relationship, recognising and valuing the loyalty of existing customers and changing the meaning of and approach to measuring customer satisfaction</p>	<ul style="list-style-type: none"> • "Bank of the Year in Poland" award of The Banker monthly magazine owned by Financial Times Group. Financial results were evaluated, as well as strategic initiatives, technological development, products and services, and actions taken in the fight against pandemics. • 1st place for the third year in a row in the Ranking of Responsible Companies in the general classification and in the banking, financial and insurance sector category. • Best Private Bank in Poland title for BNP Paribas Wealth Management in the Global Private Banking Innovation Awards 2021. • Fastest Time to Value award for implementing the Nexus platform to support secure software development. • Improved service quality, decrease in the number of complaints. • Extension for next two years of OK SENIOR certification for branch network, confirming service according to highest safety and fraud protection standards and sale of reliable and understandable products. • Induction loops to assist the hearing impaired in 50 branches. • Guidance for employees on how to behave towards people with disabilities. • Increasing the number of branches with barrier-free facility certification to 77. • More than 600 calls to a sign language interpreter after more than a year of service implementation. • Travel insurance with the Mastercard World Elite card extended to COVID-19.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">ENTHUSIASM</p>	<p>increased employee engagement through participation in interesting projects and increased levels of collaboration, reinvigorating the organisational culture by rewarding performance, focusing on talent, attracting the best in the market and nurturing the best employees</p>	<ul style="list-style-type: none"> • 15 years of the BNP Paribas Foundation activity. Over 1,300 beneficiaries of scholarship programmes and nearly 100 thousand hours devoted to social activities by bank volunteers. As part of its activities in 2021, among others: • 9th edition of the competition for volunteering projects 56 projects submitted. • Strategic partner of the 'Ocalenie' Foundation. • Almost 72 thousand km completed by Bank employees as part of the "Good Kilometres" campaign organised by the Foundation. • Local Grants Program providing PLN 300 thousand to 60 local NGOs across Poland in 2021. • Chapter Zero Poland Partner of a programme for management bodies of companies, raising awareness of the consequences of climate change. • Next steps to reduce carbon footprint (-47% vs 2019). • BNP Paribas Poland Open. Title partner of the only WTA tennis tournament in Poland. • Mastercard OFF CAMERA. Strategic partner of the International Festival of Independent Cinema. • "Where are our Patrons?" initiative encouraging schools to adopt extraordinary women as school patrons. • Signing the #JamaisSansElle (Never Without Her) card pledging key managers not to attend public events of more than three people without a woman present. • "Diversity and inclusive culture step by step". Preparation, together with partners from a dozen other non-banking companies, of a guide for companies developing on the basis of diversity and inclusion ideas. • Strategic partner of the 4th edition of the 'Jestem Liderką' ("I am a Leader") programme organised by Vital Voices Poland. • The campaign "The world needs you" involving stakeholders in the implementation of the UN Sustainable Development Goals.

DIGITALISATION		<ul style="list-style-type: none"> The #razemzmieniamy (#togetherwechange) campaign grants a total of PLN 50 thousand to artists and organisations implementing the Sustainable Development Goals. The campaign "Every reason is good to help", highlighting the Bank's employees' involvement in volunteering for the Noble Parcel. Realization of the BeeOmonitoring project involving local monitoring of biodiversity and environmental pollution in agricultural and industrial areas using bees.
	building a competitive advantage based on technology: digitisation to optimise costs by automating operations, digitisation to enable growth using a comprehensive, multi-channel sales and service model, and digitisation to support the identification of customer needs through the use of CRM and data analytics to improve offer tailoring and personalise customer communications through consistent online and mobile platforms	<ul style="list-style-type: none"> GOmobile: 911 thousand users, +36% y/y. GOonline: 790 thousand users, +6% y/y. GOonline and GOmobile (including users of both systems): 1.38 million, +19% y/y. New functionalities 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. Implementation of GOonline Biznes in place of BiznesPl@net. The first use of AIS (Account Information Service) within open banking, allowing to confirm the client's income when applying for an instalment loan, together with automatic filling of the application. Over 2.8 million sheets of paper saved through digitisation since 2018.

Realisation of strategic financial targets in 2021

MEASURE	STRATEGIC TARGET	REALISATION IN 2021	COMMENTS
rate of increase in the net banking income	faster than the market	+2.2% y/y	<ul style="list-style-type: none"> The Group generated an increase in banking income compared to 2020 primarily due to higher commission income, interest income and fair value measurement on hedge accounting. The increase in these income items offset lower results from trading and investment activities. The improvement in commission income was largely made possible by higher sales levels, primarily of products for retail customers. The sector's net revenues in 2021 recorded an increase of 10.0% y/y. Excluding other income, which was charged to legal risk provisions on CHF housing loans in 2020, the sector's net income growth y/y would have been 3.6%.
ROE	>10%	1.5% (9.9%*)	<ul style="list-style-type: none"> The Bank's profitability was under pressure primarily due to the negative impact of risk provisions related to CHF housing loan litigation and the continuing negative impacts of the COVID-19 pandemic on the environment in the first half of 2021 (lower customer activity, near-zero interest rates, uncertain macroeconomic outlook). ROE calculated excluding the impact of provisioning for CHF housing loan litigation risk would have been 9.9% (at the level close to the strategic target). The index for the banking sector in 2021 was 4.1%.

MEASURE	STRATEGIC TARGET	REALISATION IN 2021	COMMENTS
C/I	around 50%	52.9%	<ul style="list-style-type: none"> The Bank's efficiency as measured by the cost/income ratio on the reported basis improved by 0.4 p.p. y/y (52.9% vs 53.3%). Excluding the impact of integration costs, the ratio would have improved by 0.6 p.p. This was possible thanks to both revenue growth and the maintenance of cost discipline. The banking sector ratio (including bank tax) for 2021 was 58.8%.

* The value of the ratio calculated excluding the impact of provisioning for the risk of litigation related to CHF housing loans.

5.3. Factors that may affect the results and operations of the Bank's Capital Group

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

- **War in Ukraine.** Russia's invasion of Ukraine on 24th February 2022 is the most important factor that will shape the domestic and global economic situation. It is currently impossible to estimate the impact of the war in Ukraine on prices and economic growth and the behavior of domestic and foreign financial markets. The impact will depend on how long the war will last, what the political solution to the conflict will be, what additional sanctions will be imposed on Russia and what Russia's response to them will be. However, it can be expected that the war in Ukraine will weaken the rate of economic growth and increase inflation compared to scenarios assumed before the outbreak of the war. We should also assume an increase in state expenditure on defence and humanitarian aid for refugees from Ukraine, and consequently an increase in the deficit of the public finance sector. What remains unknown is the reaction of the central bank and monetary policy this year and next year, which will depend on the combination of economic growth, inflation and the PLN exchange rate.
- **Recovery from recession and new coronavirus mutations.** The outlook for the global economy has 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. Recovery continues to be much slower in some countries than in others. The economic recovery has not been interrupted even despite the emergence of new variants of the COVID-19 virus. The International Monetary Fund (IMF) forecasts that the global economy grew by 5.9% in 2021, with GDP growth slowing to 4.9% in the current year. The forecast for 2021 has been revised down by 0.1 p.p. compared to the July projection. According to the IMF, the revision reflects lower projections for advanced economies - partly due to supply disruptions - and for low-income developing countries, mainly due to deteriorating pandemic dynamics. This was partly offset by a better short-term outlook for commodity-exporting developing economies. The European Commission (EC), in contrast, in its February projection, revised its forecasts upwards for 2021 and downwards for 2022-2023. According to the EC, GDP in the eurozone is expected to grow by 5.3% y/y in 2021, 0.3 p.p. higher than the autumn forecast. According to the winter update, GDP growth in 2022 is expected at 4.0% vs. 4.5% previously. In the case of Poland, the GDP growth forecast for the current year has been raised. In 2022, the dynamics is likely to reach 5.5% (previously 5.2% y/y), and in the following year it should exceed 4.2% y/y. A similar growth of the Polish economy is estimated by the OECD. In 2022 GDP will grow by 5.0% and in the following year it will slow down to 3.4% y/y. Both the OECD and the EC stress that the level of uncertainty is still high. The recent rise in COVID-19 cases across Europe has served as a reminder that COVID-19 continues to be a serious problem and that further increases in vaccination rates - within and outside the EU - are crucial to a sustained improvement in the situation.
- **Monetary policy by major central banks.** In addition to the coronavirus pandemic situation, central bank policy will be an important factor shaping the pace of the global recovery this year and next. By the end of 2021, there has been a clear shift in the positions of the world's major central banks. Policymakers at the US Federal Reserve (Fed) announced the start of a cycle of interest rate hikes. Market expectations are for four increases in 2022, with the first as early as March. Moreover, since November the Fed has significantly reduced its asset purchase programme. First by 15 billion USD, and in December it increased the scale of reductions to 30 billion USD per month. The entire QE programme is expected to end in the first quarter of this year. The European Central Bank (ECB) has also recently tightened its position. After the January meeting, the head of the ECB indicated that the inflation risk had increased and did not rule out an increase in interest rates in the euro area later this year. As a result, the market started to price in the likelihood of such a move in the coming months. At present, a 10 bps increase in the deposit rate is expected as early as the middle of this year.
- **Monetary authority actions in Poland.** From October 2021. The Monetary Policy Council (hereinafter: MPC) has continued the cycle of monetary policy tightening in Poland. In February, the MPC decided on another, fifth interest rate increase, to 2.75%. According to the President of the NBP, Adam Glapiński, the cycle will continue at least until the reference rate reaches 4.0%. In his opinion, this is a level which would not have a negative impact on economic activity in Poland. As a result, we expect the Council to continue raising interest rates at a pace of +50 bps at least until March. In the following months, the scale of tightening may be reduced to 25 bps. However, this is highly dependent on incoming data on both the economy and the pandemic situation. The path of the 3-month Wbpor, implied by FRA contracts, is currently in the vicinity of 4.0% at the end of 2022.

The Bank expects a positive impact of interest rate increases on net interest income in 2022. The estimation and sensitivity of the net interest income to interest rate changes are presented in section 9.2. in the risk part.

- **The behaviour of the PLN against the key currencies.** In the middle of the fourth quarter of last year, the zloty was clearly gaining against the major currencies. The EUR/PLN exchange rate decreased at the end of November from 4.72 to 4.52 at the end of 2021. The situation was similar for the USD/PLN pair, where still in mid-November the exchange rate was around 4.20 and at the end of the year it fluctuated around 3.95. The beginning of 2022 will see the continuation of the appreciation trend of the zloty. To a large extent this is an effect of the increase in interest rates in Poland and the announcement of the continuation of the cycle of increases at least until the reference rate reaches 4.0%. The zloty is also supported by external factors, such as very good sentiment on the markets, which supports the currencies of emerging markets. A risk factor for the zloty, however, remains the issue of EU funds. The ongoing impasse between the government and the European Commission postpones the disbursement of funds earmarked for the National Recovery Plan (Krajowy Plan Odbudowy), which is part of the Next Generation budget aimed at supporting post-crisis economies in 2020.
- **Shaping the economic situation in Poland.** Last year ended with GDP growth of 7.3% in the fourth quarter. As a result, the Polish economy grew by 5.7% in 2021. Growth was mainly driven by private consumption, which added 3.4 p.p., and investment, responsible for around 1.3 p.p. of the total dynamics. This year, GDP dynamics will slow down to around 4.5% per annum in our view. GDP growth should be driven primarily by domestic demand, including mainly private consumption, which despite high inflation and rising interest rates should be supported by fiscal policy and savings accumulated during the pandemic by households. According to the Inflation Report published in November, this year the NBP expects GDP growth to remain high, at around 4.9% y/y. The first two quarters in particular, according to the NBP, will be characterised by a high annual growth rate of over 5.0%. The slowdown in economic growth may be affected by, inter alia, further increases in interest rates or the emergence of another much more serious mutation of the COVID-19 virus.
- **Situation on the domestic labour market.** The Polish labour market has recovered very quickly from the shock of the coronavirus pandemic. Since the onset of the pandemic, the unemployment rate has increased by 1.2 p.p. to 6.6% in February 2021 and has been falling again since then. In December it reached 5.4%, only 0.2 p.p. above the pre-pandemic level. This was due, among other things, to the reinstatement of posts eliminated during the pandemic and the appearance of new vacant posts. In December, the number of vacancies was the highest since the middle of the second quarter of 2019. Another positive development is the increase in the labour force participation rate in the 25-64 age group, which approached 80% in early 2022. Following the recovering labour market, wages in the business sector grew dynamically. In the fourth quarter of last year, salary growth averaged 9.9% y/y. In 2022 the salary dynamics will probably accelerate even more. The Inflation Report published in November shows that in the current year wage growth will reach 8.4% y/y.
- **Dynamic inflation changes.** In 2021, the price level in Poland increased by 5.1% on an annual basis. While in the first half of the year, the dynamics of CPI inflation remained at or just above the inflation target set by the National Bank of Poland (i.e. 2.5% +/-1 p.p.), it has clearly accelerated since June. In the third quarter, the average price level increased by 5.4% y/y, and in the fourth quarter the increase was already 7.7% y/y. The dynamic acceleration of inflation in Poland was largely due to the situation on global commodity markets. The increase in gas and oil prices translated into higher fuel and energy prices. In addition, disruptions in supply chains combined with the aforementioned increases in raw material prices translated into higher production costs, which also accelerated the CPI in Poland. In addition to external factors, the acceleration of inflation was strongly influenced by the increase in core inflation, which excludes energy and food prices. In the third quarter, it rose by 3.9% y/y, and in the fourth quarter growth remained around 4.8% y/y. CPI inflation has continued to rise since the beginning of 2022. CPI inflation accelerated to 9.2% y/y in January, rising by 0.6 p.p. on the previous month. A significant influence on the overall price level in Poland is the increase in energy costs (+54% gas, +24% electricity), which is, however, mitigated by measures under the Anti-Inflation Shield (reductions in VAT and excise tax rates on electricity and gas and zero VAT on a large part of food products). In 2022, we also expect core inflation to remain high, among others due to the very good situation in the labour market. In addition, core inflation will be strengthened by the increase in excise duty on alcohol and tobacco, which from January will increase its dynamics by about 0.2 p.p. and high consumer demand for durable goods.

High inflation and the improving labour market situation may translate into an increase in the Bank's costs, in particular in the area of staff costs. The level of administrative costs in 2022 will be affected by the level of fees to the Bank Guarantee Fund (BFG) - according to the BFG's announcements, the contribution in 2022 is expected to be higher not only compared to the 2021 level, but also compared to 2020.

- **Potential increase in public finance imbalances.** In 2020, the general government deficit clearly deteriorated to 7.0% of GDP. In 2021, the deficit is likely to narrow to 3.3% according to European Commission forecasts. In subsequent years, the deficit is forecast to improve gradually to 1.8% in 2022 and 2.1% in 2023. At the same time, public debt will fall from 57.4% of GDP recorded in 2020 to 49.5% in 2023. This forecast is, however, subject to high risk due to uncertainty regarding the disbursement of funds from the Next Generation budget and the financial perspective for 2021-2027. In addition, the situation of public finances may be worsened by the government's announcement at the end of 2021. Anti-Inflation

Shield and its continuations. As a result, VAT on gas and food has been reduced to zero and on fuel reduced to 8%. The estimated cost of the Shield is around PLN 15-20 billion.

- **Potential increase in risk aversion in financial markets.** The main factor that will influence market sentiment in 2022 will be the monetary policy of the major central banks. The interest rate hikes already announced by the US Federal Reserve, among others, may significantly dampen risk appetite in the equity market. In addition, the emergence of a more contagious or more hospitalizing variant of COVID-19 may again worsen the mood on financial markets.
- **Quality of the loan portfolio.** The risk of a deterioration in the quality of the loan portfolio due to the pandemic did not materialise. Shield programmes on the part of the government and banks proved sufficient to dampen the increase in the non-performing loans ratio of the non-financial sector to just +0.4 p.p. at the end of 2020, which translated into a level of 7.0%. Analysing the situation in individual segments, the situation was slightly worse among small and medium-sized enterprises and consumer loans. In these areas, increases of just over +1 p.p. were recorded at peak times. According to NBP data, after December 2021, the non-performing loans ratio of the non-financial sector was already only 5.8%. On a segmented basis, each group was on a favourable trajectory, achieving readings more favourable than before the pandemic. Risks to this trend could be rising interest rates, or further waves of the pandemic and consequently worse growth prospects.
- **Foreign currency mortgage loans.** Information on the impact and current situation with respect to CHF loans is described in Section 11.3 "Legal cases".
- **Banking sector balance sheet structure.** According to the PFSA's data for November 2021, the loan-to-deposit ratio stood at 75%, thus remaining at a very low level, although its slight rebound from the record-low data of September 2021 should be noted. (+0.9 p.p.). Starting from July 2021, a return to moderate growth in loan volumes is visible, offset, however, by still strongly growing deposits. The driver of credit growth is no longer only mortgage products (+8% y/y, PLN 40 billion). Other categories are also growing, including consumer loans (+2% y/y, PLN 4 billion), which allowed us to return to the pre-pandemic volume of PLN 199 billion. Corporate loans also saw a slight increase (+1% y/y, PLN 4 billion), although its structure is not fully satisfactory. The growth is generated by the category of current loans (+6% y/y, PLN 8 billion), while investment loans are still stagnating and falling in annual terms (-2% y/y, PLN 3 billion). On the deposit side, households grew 8% year on year (PLN 73 billion), while corporate deposits grew as much as 11% (PLN 42 billion). Note the strong nominal monthly growth in both segments, by PLN 13 billion and PLN 14 billion, respectively, compared to October 2021. The high and persistent excess liquidity of the sector may cause the cost of funding to rise more slowly than will be implied by changes in the NBP reference rates.

The Bank emphasises that the volatility of the environment may give rise to other significant factors not mentioned in this Report, which may affect the Bank's and the Group's results and operations in future periods.

5.4. Growth perspectives for the Bank's Group

The operating environment of the banking sector is changing dynamically. Forecasts predicting the continuation of zero interest rates proved to be wrong. The currently observed cycle of their dynamic growth will translate favourably into interest margins. However, this is not a risk-free scenario. Higher interest rates mean growing loan instalments. This may be particularly difficult for PLN mortgage loans. The uncertainty concerns not only a potential deterioration of the portfolio quality, which is historically unlikely, but also the social reaction. On the wave of settlements for franking credits, an attempt to use this mechanism in an analogous way seems possible, however legally questionable. It should also be noted that rising interest rates are a result of exceptionally high inflation. This translates into wage pressure, which the industry and the economy as a whole will feel.

The Bank enters 2022 well prepared to benefit from market opportunities as well as to absorb any risks that may materialise. After a period of mergers and transformation, the time has come for clear organic growth, as already demonstrated by the 2021 results. The Bank expects this path to continue and even strengthen this year and beyond. Despite the global pandemic and the write-downs related to franking credits, the capital and liquidity position remains strong and allows us to look to the future with optimism, focusing on business development.

In line with the long-term vision, responsible volume growth and high-quality customer acquisition will be key to success. Sales must continue to be made to the highest ethical standards so that the customer is fully informed and chooses a tailored product. In terms of acquisition, the Bank will focus on acquiring active customers who treat BNP Paribas as their main bank. At the same time, a number of actions will be taken to activate existing customers and deepen the relationship with the Bank.

Relations with customers are increasingly handled via remote channels. Responding to this trend, the Bank continuously strengthens the capabilities of digital tools, which is appreciated by customers and visible in the statistics of their use. At the same time, the Bank notes a still significant base of customers preferring to be served in branches, for whom it wants to continue to provide services according to their preferences. Those interested in using remote channels will be supported by the Bank's employees in learning how to use new technologies safely.

The Bank will focus on building an attractive image as an environmentally friendly and socially responsible institution. In doing so, it will use its important position in the economic ecosystem to fully engage in the implementation of the European "green new deal" initiatives. The Bank will strive to become the first choice in financing sustainable development, including in particular the energy transition. These actions will also support the building of a stronger, better recognised brand with corporate social responsibility embedded in its values.

Dynamic and above all efficient growth will not be achieved without improving internal processes and systems. There is still much to be optimised in this area, which is visible above all through a cost-to-income ratio below the Bank's ambitions. To remedy this, the Bank is planning extensive changes that will involve significant investments. The main tool for change, will be the agile working methodology (Agile@Scale) introduced from 1 January 2022. 1,300 people will work in the new way.

In the same time, much attention will be paid to further improving customer satisfaction, which will facilitate the strengthening of loyalty and, in the long term, translate into further improvements in profitability. The Bank is convinced that engaged employees translate into satisfied customers. Hence, it will be crucial to provide an environment that supports activity and creativity, but also accepts mistakes resulting from testing bold, non-standard solutions. It will remain important to ensure work-life balance and care for the mental health of employees. A high level of activity will be maintained in supporting the development of women within the Bank's structures and in promoting diversity at all levels of the organisation.

6. Financial standing of the BNP Paribas Bank Polska S.A. Capital Group in 2021

6.1. Consolidated statement of profit and loss

In 2021, the BNP Paribas Bank Polska Group generated a net profit of PLN 176,298 thousand, which is PLN 556,797 thousand (i.e. by 76.0%) lower than that achieved in 2020. It is estimated that, excluding provisions for the risk of litigation related to CHF housing loans, the Group's net profit in 2021 would amount to PLN 1,221,602 thousand and would be PLN 320,351 thousand (i.e. by 35.5%) higher than that generated in 2020. (PLN 901,251 thousand on a comparable basis).

The Group's result on banking activity in the analysed period amounted to PLN 4,809,257 thousand and was higher y/y by PLN 104,563 thousand, i.e. by 2.2%.

The most important event affecting the level of net profit in 2021 and comparability of results with 2020 was the coronavirus pandemic, which radically changed the conditions of activities of the Group and its clients in 2020 and changes in macroeconomic situation, economic and monetary policy that took place in the second half of 2021. The factors that had the greatest impact on the Group's financial results were the following:

- reduction of the NBP interest rates implemented by the Monetary Policy Council by decisions of 17 March, 8 April and 28 May 2020 (for the reference rate decrease from 1.5% to 0.1%). These changes resulted in a decrease in market rates and a consequent decrease in the Group's interest income, mitigated to some extent by the adjustment measures taken in the area of pricing policy,
- the beginning of the monetary policy tightening cycle by the Monetary Policy Council at the end of 2021. The MPC (by decisions of 6 October, 3 November and 8 December) made three interest rate hikes of a total of 165 bps (to 1.75% for the reference rate). In early 2022, the MPC (by decisions of 8 February and 4 January 2022) raised interest rates again, by a total of 100 bps (to 2.75% for the reference rate). Expectations and increases made in 2021 drove up market interest rates and contributed to the Group's interest income in the fourth quarter of 2021. Net interest income for the whole 2021 was by PLN 80,872 thousand (or 2.6%) higher compared to 2020,
- higher, compared to 2020, result on hedge accounting (mainly fair value hedge and cash flow hedge), related, among other things, to the larger scale of hedging transactions. The change in fair value measurement of hedging transactions is recognised in the result on hedge accounting, which was higher in 2021 by PLN 61,446 thousand year on year. Interest income from IRS transactions (including on cash flow value hedge derivatives) is recognised in net interest income. The interest result from derivatives was in 2021 higher by PLN 71,061 thousand (by 92.1%) y/y,
- business disruption caused by sanitary restrictions in Poland in the second and fourth quarters of 2020 and in the first quarter of 2021, which had an impact on reduced activity and changes in the existing habits and behaviors of the Group's customers. This situation primarily affected the reduction in corporate demand for credit in 2020 and, to a lesser extent, changes in the demand of all customers for certain 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 through the first part of 2021. Signs of recovery became evident in the second quarter of 2021, and the consolidation of the upward trend occurred in the second half of 2021, ending with a double-digit y/y growth rate in the value of the gross loan portfolio,
- a visible increase in retail customer demand for banking products and services in 2021. Increased customer activity, combined with transformation effects and changes in the Group's internal and external processes, enabled the Group to achieve sales results at levels significantly exceeding both 2020 and 2019 (especially for mortgage and cash loans, personal accounts and investment and insurance products). The strong sales performance contributed primarily to an improvement in net fee and commission income, which for the full year 2021 was PLN 132,891 thousand (or 14.5%) higher than that achieved in 2020.

The factor that affected the level of the Group's net profit in 2021 and disturbed its comparability with the net profit of 2020 was a charge of the Group's results with the amount of PLN 1,045,304 thousand due to provisions for the risk related to court cases concerning CHF mortgage loans (by PLN 877,148 thousand i.e. by 521.6% higher y/y).

As a result, the BNP Paribas Bank Polska Group generated a net profit of PLN 176,298 thousand in 2021, which is PLN 556,797 thousand (i.e. by 76.0%) lower than that generated in 2020. It is estimated that, excluding provisions for the risk related to litigation concerning CHF housing loans, the Group's net profit in 2021 would amount to PLN 1,221,602 thousand and would be PLN 320,351 thousand (i.e. by 35.5%) higher than that generated in 2020. (PLN 901,251 thousand on a comparable basis).

Elements that, in addition to core revenue growth, positively impacted 2021 results compared to 2020 include:

- a significant reduction in costs of credit risk. The result of impairment losses on financial assets and provisions for contingent liabilities in 2021 was by PLN 335,314 thousand (i.e. by 55.7%) lower compared to 2020, with the estimated impact of COVID-19 on the cost of risk being lower by PLN 270,222 thousand in comparable periods, and the positive impact of debt sales made in 2021 being higher by PLN 42,552 thousand (amounting to PLN 84,920 thousand compared to PLN 42,368 thousand in 2020);
- incurrence by the Group in 2021 of lower by PLN 69,833 thousand (i.e. by 32.8%) costs of the Bank Guarantee Fund ("BFG") as a result of a decrease in the level of contributions made by the BFG Board as compared to 2020;
- the positive effects of the actions taken to optimize the level of operating costs and the realization of cost synergies made possible by the completion in 2020 of the integration process with the acquired in 2018 Core Business of Raiffeisen Bank Polska S.A., neutralizing the increasing cost pressure in the second half of 2021, largely due to external factors. In total, general administrative expenses and depreciation, net of BFG costs, incurred in 2021 were PLN 107,799 thousand (i.e. by 4.7%) higher than those incurred in 2020.

Additionally, the comparability of results realized in 2021 and 2020 was impacted by the following factors:

- the realisation in 2020 of positive results on the sale of debt instruments measured at fair value through other comprehensive income with no comparable income in 2021, primarily as a result of a change in yields on securities as a consequence of an increase in interest rates. These transactions increased the result on investing activities in 2020 by a total of PLN 77,406 thousand (compared to PLN -2,276 thousand in 2021),
- an increase in the valuation in 2020 of shares in infrastructure companies (BIK, KIR, Mastercard and VISA Int.), presented within the result on trading activities. They improved the result on trading activities by PLN 91,791 thousand (compared to PLN 10,544 thousand in 2021). The total result on equity instruments at fair value through profit or loss was PLN 79,886 thousand higher in 2020 than that realized in 2021,
- recognition in the result from other operating income / costs in 2020 of the sale of real estate at Kasprzaka Street in Warsaw in the gross amount of PLN 43,564 thousand.

Table 8. Statement of profit or loss

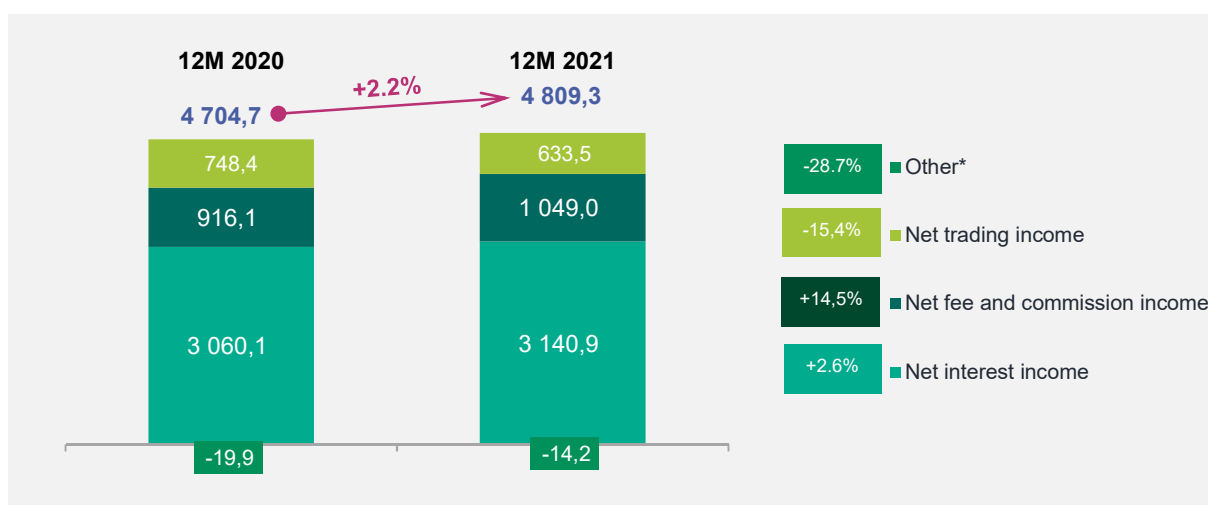
in PLN'000	12 months ended	12 months ended	change y/y	
	31.12.2021	31.12.2020	PLN'000	%
Net interest income	3,140,942	3,060,070	80,872	2.6%
Net fee and commission income	1,048,986	916,095	132,891	14.5%
Dividend income	8,550	9,669	(1,119)	(11.6%)
Net trading income	633,493	748,390	(114,897)	(15.4%)
Result on investment activities	(5,133)	29,081	(34,214)	(117.7%)
Result on fair value hedge accounting	50,369	(11,077)	61,446	(554.7%)
Other operating income and expenses	(67,950)	(47,534)	(20,416)	43.0%
Net income on banking activity	4,809,257	4,704,694	104,563	2.2%
Net impairment losses on financial assets and contingent liabilities	(266,185)	(601,499)	335,314	(55.7%)
Result on provisions for legal risk related to foreign currency loans	(1,045,304)	(168,156)	(877,148)	521.6%
General administrative expenses	(2,143,976)	(2,137,605)	(6,371)	0.3%
Depreciation and amortization	(399,553)	(367,958)	(31,595)	8.6%
Operating result	954,239	1,429,476	(475,237)	(33.2%)
Tax on financial institutions	(338,110)	(318,909)	(19,201)	6.0%
Gross profit	616,129	1,110,567	(494,438)	(44.5%)
Income tax expenses	(439,831)	(377,472)	(62,359)	16.5%
Net profit	176,298	733,095	(556,797)	(76.0%)

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y PLN'000	%
Net profit Excluding impact of provisions for the risk related to court cases concerning CHF mortgages	1,221,602	901,251	320,351	35.5%
Net profit Excluding integration costs*	176,298	720,673	(544,375)	(75.5%)
Net profit Excluding impact of provisions for the risk related to court cases concerning CHF mortgages and integration costs	1,221,602	888,829	332,773	37.4%

* Integration costs: 2021: N/A, in 2020: positive amount of PLN 15.3 million (positive amount of PLN 10.3 million in operating costs and positive amount of PLN 5.0 million in other operating expenses)

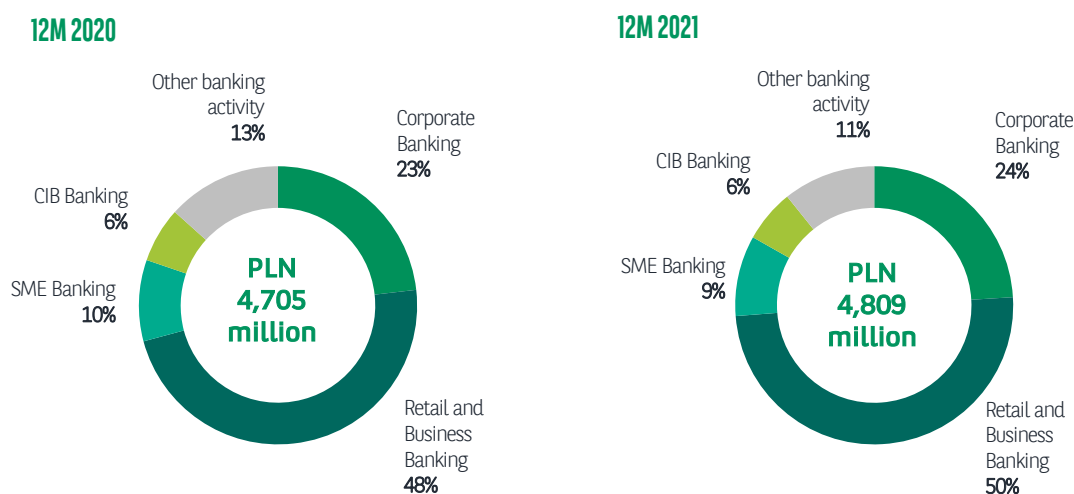
Note: As the figures have been rounded up, the totals in the tables and charts of this Report may not add up

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



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

Chart 14. Net income on banking activity by segments



The changes in the structure of the result on banking activity broken down by segments, as shown in the charts above, are i.a. a result of an decrease in 2021 in the result on trading and investment activity carried out within the Asset and Liability Management Division (ALM Treasury).

Net interest income

Net interest income, which is the main source of the Group' income, amounted in 2021 to PLN 3,140,942 thousand and was higher y/y by PLN 80,872 thousand i.e. by 2.6%. In 2021, compared to 2020, interest income was lower by PLN 152,526 thousand i.e. by 4.3% while interest expenses decreased by PLN 233,398 thousand i.e. by 45.5%.

Table 9. Net interest income

in PLN'000	12 months ended	12 months ended	change y/y	
	31.12.2021	31.12.2020	PLN'000	%
Loans and advances to banks	9,147	6,438	2,709	42.1%
Loans and advances to clients measured at amortized cost	2,411,404	2,637,946	(226,542)	(8.6%)
Loans and advances to clients measured at fair value through profit or loss	9,969	20,161	(10,192)	(50.6%)
Debt instruments measured at amortized cost	591,247	535,678	55,569	10.4%
Debt instruments measured at fair value through profit or loss	4,640	4,311	329	7.6%
Debt instruments measured at fair value through other comprehensive income	190,653	192,129	(1,476)	(0.8%)
Derivative instruments in fair value hedge accounting	195,568	176,659	18,909	10.7%
Derivative instruments in cash flow hedge accounting	7,912	-	7,912	-
Buy-sell-back securities	274	18	256	1,422.2%
Interest income	3,420,814	3,573,340	(152,526)	(4.3%)
Amounts due to banks	(126,757)	(89,835)	(36,922)	41.1%
Debt securities issued	(27,797)	(49,291)	21,494	(43.6%)
Amounts due to customers	(59,828)	(261,676)	201,848	(77.1%)
Lease liabilities	(4,551)	(6,694)	2,143	(32.0%)
Derivative instruments in fair value hedge accounting	(53,031)	(99,538)	46,507	(46.7%)
Derivative instruments in cash flow hedge accounting	(2,267)	-	(2,267)	-
Sell-buy-back securities	(1,056)	(6,236)	5,180	(83.1%)
Other related to financial assets	(4,585)	-	(4,585)	-
Interest expenses	(279,872)	(513,270)	233,398	(45.5%)
Net interest income	3,140,942	3,060,070	80,872	2.6%

A significant external factor influencing the decrease in the level of interest income and interest expense in 2021 as compared to 2020 was the policy of the National Bank of Poland regarding the formation 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 caused a decrease in market interest rates, which directly translated into lower profitability of credit products and negatively affected the interest results, especially those realized in the third and fourth quarter of 2020 and in the first three quarters of 2021.

As a result of changes in the macroeconomic situation, the Monetary Policy Council started a monetary policy tightening cycle in the fourth quarter of 2021. The MPC (by decisions of 6 October, 3 November and 8 December) raised the interest rates by a total of 165 bps (to the level of 1.75% for the reference rate). The higher interest rates had a positive effect on the profitability of credit products in the fourth quarter of last year, but due to the timing of their introduction, these changes were not able to fully neutralize the year-on-year decrease in interest income.

The total interest income on loans and advances to customers measured at amortised cost and at fair value through profit or loss in 2021 amounted to PLN 2,421,373 thousand and was lower by PLN 236,734 thousand (i.e. by 8.9%) than the revenue realised in 2020.

The positive effect of interest rate changes will be visible also in the first quarter of 2022 (taking into account subsequent increases made in January and February 2022), and probably in subsequent quarters of 2022, given the statements of the Governor of the NBP indicating a continuation of the monetary policy tightening cycle. An estimate of the sensitivity of the Group's interest result to interest rate changes is presented in section 9.2. related to interest rate risk.

The negative effect of a decrease in rates was to some extent neutralized by an increase in the value of the loan portfolio. In the case of interest income on the retail loan portfolio, this was already evident from Q1 2021, and in the case of interest income on the corporate and SME loan portfolio from Q3 2021.

The level of interest income was positively influenced by the optimization of financing costs completed in Q2 and Q3 2020. Adjustment of the price of deposits to the changed market environment allowed to partially (decrease of the cost of deposits was twice lower than the decrease of the profitability of loans) neutralize the decrease of interest income from credit products. In Q1, Q2 and Q3 2021, the cost of deposits remained close to zero (mainly due to the high share of current deposits in the total funds acquired from customers, exceeding 90%). The increase in the cost of funding began in the fourth quarter of 2021 due to an increase in market interest rates.

Among the factors that positively affected the level of interest income in 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 54,422 thousand, i.e. by 7.4%).

The increase in interest income in 2021 compared to 2020 was affected by the fact that the Group applies fair value hedge accounting and (to a much lesser extent) cash flow hedge accounting. The change in fair value measurement of hedging transactions is recognized in the result on hedge accounting. Interest on IRS transactions and hedged items is recognized in 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 to 148,182 thousand compared to 77,121 thousand in 2020 (an increase by PLN 71,061 thousand, i.e. by 92.1%).

Net fee and commission income

The Group's net fee and commission income in 2021 amounted to PLN 1,048,986 thousand and was by PLN 132,891 thousand (i.e. by 14.5%) higher than in 2020. This increase was possible primarily due to the adjustment measures taken by the Group in the area of pricing policy, higher transaction activity of customers and good sales of housing loans and investment products realized in 2021. This change is reflected in the level of quarterly fee and commission income realized from Q3 2020.

Fee and commission income amounted to PLN 1,284,545 thousand and was higher by PLN 152,494 thousand (i.e. by 13.5%) compared to 2020, while commission expenses amounted to PLN 235,559 thousand and were higher by PLN 19,603 thousand (i.e. by 9.1%) y/y.

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

- payment and credit cards services by PLN 45,278 thousand i.e. by 22.5% (inter alia, due to changes in pricing policy, higher interchange fee income, higher number of card and ATM transactions and higher income from Mastercard, VISA)
- asset management and brokerage operations by PLN 42,346 thousand i.e. by 38.0% (among others, higher revenues from sale and management as a result of higher sales of investment funds, certificates of deposit and brokerage services)
- account services by PLN 42,110 thousand, i.e. by 19.8% (inter alia, due to the introduction of fees for high balances on corporate accounts and higher revenues from the use of internet banking and cash management)
- intermediation in the sale of insurance products by PLN 19,441 thousand, i.e. by 19.3% (inter alia, due to higher income from life insurance and insurance of real estate for housing loans, insurance related to cash loans, leasing and Agro loans)
- execution of credit transfers and electronic banking services by PLN 8,120 thousand i.e. by 10.8% (as a result of higher income from commissions on domestic and international transfers resulting, among others, from a significant increase in the volume of payments made by entrepreneurs).

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

- other fees and commissions by PLN 6,729 thousand i.e. 17.1% (among other things, due to higher provisioning for the costs of unpaid and written off fees and higher commission costs related to mobile payments)
- cash services by PLN 4,606 thousand i.e. by 34.6%,
- credit and payment card services by PLN 4,465 thousand i.e. 4.6% (due to higher costs of commissions paid to organisations and entities processing card transactions),
- due to intermediation in the sale of the Bank's products and customer acquisition, by PLN 3,242 thousand i.e. by 12.0% (inter alia, due to higher costs of Internet sales).

Table 10. Net fee and commission income

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y	
			PLN'000	%
Fee and commission income				
loans, advances and leases	311,790	312,218	(428)	(0.1%)
accounts servicing	254,418	212,308	42,110	19.8%
cash service	32,875	31,491	1,384	4.4%
cash transfers and e-banking	83,545	75,425	8,120	10.8%
guarantees and documentary operations	50,555	50,320	235	0.5%
asset management and brokerage services	153,834	111,488	42,346	38.0%
payment and credit cards	246,382	201,104	45,278	22.5%
intermediation in the sale of insurance products	120,143	100,702	19,441	19.3%
intermediation in the sale of Bank's products and acquisition of customers	11,687	12,937	(1,250)	(9.7%)
other commissions	19,316	24,058	(4,742)	(19.7%)
Fee and commission income	1,284,545	1,132,051	152,494	13.5%
Fee and commission expenses				
loans, advances and leases	(408)	(367)	(41)	11.2%
accounts servicing	(9,821)	(10,432)	611	(5.9%)
cash service	(17,935)	(13,329)	(4,606)	34.6%
cash transfers and e-banking	(2,682)	(2,316)	(366)	15.8%
asset management and brokerage operations	(6,622)	(5,121)	(1,501)	29.3%
payment and credit cards	(102,415)	(97,950)	(4,465)	4.6%
intermediation in the sale of insurance products	(19,271)	(20,007)	736	(3.7%)
intermediation in the sale of Bank's products and acquisition of customers	(30,341)	(27,099)	(3,242)	12.0%
other commissions	(46,064)	(39,335)	(6,729)	17.1%
Fee and commission expenses	(235,559)	(215,956)	(19,603)	9.1%
Net fee and commission income	1,048,986	916,095	132,891	14.5%

Dividend income

Dividend income in 2021 amounted to PLN 8,550 thousand and resulted from the 2020 profits of companies, in which the Bank held minority shares, i.e. inter alia: Biuro Informacji Kredytowej S.A. (PLN 3,722 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,477 thousand) and VISA (PLN 458 thousand).

Dividend income in 2020 amounted to PLN 9,669 thousand and resulted from the 2019 profits of companies, in which the Bank held minority shares, i.e. inter alia: Biuro Informacji Kredytowej S.A. (PLN 5,048 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,382 thousand) and Mastercard (PLN 100 thousand).

Net trading income and net investment income

The result on trading activities in 2021 amounted to PLN 633,493 thousand and was lower by PLN 114,897 thousand, i.e. by 15.4% y/y. The level and variability of this result are mainly shaped by the result on FX position and valuation of equity instruments.

A decrease in the result on trading activities in 2021 as compared to the corresponding period of the previous year was primarily related to a PLN 79,886 thousand (i.e. by 78.1%) lower result on equity instruments at fair value through profit or loss (including a PLN 81,247 thousand decrease in the result on valuation of BIK, KIR, VISA, Mastercard).

The result on trading activities was also negatively affected by the negative valuation of transactions hedging the portfolio of loans measured at fair value (PLN -54,443 thousand) presented under the result on derivatives and the result on foreign exchange operations, which in 2021 was by PLN 26,352 thousand (i.e. by 4.1%) lower than in 2020. The factor that partially neutralized the aforementioned negative impact of hedging transactions was the improvement in the result on operations with customers, primarily related to the increase in business activity compared to 2020.

The result on investment activities in 2021 was negative and amounted to PLN -5,133 thousand compared to PLN +29,081 thousand in 2020.

The decrease in the result on investment activities in 2021 compared to the same period of the previous year was primarily related to the decrease in the result on debt instruments measured at fair value through other comprehensive income by PLN 79,682 thousand (PLN -2,276 thousand vs. PLN +77,406 thousand). Lack of comparable results is primarily related to changes in the profitability of securities as a consequence of increased interest rates.

The factor positively influencing the result on investment activities was the improvement by PLN 45,473 thousand of the result on valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which amounted to PLN -2,857 thousand (compared to PLN -48,330 thousand in 2020).

Other operating income

Other operating income in 2021 amounted to PLN 229,695 thousand and was lower by PLN 93,891 thousand, i.e. by 29.0% than in 2020.

The comparison of income realised in the analysed periods was primarily affected 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 and intangible assets, in the amount of PLN 110,848 thousand) and within other operating expenses (in /he 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).

Income from sale or liquidation of property, plant and equipment and intangible assets in 2021 includes, among others, income from the sale of the Bank's branches (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).

Additionally, in the item Revenue from sale or liquidation of tangible and intangible assets in 2020, revenue in the amount of PLN 33 884 thousand was recognised from the company Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o., mainly related to the transaction of sale of an investment property.

The level of other operating income in 2021 was positively affected by an increase in income from leasing activities by PLN 12,772 thousand or 41.7% and increase in income recognised under Other operating income, by PLN 10,070 thousand, i.e. by 32.4%.

Table 11. Other operating income

in PLN '000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y PLN'000	%
Sale or liquidation of property, plant and equipment and intangible assets	51,802	165,330	(113,528)	(68.7%)
Release of impairment allowances for other receivables	9,662	10,908	(1,246)	(11.4%)
Sale of goods and services	14,576	7,777	6,799	87.4%
Release of provisions for litigation and claims and other liabilities	43,043	51,628	(8,585)	(16.6%)
Recovery of debt collection costs	25,595	25,206	389	1.5%
Recovered indemnities	465	1,027	(562)	(54.7%)
Leasing operations	43,405	30,633	12,772	41.7%
Other operating income	41,147	31,077	10,070	32.4%
Total other operating income	229,695	323,586	(93,891)	(29.0%)

Other operating expenses

Other operating expenses in 2021 amounted to PLN 297,645 thousand and were lower by PLN 73,475 thousand (i.e. by 19.8%) compared to 2020.

The comparison of costs realised in the analysed periods was primarily affected 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 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 costs of sale or liquidation of property, plant and equipment and intangible assets in 2021 is mainly due to the recognition under this item of costs related to the sale of the Bank's branches (revenues related to these transactions are recognised under Income from sale or liquidation of property, plant and equipment and intangible assets in Other operating income).

The decrease in other operating expenses in 2021 was also related to a decrease by PLN 38,862 thousand of costs related to provisions for litigation and other liabilities (down by 28.2%), due to, among others, the creation of a provision of PLN 26,626 thousand in 2020 for a fine imposed on the Bank after the Chairman of the Office of Competition and Consumer Protection (UOKiK) declared the provisions on foreign exchange spreads in loan agreements as illegal.

The factor adversely affecting the level of other operating expenses in 2021 was the increase in the costs recognised under other operating expenses of PLN 10,043 thousand, i.e. by 14.0%, related, i.a. to 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 reduction of costs in other items resulting from the release of previously created provisions) and operating losses recognised under this item related to settlements with customers. This item in 2020 also includes costs in the amount of PLN 44,261 thousand incurred by the company Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o., mainly related to the settlement of the sale of the investment property.

Table 12. Other operating expenses

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y PLN'000	%
Loss on sale or liquidation of property, plant and equipment and intangible assets	(52,485)	(91,702)	39,217	(42.8%)
Created impairment allowances for other receivables	(13,515)	(12,859)	(656)	5.1%
Provisions for litigation and claims and other liabilities	(63,002)	(101,864)	38,862	(38.2%)
Debt collection	(46,570)	(52,190)	5,620	(10.8%)
Donations made	(5,983)	(6,542)	559	(8.5%)
Costs of leasing operations	(23,472)	(20,522)	(2,950)	14.4%
Costs of compensations, penalties and fines	(10,834)	(13,700)	2,866	(20.9%)
Other operating expenses	(81,784)	(71,741)	(10,043)	14.0%
Total other operating expenses	(297,645)	(371,120)	73,475	(19.8%)

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 2021 was negative and amounted to PLN 266,185 thousand. Its negative impact on the Group's results was lower by PLN 335,314 thousand, or 55.7%, compared to 2020.

Considering the main operating segments¹:

- the Retail and Business Banking segment recorded a decrease (improvement) in negative result by PLN 364,277 thousand
- SME Banking segment - increase (worsening) of negative result by PLN -24,380 thousand
- Corporate Banking segment (including CIB) – increase (worsening) of negative result by PLN -6,667 thousand.
- Other banking activity segment recorded a decrease (improvement) of negative result by PLN 2,082 thousand

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

In 2020, the impact of the pandemic on the cost of risk was negative and amounted to PLN -236,498 thousand. It 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 2021, as a result of improved macroeconomic forecasts, including in particular the growth rate of Poland's gross domestic product, the Group released PLN 155,854 thousand of provisions for unrealized credit losses related to changes in macroeconomic scenarios. At the same time, being aware that in case of some customers the recognition of negative effects of COVID-19 on credit quality will be delayed (among others due to the fact that companies use public support under the crisis shields, which supports their financial and liquidity position), the Group accounted for the risk of deterioration of their financial position in the future by adding provisions in the amount of PLN 122,130 thousand. The net release of provisions related to COVID-19 in 2021 amounted to PLN 33,724 thousand. At the same time, bearing in mind the emerging new threats related to, inter alia, high inflation and an increase in energy prices, the Group created additional provisions in the amount of PLN 44,800 thousand. The level of these provisions was determined based on simulation analyzes carried out for portfolios particularly sensitive to these risk factors.

The decrease in the level of net allowances in 2021 compared to 2020 was further impacted by:

- resilience and generally solid behavior of the loan portfolio, in particular in terms of timeliness of repayments,
- the result of H1 2020 was charged with negative impact of introduction of multi-scenario approach in individual pricing and negative impact of risk parameters (PLN 41,803 million in total),
- implementation of rules and IT solutions in line with the EBA's guidelines on the application of the definition of default as defined 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. Following the introduction of the amended rules, as a result of the change in classification and adequate recalculation of risk parameters, the Group reversed write-offs in the amount of PLN 20,983 thousand,
- higher positive impact of sale of part of NPL portfolio in 2021 compared to 2020. In 2021, the Group entered into agreements for the sale of a portfolio of loans from the retail, SME and corporate portfolios. The gross carrying amount of the portfolio sold was PLN 711,954 thousand, the amount of impairment losses created was PLN 638,727 thousand. The contractual price for the sale of these portfolios was set at PLN 158,147 thousand. The net impact on the Group's result due to the sale of the portfolios amounted to PLN 84,920 thousand and is presented in the line Result on impairment allowances on financial assets and provisions for contingent liabilities.

In 2020, the Group concluded agreements on the sale of the retail, SME and corporate loans portfolio. The gross carrying amount of the portfolio sold was PLN 855,998 thousand, the amount of impairment losses created was

¹ Information based on the segmentation note included in the Consolidated Annual Report of the BNP Paribas Bank Polska S.A. Group for the 12-month period ended 31 December 2021.

PLN 772,442 thousand. The contractual sale price of the portfolios was set at PLN 125,924 thousand. The net impact on the Bank's result from the sale of the portfolios amounted to PLN 42,368 thousand.

The cost of credit risk, expressed as the ratio of net result on impairment allowances to the average balance of gross loans and advances to customers measured at amortised cost (calculated on a quarter-end basis), was 0.32% in 2021 and decreased by 46 bps compared to 2020 (0.78%). Excluding the negative impact of the coronavirus pandemic, the cost of credit risk in 2021 is estimated to be 0.36% and 0.47% in 2020, and excluding both the negative impact of the coronavirus pandemic and debt sales the cost of credit risk would be 0.47% in 2021 and 0.53% in 2020.

General administrative expenses, depreciation and amortization

The Group's general administrative expenses (including depreciation and amortisation) for 2021 amounted to PLN 2,543,529 thousand and were higher by PLN 37,966 thousand or 1.5% compared to 2020.

Table 13. General administrative expenses, depreciation and amortization

in PLN'000	12 months	12 months ended	change y/y	
	ended 31.12.2021	31.12.2020*	PLN'000	%
Personnel expenses	(1,183,578)	(1,189,935)	6,357	(0.5%)
Marketing	(102,155)	(84,590)	(17,565)	20.8%
IT and telecomm expenses	(220,753)	(203,152)	(17,601)	8.7%
Short-term lease and operating costs	(63,944)	(75,182)	11,238	(14.9%)
Other non-personnel expenses	(384,354)	(323,479)	(60,875)	18.8%
Business travels	(6,773)	(8,565)	1,792	(20.9%)
ATM and cash handling expenses	(22,746)	(25,410)	2,664	(10.5%)
Outsourcing costs related to leasing operations	(2,915)	(3,402)	487	(14.3%)
Contributions to Bank Guarantee Fund	(143,352)	(213,185)	69,833	(32.8%)
Polish Financial Supervision Authority fee	(13,406)	(10,705)	(2,701)	25.2%
Total general administrative expenses	(2,143,976)	(2,137,605)	(6,371)	0.3%
Depreciation and amortization	(399,553)	(367,958)	(31,595)	8.6%
Total expenses	(2,543,529)	(2,505,563)	(37,966)	1.5%

* restated data

Integration costs for 2020 reduce the Bank's costs by a total of PLN 15.3 million (of which PLN 5.0 million was recognized as a reduction of other operating costs). In 2021, the Bank did not incur any integration costs.

The biggest decrease in costs by type in 2021 was recorded in the fees payable to the Banking Guarantee Fund (BFG). In 2021, the total amount of contributions to the BFG for the banking sector determined by the BFG Board was: PLN 1,230 million of contributions to the banks' forced restructuring fund versus PLN 1,600 million in 2020 and, similarly, PLN 1,000 million of contributions to the banks' guarantee fund versus PLN 1,575 million in 2021. The total BFG levies for 2021 are 30% lower compared to the previous year and are driven by the COVID-19 pandemic support measures.

Total BFG charges booked against the Bank's expenses for 2021 amounted to PLN 143,352 thousand and were PLN 69,833 thousand lower than in the same period last 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 for banks amounted to PLN 53,205 thousand for 2021 (PLN 87,226 thousand in 2020).

A y/y decrease in cost levels was also recorded in the following categories:

- short-term lease and maintenance costs by PLN 11,238 thousand - decrease of costs refers mainly to cleaning costs and costs of renovations and repairs,
- ATM and cash handling costs lower by PLN 2,664 thousand - as a result of negotiation of discounts for services in the second half of 2021,
- staff costs - decrease by PLN 6,357 thousand, including a decrease by PLN 3,773 thousand in subsidiaries.

Table 13a. Personnel expenses

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020*	change y/y PLN'000	%
Payroll expenses	(945,338)	(928,779)	(16,559)	1.8%
Payroll charges	(166,822)	(171,333)	4,511	(2.6%)
Employee benefits	(47,380)	(43,834)	(3,546)	8.1%
Costs of restructuring provisions	(1,091)	(22,502)	21,411	(95.2%)
Costs of provision for future liabilities arising from unused annual leave and retirement benefits	(8,755)	(7,444)	(1,311)	17.6%
Appropriations to Social Benefits Fund	(13,372)	(14,454)	1,082	(7.5%)
Other	(820)	(1,589)	769	(48.4%)
Total personnel expenses	(1,183,578)	(1,189,935)	6,357	(0.5%)

* restated data

The largest decrease in costs by PLN 21,411 thousand in this group relates to the costs of the restructuring provision and results from:

- the release in 2020 of the restructuring provision in the amount of PLN 18,600 thousand related to the process of group layoffs in 2019-2020, which resulted from the settlement of integration costs and bonuses related to the integration process,
- creation in the fourth quarter of 2020 of a provision for employment restructuring in the amount of PLN 41,400 thousand in connection with the announcement of the process of group lay-offs in the years 2021-2023.

The decrease in the Group's employee costs in 2021 was also influenced by higher capitalization of R&D salaries, lower salary costs - due to the reduction of employment by 352 FTEs - and lower overtime costs. On the other hand, there was an increase in the costs of allowances for bonuses in the Bank (by PLN 27,945 thousand), shown in the item of salary costs, which resulted from the implementation of sales plans in the business segments. An increase in costs was also recorded in the training area.

A y/y increase in costs was also recorded in the following categories:

- Other material costs increased by PLN 60,875 thousand, of which:
 - by PLN 69,144 thousand – an increase of legal costs related to court proceedings concerning CHF loans (PLN 82,016 thousand – in 2021, PLN 12,872 thousand – in 2020),
 - by PLN 7,732 thousand - a decrease in the fee for the Borrower Support Fund. The decrease of costs results from the release of provisions created in the second half of 2020 and the first half of 2021. Provisions created in H1 2020 with the consent of the Borrower Support Fund Board were released in December 2020.
- Marketing expenses increased by PLN 17,565 thousand, which was influenced, on the one hand, by the reduction of marketing activities in 2020 due to the COVID-19 pandemic, and, on the other hand, by the Bank's increased advertising activity in the media in the current year (offline and online campaigns) and the "Szlachetna paczka" campaign. There was also an increase in costs (by PLN 3,885 thousand) in the Bank's sponsorship activities (2 tennis tournaments and 2 film festivals) compared to the analysed period of 2020,
- IT costs (up by PLN 17,601 thousand), which was mainly due to the release in April 2020 of a provision in the amount of PLN 20,947 thousand created for the Bank's IT services as part of the project related to the integration of IT infrastructure and systems following the operational merger completed in November 2019. The release of the provision reduced IT costs in 2020. In 2021, the cost of software and hardware maintenance contracts decreased due to the consolidation of contracts. On the other hand, costs for license fees, costs for IT security services and maintenance, and costs for customer intermediary companies increased.

The Group's depreciation expense in 2021 amounted to PLN 399,553 thousand and was higher than in 2020 by PLN 31,595 thousand (i.e. by 8.6%). This increase was mainly due to further transformation and digitalization of the Bank and capital expenditures incurred for this purpose.

The Bank's capital expenditures in 2021 amounted to PLN 322,917 thousand and were lower compared to the same period last year by PLN 65,490 thousand or 16.9%.

In 2020 (H1) the finalization of the implementation of projects related to the integration of IT infrastructure and systems after the operational merger in November 2019 took place and expenses related to the construction of the new headquarters of Bank "Petrus" were incurred.

In the structure of expenditures of the current period, projects related to digitalization and automation of processes, development of IT systems, infrastructure and equipment had a dominant share. The amount of investment outlays is adjusted to the current needs and possibilities of the Bank. All projects are analyzed from the perspective of their rationality and impact on the Bank's financial and business standing.

6.2. Statement of comprehensive income

The Group's comprehensive income in 2021 amounted to PLN 675,157 thousand and was by PLN 1,538,834 thousand (i.e. by 178.2%) lower compared to 2020.

The recorded decrease was mainly affected by the deterioration of the valuation of financial assets measured by other comprehensive income by PLN 1,132,824 thousand related to the increase in interest rates of the National Bank of Poland (negative impact on comprehensive income in 2021 in the amount of PLN 969,416 thousand, compared to a positive impact in 2020 in the amount of PLN 163,408 thousand). Another element that affected the decrease in the Group's total income was the net financial result, which at the end of 2021 was lower by PLN 556,797 thousand (i.e. by 76.0%) compared to the end of 2020.

Table 14. Statement of comprehensive income

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y	
			PLN'000	%
Net profit for the period	176,298	733,095	(556,797)	(76.0%)
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	(854,322)	132,361	(986,683)	(745.4%)
Mark-to-market of assets measured at fair value through other comprehensive income	(969,416)	163,408	(1,132,824)	(693.2%)
Deferred tax	184,189	(31,047)	215,236	(693.3%)
Mark-to-market of derivatives in cash flow hedge accounting	(85,303)	-	(85,303)	-
Deferred tax	16,208	-	16,208	-
Items that will not be reclassified subsequently to profit or loss	2,867	(1,779)	4,646	(261.2%)
Actuary valuation of employee benefits	3,540	(2,196)	5,736	(261.2%)
Deferred tax	(673)	417	(1,090)	(261.3%)
Other comprehensive income (net of tax)	(851,455)	130,582	(982,037)	(752.0%)
Total comprehensive income	(675,157)	863,677	(1,538,834)	(178.2%)

6.3. Statement of financial position

Assets

The Group's total assets as at the end of 2021 amounted to PLN 131,777,481 thousand and were higher by PLN 12,200,193 thousand, or 10.2%, compared to the end of 2020.

The most important change in the Group's asset structure compared to the end of 2020 was a decrease in the share of the securities portfolio (-3.5 p.p.) with a simultaneous increase in the share of the loan portfolio (sum of portfolios measured at amortised cost and at fair value), which increased by 2.2 p.p. The shares of receivables from banks also increased by 1.3 p.p. and cash and balances with the Central Bank by 0.7 p.p.

The Group's asset structure was dominated by loans and advances to customers (sum of portfolios measured at amortised cost and at fair value), which accounted for 65.5% of total assets at the end of 2021 compared to 63.3% at the end of 2020. The increase in the net volume of loans and advances amounted to PLN 10,662,364 thousand (+14.1%) and concerned both the individual customers portfolio (+16.1%) and the corporate customers portfolio (+12.6%). The biggest growth was recorded in mortgage loans (+18.9%).

The second largest asset item was securities, which accounted for 24.9% of total assets at the end of 2021 (end of 2020: 28.4%). As at 31 December 2021, their value decreased by PLN 1,202,779 thousand (i.e. 3.5%) compared to the end of 2020. The decrease in the portfolio mainly concerned securities measured at fair value through other comprehensive income, including bonds issued by banks and central government institutions.

Simultaneously with the above changes, there was an increase in the share of receivables from banks from 0.6% to 2.0% (in value terms PLN 1,840,428 thousand i.e. by 237.6%) and an increase in the share of cash and balances with the Central Bank from 2.9% to 3.5% (in value terms PLN 1,209,600 thousand i.e. by 35.3%).

Table 15. Assets

in PLN'000	31.12.2021	31.12.2020	change	
			PLN'000	%
Cash and balances at Central Bank	4,631,477	3,421,877	1,209,600	35.3%
Amounts due from banks	2,615,150	774,722	1,840,428	237.6%
Derivative financial instruments	1,901,919	1,531,617	370,302	24.2%
Fair value adjustment of hedged item	65,465	531,793	(466,328)	(87.7%)
Loans and advances to customers measured at amortised cost	85,080,454	74,097,269	10,983,185	14.8%
Loans and advances to customers measured at fair value through profit or loss	1,219,027	1,539,848	(320,821)	(20.8%)
Debt securities measured at amortised cost	23,268,041	23,361,022	(92,981)	(0.4%)
Financial instruments measured at fair value through profit or loss	347,309	371,900	(24,591)	(6.6%)
Debt securities measured at fair value through other comprehensive income	9,143,353	10,228,560	(1,085,207)	(10.6%)
Intangible assets	728,475	651,608	76,867	11.8%
Property, plant and equipment	1,243,523	1,479,540	(236,017)	(16.0%)
Deferred tax assets	876,599	745,606	130,993	17.6%
Current tax assets	94	55,087	(54,993)	(99.8%)
Other assets	656,595	786,839	(130,244)	(16.6%)
Total assets	131,777,481	119,577,288	12,200,193	10.2%

Loan portfolio

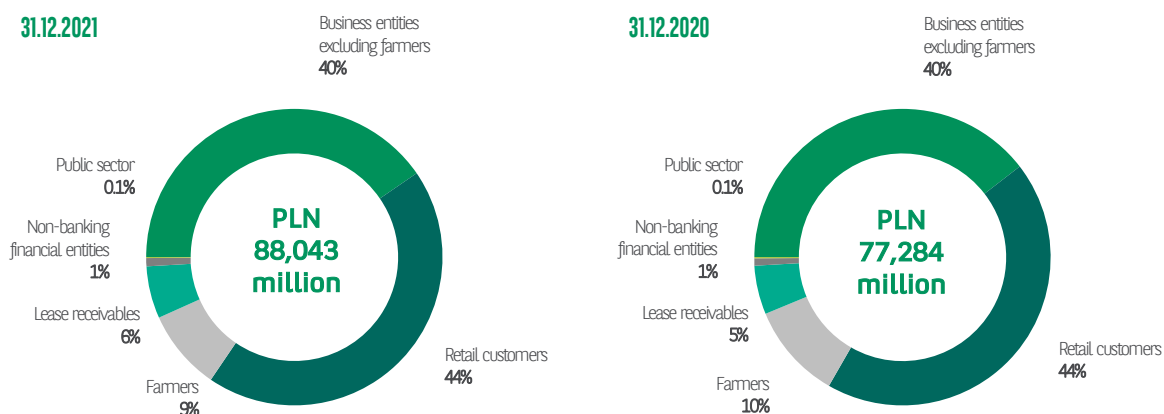
Structure and quality of loan portfolio

At the end of 2021, gross loans and advances to customers (sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 89,386,369 thousand and increased by PLN 10,386,615 thousand, i.e. by 13.1% compared to the end of 2020.

The gross portfolio of loans and advances measured at amortised cost in the period under review amounted to PLN 88,042,967 thousand and increased by PLN 10,758,893 thousand or 13.9% compared to the end of 2020.

Table 16. Structure of loan portfolio measured at amortised cost

in PLN'000	31.12.2021		31.12.2020	
	PLN'000	share %	PLN'000	share %
Business entities with the exception of farmers	35,599,112	40.4%	30,554,320	39.5%
Farmers	7,755,784	8.8%	8,118,713	10.5%
Retail customers	38,817,716	44.1%	33,802,097	43.7%
- mortgage loans	26,710,997	30.3%	22,559,727	29.2%
in PLN	22,141,389	25.1%	17,687,284	22.9%
in foreign currencies	4,569,608	5.2%	4,872,443	6.3%
- cash loans	7,701,994	8.7%	7,312,444	9.5%
- other retail loans	4,404,725	5.0%	3,929,926	5.1%
Lease receivables	4,989,351	5.7%	4,112,460	5.3%
Public sector	84,487	0.1%	101,382	0.1%
Other financial entities	796,517	0.9%	595,102	0.8%
Gross loans and advances	88,042,967	100.0%	77,284,074	100.0%

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


Structure of loans and receivables measured at amortised cost

At the end of 2021, gross loans and advances to retail customers amounted to PLN 38,817,716 thousand (up by PLN 5,015,619 thousand or 14.8% compared to the end of 2020). Their share in the loan portfolio measured at amortised cost in the analysed period was 44.1% (+0.4 p.p. compared to the end of 2020). Over two-thirds (68.8%) of credit exposure of individual customers are mortgage loans, which at the end of 2021 amounted to PLN 26,710,997 thousand. In the structure of mortgage loans, 82.9% are loans granted in PLN, while 17.0% are loans granted in CHF (compared to the end of last year, the share of CHF dropped by 4.4 p.p.).

The gross portfolio of loans and advances to business entities (excluding farmers) amounted to PLN 35,599,112 thousand (an increase by PLN 5,044,792 thousand or 16.5% as compared to the end of 2020). Their share in the analysed loan portfolio at the end of 2021 amounted to 40.4% (+0.9 p.p. compared to the end of 2020). Almost half of this portfolio (49.2%) are current account loans.

The volume of loans granted to individual farmers at the end of 2021 amounted to PLN 7,755,784 thousand, registering a 4.5% decrease compared to December 2020.

Lease receivables amounted to PLN 4,989,351 thousand (an increase of 21.3% compared to the end of 2020). Their share in the loan portfolio measured at amortised cost in the analysed period amounted to 5.7% (compared to 5.3% at the end of 2020).

The volume of loans granted to non-banking financial entities and budget sector institutions totalled PLN 881,004 thousand, registering a 26.5% increase compared to December 2020.

Table 17. Quality ratios of loan portfolio measured at amortised cost

in PLN'000	31.12.2021	31.12.2020	change PLN'000	%
Total gross loans and advances to customers	88,042,967	77,284,074	10,758,893	13.9%
Impairment allowances	(2,962,513)	(3,186,805)	224,292	(7.0%)
Total net loans and advances to customers	85,080,454	74,097,269	10,983,185	14.8%
Exposures without impairment triggers				
Gross carrying value	84,836,248	73,134,823	11,701,425	16.0%
Impairment allowance	(1,123,186)	(1,099,866)	(23,320)	2.1%
Net balance sheet exposure	83,713,062	72,034,957	11,678,105	16.2%
Impaired exposures (stage 3)				
Gross carrying value	3,206,719	4,149,251	(942,532)	(22.7%)
Impairment allowance	(1,839,327)	(2,086,939)	247,612	(11.9%)
Net balance sheet exposure	1,367,392	2,062,312	(694,920)	(33.7%)

Ratios	31.12.2021	31.12.2020	change
Share of impaired exposures in gross portfolio	3.6%	5.4%	(1.7 p.p.)
Coverage with impairment allowances	(57.4%)	(50.3%)	7.1 p.p.

Table 18. Quality of loan portfolio measured at amortised cost

in PLN'000	31.12.2021			31.12.2020		
	Gross total	of which: impaired	share %	Gross total	of which: impaired	share %
Business entities with the exception of farmers	36,480,116	1,240,992	3.4%	31,250,804	1,711,016	5.5%
Farmers	7,755,784	633,557	8.2%	8,118,713	789,395	9.7%
Retail customers	38,817,716	1,127,343	2.9%	33,802,097	1,444,716	4.3%
- mortgage loans	26,710,997	522,335	2.0%	22,559,727	672,458	3.0%
in PLN	22,141,389	167,127	0.8%	17,687,284	275,967	1.6%
in foreign currencies	4,569,608	355,208	7.8%	4,872,443	396,490	8.1%
- cash loans	7,701,994	489,948	6.4%	7,312,444	595,880	8.1%
- other retail loans	4,404,725	115,060	2.6%	3,929,926	176,378	4.5%
Lease receivables	4,989,351	204,827	4.1%	4,112,460	204,124	5.0%
Gross loans and advances	88,042,967	3,206,719	3.6%	77,284,074	4,149,251	5.4%

The ratio of impaired exposures to gross loans and advances to customers and measured at amortized cost was 3.6% at year-end 2021, down 1.7 p.p. compared to year-end 2020.

Securitization of loans portfolio

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

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

SPV issued bonds with a total value of PLN 2,180,850 thousand on the basis of securitized assets, and received a loan of PLN 119,621 thousand, which were secured by a registered pledge on the rights to cash flows from securitized assets. As at the end of December 2021, the value of bonds and loans amounted to PLN 761,924 thousand.

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

In the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of securitized assets. In connection with the above, the Bank recognizes securitized assets in "Loans and advances to customers" as at 31 December 2021 at net value of PLN 775,591 thousand.

The Bank acts as a servicer in the transaction.

Liabilities and equity

As at 31 December 2021, the Group's total liabilities amounted to PLN 120,415,850 thousand and were PLN 12,869,089 thousand or 12.0% higher than at the end of 2020. The share of liabilities in the Group's total liabilities and equity was 91.4% in the analyzed period (+1.4 p.p. compared to the end of 2020).

At the end of 2021, there were no significant changes in the structure of the Group's liabilities.

The structure of liabilities is dominated by amounts due to customers. Their share as at 31 December 2021 was 84.0% and increased by 0.2 p.p. compared to the end of 2020. In terms of value, the volume of these liabilities increased by PLN 11,041,937 thousand, i.e. by 12.3% compared to December 2020 and amounted to PLN 101,092,941 thousand.

The increase of the share in total liabilities by 0.3 p.p. to the level of 6.7% was recorded by amounts due to banks. Their value amounted to PLN 8,012,244 thousand and was higher compared to the end of 2020 by PLN 1,187,350 thousand (i.e. by 17.4%).

The equity of the Group as at 31 December 2021 amounted to PLN 11,361,631 thousand and decreased compared to 31 December 2020 by 5.6% i.e. by PLN 668,896 thousand. The share of total equity in the Group's total liabilities and equity was as at 31 December 2021 8.6% (compared to 10.1% at the end of last year).

Table 19. Liabilities and equity

in PLN'000	31.12.2021	31.12.2020	change	
			PLN'000	%
Amounts due to Central Bank	-	84,675	(84,675)	(100.0%)
Amounts due to banks	8,012,244	6,824,894	1,187,350	17.4%
Derivative financial instruments	1,918,032	1,521,148	396,884	26.1%
Fair value adjustment of hedging instruments and hedged items	44,107	542,719	(498,612)	(91.9%)
Amounts due to customers	101,092,941	90,051,004	11,041,937	12.3%
Securities issued	722,628	1,318,380	(595,752)	(45.2%)
Subordinated liabilities	4,334,572	4,306,539	28,033	0.7%
Lease liabilities	860,004	968,749	(108,745)	(11.2%)
Other liabilities	1,556,289	1,269,243	287,046	22.6%
Current income tax liabilities	175,681	-	175,681	-
Provisions	1,699,352	659,410	1,039,942	157.7%
Total liabilities	120,415,850	107,546,761	12,869,089	12.0%
Share capital	147,519	147,419	100	0.1%
Supplementary capital	9,110,976	9,110,976	-	-
Other reserve capital	2,946,115	2,208,982	737,133	33.4%
Revaluation reserve	(595,622)	255,833	(851,455)	(332.8%)
Retained earnings	(247,357)	307,317	(554,674)	(180.5%)
- previous years result	(423,655)	(425,778)	2,123	(0.5%)
- net profit for the period	176,298	733,095	(556,797)	(76.0%)
Total equity	11,361,631	12,030,527	(668,896)	(5.6%)
Total liabilities and equity	131,777,481	119,577,288	12,200,193	10.2%

Amounts due to customers

At the end of December 2021, amounts due to customers amounted to PLN 101,092,941 thousand and were higher by PLN 11,041,937 thousand or 12.3% compared to the end of 2020.

In terms of entities, the increase mainly concerned amounts due to business entities (balance as at 31.12.2021: PLN 53,418,415 thousand), the volume of which increased by PLN 9,740,909 thousand, i.e. by 22.3% compared to the balance as at the end of 2020, mainly as a result of an increase in current deposits (by PLN 6,991,830

thousand). The share of this segment in the structure of total amounts due to customers increased to 52.8% compared to 48.5% at the end of December 2020.

An increase in deposit volumes was also recorded in the group of individual customers. Their balance as at the end of December 2021 amounted to PLN 44,771,970 thousand and was by PLN 1,193,141 thousand (or 2.7%) higher than at the end of the previous year. At the same time, the share of individual clients' deposits in the total liabilities to clients decreased to 44.3% from 48.5% at the end of 2020.

The volume of deposits from public sector institutions also increased to PLN 1,586,835 thousand, a change of 25.3% compared to the end of 2020.

However, a decrease was recorded in the group of deposits from non-banking financial entities change in value of PLN 212,977 thousand or 13.9% compared to the end of the previous year.

Chart 16. Structure of amounts due to customers

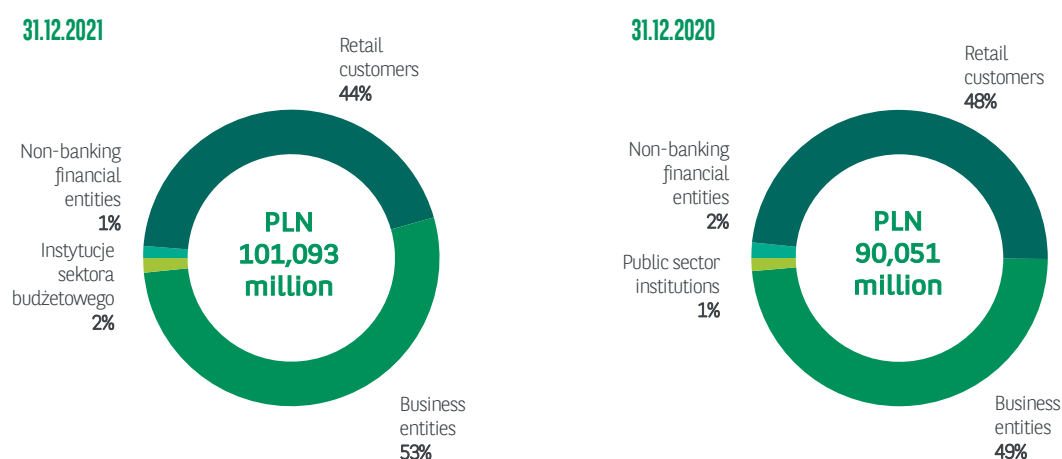


Table 20. Amounts due to customers by products

in PLN'000	31.12.2021		31.12.2020	
	PLN'000	share %	PLN'000	share %
Current accounts	88,332,287	87.4%	78,495,305	87.2%
Term deposits	11,398,894	11.3%	10,384,101	11.5%
Loans and advances received	101,666	0.1%	-	0.0%
Other liabilities	1,260,094	1.2%	1,171,598	1.3%
Total amounts due to customers	101,092,941	100.0%	90,051,004	100.0%
In which: deposits	100,991,275	99.9%	90,051,004	100.0%

The share of current accounts in the structure of total amounts due to customers stood at the end of December 2021 at 87.4%, registering an increase of 0.2 p.p. compared to the end of 2020. Funds deposited in current accounts amounted to PLN 88,332,287 thousand and increased by PLN 9,836,982 thousand or 12.5%. This increase was mainly due to the growth of amounts due to business entities (+ PLN 6,991,830 thousand, i.e. by 17.4%), and due to individual customers (PLN +2,604,196 thousand, i.e. by 7.3%).

The share of term deposits in the structure of liabilities due to customers in the analyzed period amounted to 11.3% and decreased by 0.3 p.p. compared to the end of 2020. In value terms, term deposits increased by PLN 1,014,793 thousand to PLN 11,398,894 thousand, i.e. by 9.8% compared to December 2020.

The share of other liabilities and loans and advances received in total in the structure of amounts due to customers was 1.3% (no change compared to December 2020). Their total volume amounted to PLN 1,361,760 thousand.

The territorial structure of amounts due to the Bank's customers at the end of 2021 by major regions, in management terms, is presented below.

Share %	31.12.2021
Warsaw	30.0%
Poznań	15.9%
Cracow	15.7%
Gdańsk	13.4%
Lublin	12.8%
Katowice	6.8%
Other	5.4%

Equity

As at 31 December 2021, the equity of the Group amounted to PLN 11,361,631 thousand and was by PLN 668,896 thousand or 5.6% lower than at the end of 2020.

In accordance with the Resolution No. 6 of the Annual General Meeting of the Bank dated 24.03.2021, the Bank's profit after tax (net financial result) for the financial year 2020 in the amount of PLN 731,060 thousand was transferred in full to the reserve capital.

Contingent liabilities

The following table presents the value of contingent liabilities granted and received.

Table 21. Contingent liabilities

in PLN'000	31.12.2021	31.12.2020	change y/y	
			PLN'000	%
Contingent liabilities granted	43,750,937	38,053,674	5,697,263	15.0%
Liabilities relating to financing	33,487,647	30,220,021	3,267,626	10.8%
Guarantee liabilities	10,263,290	7,833,653	2,429,637	31.0%
Contingent liabilities received	27,524,546	21,911,007	5,613,539	25.6%
Commitments of a financial nature	13,592,590	13,037,589	555,001	4.3%
Commitments of a guarantee nature	13,931,956	8,873,418	5,058,538	57.0%

The amount of long-term contingent liabilities granted as at 31.12.2021 is PLN 18,813,999 thousand (31.12.2020 was PLN 15,903,598 thousand), while long-term contingent liabilities received as at 31.12.2021 was PLN 24,046,996 thousand (31.12.2020 was PLN 20,249,636 thousand).

6.4. Own funds and capital ratios

The calculation of the capital adequacy of the Bank and the Group as at 31 December 2021 has been performed applying the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013. (CRR) on prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (CRR2) in relation to leverage ratio, net stable funding ratio, own funds and minimum eligible liabilities requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

On the 12th of December 2017, the European Parliament and the Council of the EU adopted Regulation No 2017/2395 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for treating as large exposures certain exposures to public sector entities denominated in the domestic currency of any Member State. This Regulation entered into force on the day following its publication in the Official Journal of the European Union and applies from 1 January 2018. The European Parliament and the Council (EU) recognized that the application of IFRS 9 could lead to a sudden increase in the allowance for expected credit losses and, consequently, a decrease in Common Equity Tier 1 capital.

The Group, after analyzing the requirements of Regulation No. 2017/2395, decided to apply the transitional provisions provided by this Regulation, which means that for the purposes of assessing the capital adequacy of the Bank and the Group, the full impact of the implementation of IFRS 9 will not be taken into account. As a result of adjusting the calculation of the regulatory capital requirements, it was estimated that taking into account the full

impact of the implementation of IFRS 9 on the Group's total capital ratio would reduce its value by 23 basis points as estimated at the date of implementation of IFRS 9.

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, inter alia, a reduction in risk weights for a portion of SME loans, a temporary partial exclusion from the calculation of Common Equity Tier 1 items of the amount of unrealised gains and losses measured at fair value through other comprehensive income in relation to the COVID-19 pandemic.

As of December 31, 2021, the adjustment related to the temporary partial exclusion from the calculation of Common Equity Tier 1 capital items of the amount of unrealised gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic was PLN 367,167 thousand.

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

As at 31 December 2021, the adjustment in Common Equity Tier 1 capital related to other intangible assets amounted to PLN 367,295 thousand.

Pursuant to the Resolution of the Annual General Meeting of the Bank dated 24 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 to approve the inclusion of subordinated loan in the amount of PLN 2,300,000,000 (two billion three hundred million) as an instrument in the Bank's Tier II capital. The subordinated loan agreement was signed by the Bank with BNP Paribas SA on 7 December 2020 to meet the minimum requirement of the level of own funds and eligible liabilities (MREL).

The Group's total capital ratio at December 31, 2021 was 16.91%, a decrease of 1.74 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 at December 31, 2021 were identical at 12.33% (down 1.22 p.p. from year-end 2020).

Total own funds at 31 December 2021 decreased by PLN 245,752 thousand compared to 31 December 2020.

Total risk exposure as at 31 December 2021 amounted to PLN 91,651,096 thousand and increased by PLN 7,203,395 thousand compared to 31 December 2020.

Table 22. Own funds and capital ratios of the Group

in PLN'000	31.12.2021	31.12.2020	change y/y 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	4,120,622	3,425,961	694,661	20.3%
– funds for general banking risk	627,154	627,154	0	0.0%
– intangible assets	(378,273)	(422,614)	44,341	(10.5%)
– other components of equity included in Tier I capital	(472,551)	408,639	(881,190)	(215.6%)
Total Tier I capital	11,303,787	11,445,875	(142,088)	(1.2%)
Tier 2 capital				
– subordinated liabilities classified as Tier II capital	4,198,911	4,302,575	(103,664)	(2.4%)
Total own funds	15,502,698	15,748,450	(245,752)	(1.6%)
Risk exposure due to:				
– credit risk	81,887,761	74,932,835	6,954,926	9.3%
– market risk	1,345,487	1,265,023	80,464	6.4%
– operational risk	8,387,983	8,142,632	245,351	3.0%
– CVA adjustment	29,865	107,211	(77,346)	(72.1%)
Total risk exposure	91,651,096	84,447,701	7,203,395	8.5%
Group's capital ratios	31.12.2021	31.12.2020	change	
Total Capital Ratio (TCR)	16.91%	18.65%	(1.74 p.p.)	
Tier I Capital Ratio	12.33%	13.55%	(1.22 p.p.)	

Pursuant to the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial sector (Journal of Laws 2015, item 1513, as amended), a capital conservation buffer of 2.5% was introduced starting from 1 January 2019.

At the same time, the Ordinance of the Minister of Development and Finance of 1 September 2017 on the systemic risk buffer (Journal of Laws 2017, item 1776) stipulates that a systemic risk buffer of 3% is introduced as of 1 January 2019.

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%.

The Financial Supervision Commission, in a communication dated 8 November 2021, announced that, based on the provisions of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system and after taking into account the opinion of the Financial Stability Committee, confirmed the identification of ten banks as other systemically important institutions (O-SIIs).

As a result of the review, the Commission concluded that there were no grounds for revoking or amending the Commission's decision of 4 October 2016, as amended by the Commission's decision of 19 December 2017, to impose on the Bank (on a consolidated and individual basis) an Other Systemically Important Institution buffer equivalent to 0.25% of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013.

As a result of the changes described above, the minimum levels of solvency ratios under the law and administrative decisions issued by the FSA as at the reporting date of 31 December 2021 on a consolidated basis are as follows:

Minimum levels of capital adequacy ratios of the Bank and Capital Group		31.12.2021
Common Equity Tier I (CET I) capital ratio		7.25%
Tier I capital ratio		8.75%
Total capital ratio (TCR)		10.75%

Minimum requirement for own funds and eligible liabilities (MREL)

On 22 November 2021, the Bank received a letter from the Bank Guarantee Fund (hereinafter: BFG) regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board (SRB), the Central Bank of Hungary, Finanstilsynet, the Bank of England and the BFG, on the minimum level of own funds and eligible liabilities (hereinafter: MREL).

The joint decision indicates that the group restructuring plan provides for a single point of entry (SPE) strategy for the mandatory restructuring. The Group's preferred tool for forced restructuring is the open bank bail-in.

The MREL requirement set at the individual level by the BFG, in consultation with the SRB, for the Bank is:

- 15.90% of the total risk exposure amount (TREA) calculated in accordance with Article 92(3) and (4) of Regulation (EU) No 575/2013 (hereinafter: MREL-TREA) and
- 5.91% of the total exposure measure (TEM) calculated in accordance with Article 429 and Article 429a of Regulation (EU) No 575/2013 (hereinafter: MREL-TEM)

The Bank is required to meet the MREL requirement by December 31, 2023.

The BFG, in consultation with the SRB, has set interim targets for the Bank to meet by the end of each calendar year during the period of reaching the MREL target:

- in relation to TREA are: 11.95% at the end of 2021 and 13.92% at the end of 2022,
- in relation to TEM are: 3.00% at the end of 2021 and 4.46% at the end of 2022,

The entire MREL requirement should be met in the form of own funds and liabilities meeting the criteria set out in Article 98 of the Bank Guarantee Fund Act, which transposes Article 45f(2) of the BRRD2. According to the decision, the portion of MREL corresponding to the Recapitalization Amount (RCA) will be met in the form of AT1, T2 instruments and other subordinated eligible liabilities acquired directly or indirectly by the parent company.

The Bank meets the defined MREL requirements as of December 31, 2021.

6.5. Financial ratios

The Group's return on equity (ROE), calculated on a reported basis, was 1.5% in 2021 and was 4.8 p.p. lower than in 2020. Return on assets (ROA) calculated in a similar manner was 0.1% and decreased by 0.5 p.p. compared to 2020. The impact of integration costs on both measures was insignificant in the periods compared. The decrease in the levels of return ratios is a result of a significant increase in the cost of risk provisions related to litigation related to CHF mortgage loans. The Group's ROE calculated excluding the impact of provisions related to CHF loans and integration costs would be 9.9% and would be 2.3 p.p. higher compared to the similarly calculated ratio for 2020 (7.6%). In the case of return on assets (ROA), the ratio would be 1.0%, i.e. 0.5 p.p. higher than in 2020.

The Cost/Income ratio calculated on the basis of reported volumes was 52.9% (0.4 p.p. lower than in 2020). The difference to the normalized ratio is due to the small positive impact of integration costs in 2020).

The presentation of the ratios calculated on the basis of the income statement categories excluding integration costs (understood as additional costs related to the bank merger processes) and the impact of provisions for risk related to court cases concerning mortgage loans in CHF is intended to provide additional information allowing for a more adequate assessment of the changes in the Group's financial situation in the long term.

Net interest margin calculated in relation to average assets amounted to 2.5% and was lower by 0.1 p.p. compared to the level calculated for 2020. Deterioration of the realized interest margin is a result of significant decrease of interest rates in the first half of 2020, partially neutralized by the impact of rate increases in the fourth quarter of 2021.

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

Table 23. Financial ratios

	31.12.2021	31.12.2020	31.12.2019	change 2021/2020
Return on equity ⁽¹⁾	1.5%	6.3%	5.7%	(4.8 p.p.)
Return on equity - normalized ^(*)	9.9%	7.6%	8.9%	+2.3 p.p.
Return on assets ⁽²⁾	0.1%	0.6%	0.6%	(0.5 p.p.)
Return on assets - normalized ^(*)	1.0%	0.8%	0.9%	+0.2 p.p.
Net interest margin ⁽³⁾	2.5%	2.6%	2.9%	(0.1 p.p.)
Cost / Income ⁽⁴⁾	52.9%	53.3%	64.2%	(0.4 p.p.)
Cost / Income - normalized ^(*)	52.9%	53.5%	55.3%	(0.6 p.p.)
Cost of credit risk ⁽⁵⁾	(0.32%)	(0.78%)	(0.59%)	+0.46 p.p.
Cost of credit risk - normalized ^(*)	(0.47%)	(0.53%)	(0.62%)	+0.06 p.p.
Net loans and advances / deposits ⁽⁶⁾	85.5%	84.0%	85.7%	+1.5 p.p.
Gross loans and advances / Total sources of funding ⁽⁷⁾	80.2%	79.2%	82.2%	(1.0 p.p.)

(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 net interest income considering 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.

(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

* Normalized values calculated excluding integration costs (2021 no integration costs, 2020 positive value PLN 15,336 thousand, 2019: PLN 414,537 thousand) and the impact of provisions for risk related to litigation related to CHF mortgage loans (2021: PLN 1,045,304 thousand, 2020: PLN 168,156 thousand, 2019: PLN 32,113 thousand). The impact of integration costs on net profit was estimated using an income tax rate of 19%.

The ROE and ROA are calculated taking into account the appropriate adjustments of the average equity and average assets. 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. For the "income" category, the income statement figures comprising the result from banking activities were adjusted by the integration costs recorded within other operating expenses. As of 2020, provisions for proceedings related to CHF housing loans are presented as a separate line, in addition to income, this change was also taken into account for 2019.

In the case of the normalized cost of risk ratio - the calculation made eliminating the impact of the result from provisions related to COVID-19 (in 2021: +33,724 thousand, in 2020: -236,498 thousand) and the impact of the sale of non-performing loan portfolios (in 2021: +84,920 thousand, in 2020: PLN +42,368 thousand and in 2019: PLN +25,414 thousand).

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

7.1. Stand-alone statement of profit or loss

BNP Paribas Bank Polska S.A. in 2021 generated a net profit of PLN 184,526 thousand, by PLN 546,534 thousand (or 74.8%) lower than that achieved in 2020. It is estimated that, excluding provisions for the risk related to litigation concerning CHF housing loans, the Bank's net profit in 2021 would amount to PLN 1,229,830 thousand and would be PLN 330,614 thousand (i.e. 36.8%) higher than that generated in 2020 (PLN 899,216 thousand on a comparable basis).

The Bank's result on banking activity in the analysed period amounted to PLN 4,685,354 thousand and was higher y/y by PLN 89,476 thousand, i.e. by 1.9%.

The most important event affecting the level of net profit in 2021 and comparability of results with 2020 was the coronavirus pandemic, which radically changed the economic situation of the country and the conditions of activities of the Bank and its clients. The factors that had the greatest impact on the Bank's financial results were the following:

- reduction of the NBP interest rates implemented by the Monetary Policy Council by decisions of 17 March, 8 April and 28 May 2020 (for the reference rate decrease from 1.5% to 0.1%). These changes resulted in a decrease in market rates and a consequent decrease in the Bank's interest income, mitigated to some extent by the adjustment measures taken in the area of pricing policy,
- the beginning of the monetary policy tightening cycle by the Monetary Policy Council. At the end of 2021 the MPC (by decisions of 6 October, 3 November and 8 December) made three interest rate hikes of a total of 165 bps (to 1.75% for the reference rate). In early 2022, the MPC (by decisions of 8 February and 4 January 2022) raised interest rates again, by a total of 100 bps (to 2.75% for the reference rate). Expectations and increases made in 2021 drove up market interest rates and contributed to the Bank's interest income in the fourth quarter of 2021. Net interest income for the whole 2021 was by PLN 67,091 thousand (or 2.2%) higher compared to 2020,
- higher result on hedge accounting (mainly fair value hedge and cash flow value hedge) compared to 2020, due to, among other things, a higher scale of hedging transactions. The change in fair value of hedging transactions is recognised in result on hedge accounting, which was higher by PLN 61,446 thousand y/y in 2021. Interest income from IRS transactions (including also cash flow value hedge derivatives) is recognized in interest result. In 2021, interest income from derivatives was higher by PLN 71,061 thousand (92.1%) y/y,
- business disruption caused by sanitary restrictions in Poland in the second and fourth quarters of 2020 and in the first quarter of 2021, which had an impact on reduced activity and changes in the existing habits and behaviors of the Bank's customers. This situation primarily affected the reduction in corporate demand for credit in 2020 and, to a lesser extent, changes in the demand of all customers for certain 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 through the first part of 2021. Signs of recovery became evident in the second quarter of 2021, and the consolidation of the upward trend occurred in the second half of 2021, ending with a double-digit y/y growth rate in the value of the gross loan portfolio,
- a visible increase in retail customer demand for banking products and services in 2021. Increased customer activity, combined with the adjustment activities in the Bank's internal processes, enabled the Bank to achieve sales results at levels significantly exceeding both 2020 and 2019 (especially for mortgage and cash loans, personal accounts and investment and insurance products). The strong sales performance contributed primarily to an improvement in net fee and commission income, which for the full year 2021 was PLN 126,002 thousand (or 14.4%) higher than that achieved in 2020.

The factor that affected the level of the Bank's net profit in 2021 and disturbed its comparability with the net profit of 2020 was a charge of the Bank's results with the amount of PLN 1,045,304 thousand due to provisions for the risk related to court cases concerning CHF mortgage loans (by PLN 877,148 thousand i.e. by 521.6% higher y/y).

As a result, in 2021 the BNP Paribas Bank Polska S.A. generated a net profit of PLN 184,526 thousand, which is by PLN 546,534 thousand (i.e. by 74.8%) lower than in 2020. It is estimated that excluding provisions for the risk

related to court cases concerning CHF mortgage loans, the Bank's net profit in 2021 would amount to PLN 1,229,830 thousand and would be by PLN 330,614 thousand (i.e. by 36.8%) higher than the profit generated in 2020 (PLN 899,216 thousand on a comparable basis).

Elements that, in addition to core revenue growth, positively impacted 2021 results compared to 2020 include:

- a significant reduction in costs of credit risk. The result of impairment losses on financial assets and provisions for contingent liabilities in 2021 was by PLN 345,662 thousand (i.e. by 59.3%) lower compared to 2020, with the estimated impact of COVID-19 on the cost of risk being lower by PLN 253,760 thousand in comparable periods, and the positive impact of debt sales made in 2021 being higher by PLN 42,552 thousand (amounting to PLN 84,920 thousand compared to PLN 42,368 thousand in 2020);
- incurrence by the Bank in 2021 of lower by PLN 69,833 thousand (i.e. by 32.8%) costs of the Bank Guarantee Fund ("BFG") as a result of a decrease in the level of contributions made by the BFG Board as compared to 2020;
- the positive effects of the actions taken to optimize the level of operating costs and the realization of cost synergies made possible by the completion in 2020 of the integration process with the acquired in 2018 Core Business of Raiffeisen Bank Polska S.A., neutralizing the increasing cost pressure in the second half of 2021, largely due to external factors. In total, general administrative expenses and depreciation, net of BFG costs, incurred in 2021 were PLN 97,057 thousand (or 4.4%) higher than those incurred in 2020.

Additionally, the comparability of results realized in 2021 and 2020 was impacted by the following factors:

- the realisation in 2020 of positive results on the sale of debt instruments measured at fair value through other comprehensive income with no comparable income in 2021, primarily as a result of a change in yields on securities as a consequence of an increase in interest rates. These transactions increased the result on investing activities in 2020 by a total of PLN 77,406 thousand (compared to PLN -2,276 thousand in 2021),
- an increase in the valuation in 2020 of shares in infrastructure companies (BIK, KIR, Mastercard and VISA Int.), presented within the result on trading activities. They improved the result on trading activities by PLN 91,791 thousand (compared to PLN 10,544 thousand in 2021). The total result on equity instruments at fair value through profit or loss was PLN 79,888 thousand higher in 2020 than that realized in 2021,
- recognition in the result from other operating income / costs in 2020 of the sale of real estate at Kasprzaka Street in Warsaw in the gross amount of PLN 43,564 thousand.

Table 24. Statement of profit or loss

in PLN'000	12 months ended	12 months ended	change y/y	
	31.12.2021	31.12.2020	PLN'000	%
Net interest income	3,067,580	3,000,489	67,091	2.2%
Net fee and commission income	1,002,050	876,048	126,002	14.4%
Dividend income	9,528	22,699	(13,171)	(58.0%)
Net trading income	633,658	750,077	(116,419)	(15.5%)
Result on investment activities	(8,741)	15,129	(23,870)	(157.8%)
Result on fair value hedge accounting	50,369	(11,077)	61,446	(554.7%)
Other operating income and expenses	(69,090)	(57,487)	(11,603)	20.2%
Net income on banking activity	4,685,354	4,595,878	89,476	1.9%
Net impairment losses on financial assets and contingent liabilities	(236,963)	(582,625)	345,662	(59.3%)
Result on provisions for legal risk related to foreign currency loans	(1,045,304)	(168,156)	(877,148)	521.6%
General administrative expenses	(2,044,754)	(2,049,690)	4,936	(0.2%)
Depreciation and amortization	(398,319)	(366,159)	(32,160)	8.8%
Operating result	960,014	1,429,248	(469,234)	(32.8%)
Tax on financial institutions	(338,110)	(318,909)	(19,201)	6.0%
Gross profit	621,904	1,110,339	(488,435)	(44.0%)
Income tax expenses	(437,378)	(379,279)	(58,099)	15.3%
Net profit	184,526	731,060	(546,534)	(74.8%)
Net profit				
Excluding impact of provisions for the risk related to court cases concerning CHF mortgages	1,229,830	899,216	330,614	36.8%
Net profit				
Excluding integration costs*	184,526	718,638	(534,112)	(74.3%)

Net profit

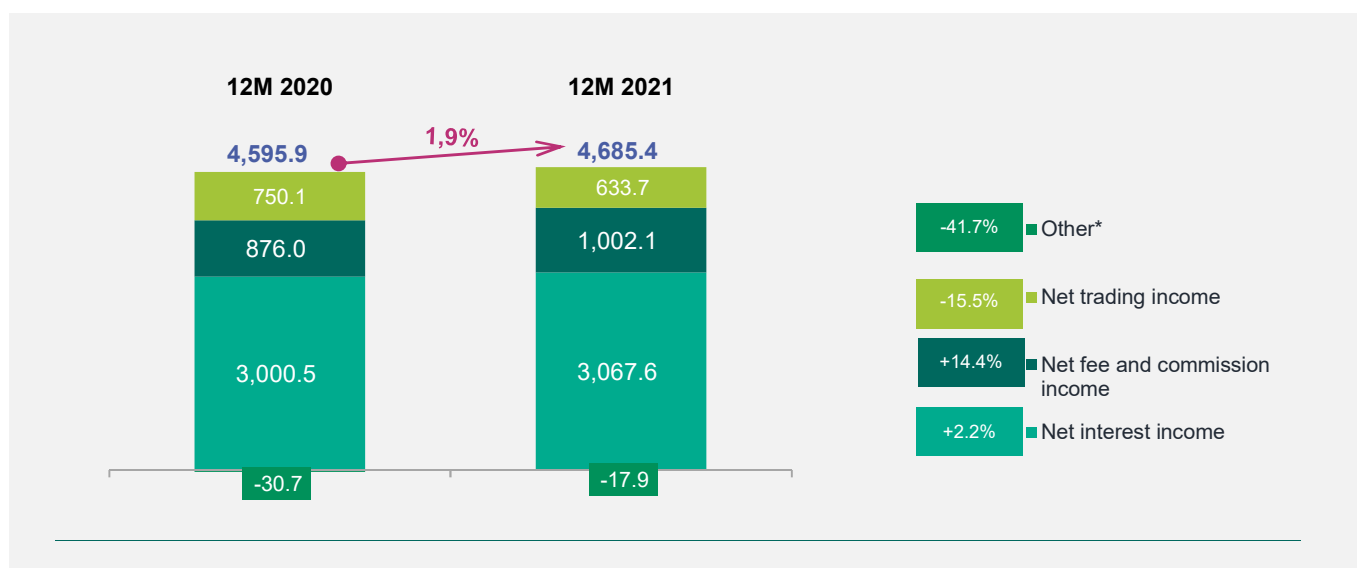
Excluding impact of provisions for the risk related to court cases concerning CHF mortgages and integration costs

1,229,830	886,794	343,036	38.7%
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* Integration costs: 2021: N/A, in 2020: positive amount of PLN 15.3 million (positive amount of PLN 10.3 million in operating costs and positive amount of PLN 5.0 million in other operating expenses)

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

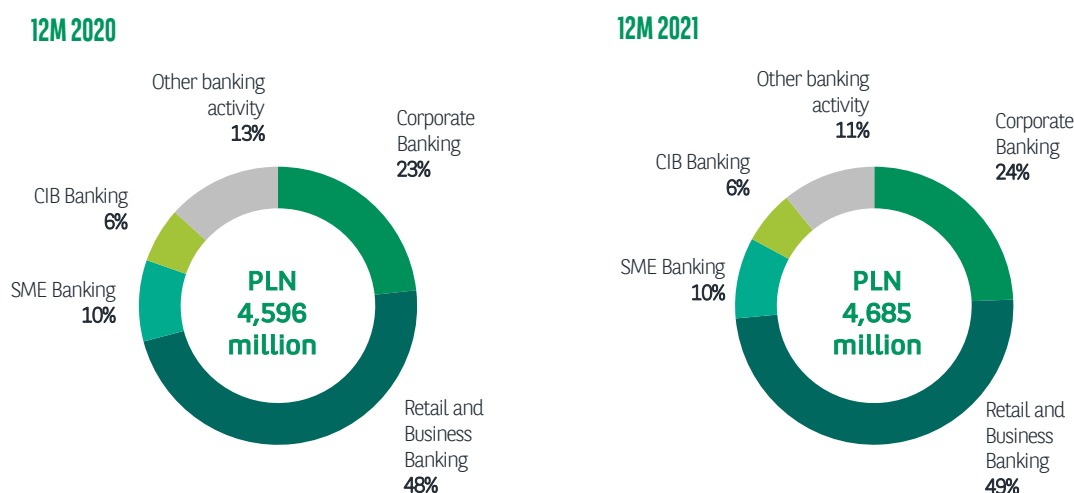
Chart 17. Structure of net income on banking activity in PLN million



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

The changes in the structure of the result on banking activity broken down by segments, as shown in the charts above, are i.a. a result of an decrease in 2021 in the result on trading and investment activity carried out within the Asset and Liability Management Division (ALM Treasury).

Chart 18. Net income on banking activity by segments



Changes in the structure of the result of banking activities according to segments, as seen in the graphs above are amongst other, the result of a lower trading and investment profit achieved through the activities of the Asset and Liability Management Division (ALM Treasury) in 2021 in comparison to the same period of the previous year.

Net interest income

Net interest income, which is the main source of the Bank' income, amounted in 2021 to PLN 3,067,580 thousand and was higher y/y by PLN 67,091 thousand or 2.2%. In 2021, compared to 2020, interest income was lower by PLN 161,916 thousand i.e. by 4.7% while interest expenses decreased by PLN 229,007 thousand i.e. by 49.1%.

Table 25. Net interest income

in PLN'000	12 months ended		change y/y	
	31.12.2021	31.12.2020	PLN'000	%
Loans and advances to banks	9,108	6,440	2,668	41.4%
Loans and advances to clients measured at amortized cost	2,295,847	2,531,705	(235,858)	(9.3%)
Loans and advances to clients measured at fair value through profit or loss	9,969	20,161	(10,192)	(50.6%)
Debt instruments measured at amortized cost	591,247	535,678	55,569	10.4%
Debt instruments measured at fair value through profit or loss	4,607	4,311	296	6.9%
Debt instruments measured at fair value through other comprehensive income	190,653	192,129	(1,476)	(0.8%)
Derivative instruments in fair value hedge accounting	195,568	176,659	18,909	10.7%
Derivative instruments in cash flow hedge accounting	7,912	-	7,912	-
Buy-sell-back securities	274	18	256	1,422.2%
Interest income	3,305,185	3,467,101	(161,916)	(4.7%)
Amounts due to banks	(81,241)	(37,013)	(44,228)	119.5%
Amounts due to banks	(90,880)	(317,154)	226,274	(71.3%)
Lease liabilities	(4,545)	(6,671)	2,126	(31.9%)
Derivative instruments in fair value hedge accounting	(53,031)	(99,538)	46,507	(46.7%)
Derivative instruments in cash flow hedge accounting	(2,267)	-	(2,267)	-
Sell-buy-back securities	(1,056)	(6,236)	5,180	(83.1%)
Other related to financial assets	(4,585)	-	(4,585)	-
Interest expenses	(237,605)	(466,612)	229,007	(49.1%)
Net interest income	3,067,580	3,000,489	67,091	2.2%

A significant external factor influencing the decrease in the level of interest income and interest expense in 2021 as compared to 2020 was the policy of the National Bank of Poland regarding the formation 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 caused a decrease in market interest rates, which directly translated into lower profitability of credit products and negatively affected the interest results, especially those realized in the third and fourth quarter of 2020 and in the first three quarters of 2021.

As a result of changes in the macroeconomic situation, the Monetary Policy Council started a monetary policy tightening cycle in the fourth quarter of 2021. The MPC (by decisions of 6 October, 3 November and 8 December) raised the interest rates by a total of 165 bps (to the level of 1.75% for the reference rate). The higher interest rates had a positive effect on the profitability of credit products in the fourth quarter of last year, but due to the timing of their introduction, these changes were not able to fully neutralize the year-on-year decrease in interest income.

The total interest income on loans and advances to customers measured at amortised cost and at fair value through profit or loss in 2021 amounted to PLN 2,305,816 thousand and was lower by PLN 246,050 thousand (i.e. by 9.6%) than the revenue realised in 2020.

The positive effect of interest rate changes will be visible also in the first quarter of 2022 (taking into account subsequent increases made in January and February 2022), and probably in subsequent quarters of 2022, given the statements of the Governor of the NBP indicating a continuation of the monetary policy tightening cycle.

The negative effect of a decrease in rates was to some extent neutralized by an increase in the value of the loan portfolio. In the case of interest income on the retail loan portfolio, this was already evident from the first quarter of 2021, and in the case of interest income on the corporate and SME loan portfolio from the third quarter of 2021.

The level of interest income was positively influenced by the optimization of financing costs completed in the second and third quarters of 2020. Adjustment of the price of deposits to the changed market environment allowed to partially (decrease of the cost of deposits was twice lower than the decrease of the profitability of loans) neutralize the decrease of interest income from credit products. In the first, second and third quarters of 2021, the cost of deposits remained close to zero (mainly due to the high share of current deposits in the total funds acquired from customers, exceeding 90%). The increase in the cost of funding began in the fourth quarter of 2021 due to an increase in market interest rates.

Among the factors that positively affected the level of interest income in 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 54,389 thousand, i.e. by 7.4%).

The increase in interest income in 2021 compared to 2020 was affected by the fact that the Bank applies fair value hedge accounting and (to a much lesser extent) cash flow hedge accounting. The change in fair value measurement of hedging transactions is recognized in the result on hedge accounting. Interest on IRS transactions and hedged items is recognized in 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 to 148,182 thousand compared to 77,121 thousand in 2020 (an increase by PLN 71,061 thousand or 92.1%).

Net fee and commission income

The Bank's net fee and commission income in 2021 amounted to PLN 1,002,050 thousand and was by PLN 126,002 thousand (i.e. 14.4%) higher than in 2020. This increase was possible primarily due to the adjustment measures taken by the Bank in the area of pricing policy, higher transaction activity of customers and good sales of housing loans and investment products realized in 2021. This change is reflected in the level of quarterly fee and commission income realised as of the third quarter of 2020.

Fee and commission income amounted to PLN 1,245,346 thousand and was higher by PLN 147,329 thousand (i.e. by 13.4%) compared to 2020, while commission expenses amounted to PLN 243,296 thousand and were higher by PLN 21,327 thousand (i.e. by 9.6%) y/y.

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

- payment and credit cards services by PLN 45,278 thousand i.e. by 22.5% (inter alia, due to changes in pricing policy, higher interchange fee income, higher number of card and ATM transactions and higher income from Mastercard, VISA and Allegro)
- account services by PLN 41,940 thousand, i.e. by 19.7% (inter alia, due to the introduction of fees for high balances on corporate accounts and higher revenues from the use of internet banking and cash management)
- asset management and brokerage operations by PLN 35,139 thousand i.e. 36.7% (among others, higher revenues from sale and management as a result of higher sales of investment funds, certificates of deposit and brokerage services)
- intermediation in the sale of insurance products by PLN 21,867 thousand, i.e. by 23.9% (inter alia, due to higher income from life insurance and insurance of real estate for housing loans, insurance related to cash loans, leasing and Agro loans)
- execution of credit transfers and electronic banking services by PLN 8,655 thousand i.e. by 11.4% (as a result of higher income from commissions on domestic and international transfers resulting, among others, from a significant increase in the volume of payments made by entrepreneurs).

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

- other fees and commissions by PLN 6,730 thousand i.e. 17.1% (among other things, due to higher provisioning for the costs of unpaid and written off fees and higher commission costs related to mobile payments)
- credit and payment card services by PLN 6,681 thousand i.e. 6.4% (due to higher costs of commissions paid to organisations and entities processing card transactions),
- cash services by PLN 4,606 thousand i.e. by 34.6%,
- due to intermediation in the sale of the Bank's products and customer acquisition, by PLN 3,242 thousand i.e. by 12.0% (inter alia, due to higher costs of Internet sales).

Table 26. Net fee and commission income

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y PLN'000	%
Fee and commission income				
loans, advances and leases	295,995	302,469	(6,474)	(2.1%)
accounts servicing	254,632	212,692	41,940	19.7%
cash service	32,875	31,491	1,384	4.4%
cash transfers and e-banking	84,288	75,633	8,655	11.4%
guarantees and documentary operations	50,555	50,320	235	0.5%
asset management and brokerage services	130,997	95,858	35,139	36.7%
payment and credit cards	246,382	201,104	45,278	22.5%
intermediation in the sale of insurance products	113,322	91,455	21,867	23.9%
intermediation in the sale of Bank's products and acquisition of customers	16,984	12,937	4,047	31.3%
other commissions	19,316	24,058	(4,742)	(19.7%)
Fee and commission income	1,245,346	1,098,017	147,329	13.4%
Fee and commission expenses				
loans, advances and leases	(363)	(337)	(26)	7.7%
accounts servicing	(9,795)	(9,914)	119	(1.2%)
cash service	(17,935)	(13,329)	(4,606)	34.6%
cash transfers and e-banking	(2,699)	(2,354)	(345)	14.7%
asset management and brokerage operations	(5,673)	(5,121)	(552)	10.8%
payment and credit cards	(111,155)	(104,474)	(6,681)	6.4%
intermediation in the sale of insurance products	(19,271)	(20,007)	736	(3.7%)
intermediation in the sale of Bank's products and acquisition of customers	(30,341)	(27,099)	(3,242)	12.0%
other commissions	(46,064)	(39,334)	(6,730)	17.1%
Fee and commission expenses	(243,296)	(221,969)	(21,327)	9.6%
Net fee and commission income	1,002,050	876,048	126,002	14.4%

Dividend income

Dividend income in 2021 amounted to PLN 9,528 thousand and resulted from the 2020 profits of companies, in which the Bank held minority shares, i.e. inter alia: Biuro Informacji Kredytowej S.A. (PLN 3,722 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,477 thousand), BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A. (PLN 978 thousand), and VISA (PLN 458 thousand).

Dividend income in 2020 amounted to PLN 22,699 thousand and resulted from the 2019 profits of companies, in which the Bank held minority shares, i.e.: Biuro Informacji Kredytowej S.A. (PLN 5,048 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,382 thousand), Mastercard (PLN 100 thousand) and from the subsidiary BNP Paribas Group Services Center S.A. (PLN 13,030 thousand).

Net trading income and net investment income

The result on trading activities in 2021 amounted to PLN 633,658 thousand and was lower by PLN 116,419 thousand, i.e. by 15.5% y/y. The level and variability of this result are mainly shaped by the result on FX position and valuation of equity instruments.

A decrease in the result on trading activities in 2021 as compared to the corresponding period of the previous year was primarily related to a PLN 79,888 thousand (i.e. 78.1%) lower result on equity instruments at fair value through profit or loss (including a PLN 81,247 thousand decrease in the result on valuation of BIK, KIR, VISA, Mastercard).

The result on trading activities was also negatively affected by the negative valuation of transactions hedging the portfolio of loans measured at fair value (PLN -54,443 thousand) presented under the result on derivatives and the result on foreign exchange operations, which in 2021 was by PLN 27,863 thousand (i.e. by 4.4%) lower than in

2020. The factor that partially neutralized the aforementioned negative impact of hedging transactions was the improvement in the result on operations with customers, primarily related to the increase in business activity compared to 2020.

The result on investment activities in 2021 was negative and amounted to PLN -8,741 thousand compared to PLN +15,129 thousand in 2020.

The decrease in the result on investment activities in 2021 compared to the same period of the previous year was primarily related to the decrease in the result on debt instruments measured at fair value through other comprehensive income by PLN 79,682 thousand (PLN -2,276 thousand vs. +77,406 thousand). Lack of comparable results is primarily related to changes in the profitability of securities as a consequence of increased interest rates.

The factor positively influencing the result on investment activities was the improvement by PLN 45,473 thousand of the result on valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which amounted to PLN -2,857 thousand (compared to PLN -48,330 thousand in 2020).

Other operating income

Other operating income in 2021 amounted to PLN 196,945 thousand and was lower by PLN 74,346 thousand or 27.4% than in 2020.

The comparison of income realised in the analysed periods was primarily affected 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 and 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).

Income from sale or liquidation of property, plant and equipment and intangible assets in 2021 includes, among others, income from the sale of the Bank's branches (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 2021 was positively affected by an increase in other operating income by PLN 10,139 thousand, i.e. by 26.0%, and income from leasing activities by PLN 5,663 thousand, i.e. by 42.3%.

Table 27. Other operating income

in PLN '000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y PLN'000	%
Sale or liquidation of property, plant and equipment and intangible assets	51,799	131,445	(79,646)	(60.6%)
Release of impairment allowances for other receivables	9,604	10,908	(1,304)	(12.0%)
Sale or liquidation of property, plant and equipment and intangible assets	42,962	51,540	(8,578)	(16.6%)
Release of impairment allowances for other receivables	23,923	23,981	(58)	(0.2%)
Recovered indemnities	465	1,027	(562)	(54.7%)
Leasing operations	19,048	13,385	5,663	42.3%
Other operating income	49,144	39,005	10,139	26.0%
Total other operating income	196,945	271,291	(74,346)	(27.4%)

Other operating expenses

Other operating expenses in 2021 amounted to PLN 266,035 thousand and were lower by PLN 62,743 thousand (or 19.1%) compared to 2020.

The comparison of costs realised in the analysed periods was primarily affected 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 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 costs of sale or liquidation of property, plant and equipment and intangible assets in 2021 is mainly due to the recognition under this item of costs related to the sale of the Bank's branches (revenues related to these

transactions are recognised under Income from sale or liquidation of property, plant and equipment and intangible assets in Other operating income).

The decrease in other operating expenses in 2021 was also related to a decrease by PLN 38,744 thousand of costs related to provisions for litigation and other liabilities (down by 38.1%), due to, among others, the creation in 2020 of a provision of PLN 26,626 thousand for the penalty imposed on the Bank by the decision of the President of the Office of Competition and Consumer Protection (UOKiK). The UOKiK declare the provisions on foreign exchange spreads in loan agreements as illegal.

The factor adversely affecting other operating expenses in 2021 was the increase in other operating expenses by PLN 21,941 thousand, i.e. 60.8%, related to, among other things, the accounting treatment of expenses resulting from changes in the branch network and the head office location (impairment of leased buildings and contractual penalties with a simultaneous reduction of expenses in other items resulting from the release of previously created provisions) and operating losses related to settlements with customers recognised in this item.

Table 28. Other operating expenses

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y	
			PLN'000	%
Loss on sale or liquidation of property, plant and equipment and intangible assets	(52,477)	(91,509)	39,032	(42.7%)
Created impairment allowances for other receivables	(13,510)	(12,528)	(982)	7.8%
Provisions for litigation and claims and other liabilities	(62,998)	(101,742)	38,744	(38.1%)
Debt collection	(44,899)	(50,932)	6,033	(11.8%)
Donations made	(5,973)	(6,535)	562	(8.6%)
Costs of leasing operations	(17,347)	(15,794)	(1,553)	9.8%
Costs of compensations, penalties and fines	(10,819)	(13,667)	2,848	(20.8%)
Other operating expenses	(58,012)	(36,071)	(21,941)	60.8%
Total other operating expenses	(266,035)	(328,778)	62,743	(19.1%)

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 2021 was negative and amounted to PLN 236,963 thousand. Its negative impact on the Bank's results was lower by PLN 345,662 thousand, or 59.3%, compared to 2020.

Considering the main operating segments²:

- the Retail and Business Banking segment recorded a decrease (improvement) in negative result by PLN 369,967 thousand
- SME Banking segment - increase (worsening) of negative result by PLN -23,369 thousand
- Corporate Banking segment (including CIB) – increase (worsening) of negative result by PLN -2,300 thousand.
- Other banking activity segment recorded a decrease (improvement) of negative result by PLN 1,364 thousand.

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

In 2020, the impact of the pandemic on the cost of risk was negative and amounted to PLN -226,667 thousand. It 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.

² Information based on the note 54. Segmentation information included in the Consolidated financial statements of BNP Paribas Bank Polska S.A. Group for the 12-months period ended 31 December 2021

In 2021, as a result of improved macroeconomic forecasts, including in particular the growth rate of Poland's gross domestic product, the Bank released PLN 149,223 thousand of provisions for unrealized credit losses related to changes in macroeconomic scenarios. At the same time, being aware that in case of some customers the recognition of negative effects of COVID-19 on credit quality will be delayed (among others due to the fact that companies use public support under the crisis shields, which supports their financial and liquidity position), the Bank accounted for the risk of deterioration of their financial position in the future by adding provisions in the amount of PLN 122,130 thousand. The net release of provisions related to COVID-19 in 2021 amounted to PLN 27,093 thousand. At the same time, bearing in mind the emerging new threats related to, inter alia, high inflation and an increase in energy prices, the Bank created additional provisions in the amount of PLN 44,800 thousand. The level of these provisions was determined based on simulation analyzes carried out for portfolios particularly sensitive to these risk factors.

The decrease in the level of net allowances in 2021 compared to 2020 was further impacted by:

- resilience and generally solid behavior of the loan portfolio, in particular in terms of timeliness of repayments,
- the result of the first half of 2020 was charged by the negative impact of the introduction of the multi-scenario method in individual valuation and by the negative impact of risk parameters (totalling PLN 41,803 thousand), which did not occur in the first half of 2021,
- implementation of rules and IT solutions in line with the EBA's guidelines on the application of the definition of default as defined 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. Following the introduction of the amended rules, as a result of the change in classification and adequate recalculation of risk parameters, the Bank reversed write-offs amounting to PLN 23,336 thousand on an unconsolidated basis,
- higher positive impact of sale of part of NPL portfolio in 2021 compared to 2020. In 2021, the Bank entered into agreements for the sale of a portfolio of loans from the retail, SME and corporate portfolios. The gross carrying amount of the portfolio sold was PLN 711,954 thousand, the amount of impairment losses created was PLN 638,727 thousand. The contractual price for the sale of these portfolios was set at PLN 158,147 thousand. The net impact on the Group's result due to the sale of the portfolios amounted to PLN 84,920 thousand and is presented in the line Result on impairment allowances on financial assets and provisions for contingent liabilities.

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

The cost of credit risk, expressed as the ratio of net impairment losses to the average balance of gross loans and advances to customers measured at amortised cost (calculated on a quarter-end basis), was 0.30% in 2021, down by 49 bps compared to 2020 (0.79%). It is estimated that, excluding the impact of the coronavirus pandemic, the cost of credit risk would be 0.34% in 2021 and 0.48% in 2020. Also, it is estimated that excluding the impact of the coronavirus pandemic and the sale of receivables, the cost of risk would be 0.45% in 2021 and 0.54% in 2020.

General administrative expenses, depreciation and amortization

General administrative expenses (including depreciation and amortization) of the BNP Paribas Bank Polska for 2021 amounted to PLN 2,443,073 thousand and were highr by PLN 27,224 thousand or 1.1% compared to 2020.

Table 29. General administrative expenses, depreciation and amortization

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020*	change y/y PLN'000	%
Personnel expenses	(1,153,529)	(1,156,113)	2,584	(0.2%)
Marketing	(101,580)	(84,112)	(17,468)	20.8%
IT and telecomm expenses	(212,089)	(197,018)	(15,071)	7.6%
Short-term lease and operating costs	(63,867)	(74,535)	10,668	(14.3%)
Other non-personnel expenses	(324,815)	(277,004)	(47,811)	17.3%
Business travels	(6,723)	(8,496)	1,773	(20.9%)
ATM and cash handling expenses	(22,746)	(25,410)	2,664	(10.5%)

Outsourcing costs related to leasing operations	(2,915)	(3,402)	487	(14.3%)
Contributions to Bank Guarantee Fund	(143,352)	(213,185)	69,833	(32.8%)
Polish Financial Supervision Authority fee	(13,138)	(10,415)	(2,723)	26.1%
Total general administrative expenses	(2,044,754)	(2,049,690)	4,936	(0.2%)
Depreciation and amortization	(398,319)	(366,159)	(32,160)	8.8%
Total expenses	(2,443,073)	(2,415,849)	(27,224)	1.1%

* restated data

Integration costs for 2020 reduce the Bank's costs by a total of PLN 15.3 million (of which PLN 5.0 million was recognized as a reduction of other operating costs).

The biggest decrease in costs by type in 2021 was recorded in the fees payable to the Banking Guarantee Fund (hereinafter: BFG). In 2021, the total amount of contributions to the BFG for the banking sector determined by the BFG Board was: PLN 1,230 million of contributions to the banks' forced restructuring fund versus PLN 1,600 million in 2020 and, similarly, PLN 1,000 million of contributions to the banks' guarantee fund versus PLN 1,575 million in 2021. The total BFG levies for 2021 are 30% lower compared to the previous year and are driven by the COVID-19 pandemic support measures.

Total BFG charges booked against the Bank's expenses for 2021 amounted to PLN 143,352 thousand and were lower by PLN 69,833 thousand y/y:

- 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 for banks amounted to PLN 53,205 thousand for 2021 (PLN 87,226 thousand in 2020).

A y/y decrease in cost levels was also recorded in the following categories:

- short-term lease and maintenance costs by PLN 10,668 thousand - decrease of costs refers mainly to cleaning costs and costs of renovations and repairs,
- ATM and cash handling costs by PLN 2,664 thousand – cost reduction as a result of negotiation of discounts for services in the second half of 2021,
- staff costs - decrease by PLN 2,584 thousand.

Table 29a. Personnel expenses

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020*	change y/y PLN'000	%
Payroll expenses	(923,546)	(900,879)	(22,667)	2.5%
Payroll charges	(163,211)	(167,046)	3,835	(2.3%)
Employee benefits	(44,770)	(43,166)	(1,604)	3.7%
Costs of restructuring provisions	(341)	(22,314)	21,973	(98.5%)
Costs of provision for future liabilities arising from unused annual leave and retirement benefits	(7,749)	(6,756)	(993)	14.7%
Appropriations to Social Benefits Fund	(13,191)	(14,380)	1,189	(8.3%)
Other	(721)	(1,572)	851	(54.1%)
Total personnel expenses	(1,153,529)	(1,156,113)	2,584	(0.2%)

* restated data

The largest decrease in costs by PLN 21,973 thousand in the employee benefits group relates to the costs of the restructuring provision and results from:

- the release in 2020 of the restructuring provision in the amount of PLN 18,600 thousand related to the process of group layoffs in 2019-2020, which resulted from the settlement of integration costs and bonuses related to the integration process,
- and creation in the fourth quarter of 2020 of a provision for employment restructuring in the amount of PLN 41,400 thousand in connection with the announcement of the process of group lay-offs in the years 2021-2023.

The decrease in the Bank's employee costs in 2021 was also influenced by higher capitalization of R&D salaries, lower salary costs - due to the reduction of employment by 341 FTEs - and lower overtime costs.

The increase in the costs of allowances for bonuses in the Bank (by PLN 27,945 thousand), shown in the item of salary costs, which resulted from the implementation of sales plans in the business segments. Premium allowances were reduced in 2020 due to the effects of the COVID-19 pandemic. An increase in costs was also recorded in the training area.

A y/y increase in costs was also recorded in the following categories:

- Other material costs increased by PLN 47,811 thousand, of which:
 - by PLN 69,144 thousand – an increase of legal costs related to court proceedings concerning CHF loans (PLN 82,016 thousand – in 2021, PLN 12,872 thousand – in 2020),
 - by a cost reduction of PLN 17,781 thousand for people employed on contracts for post-migration projects related to the integration of IT infrastructure and systems,
 - lower y/y charges for the Borrowers' Support Fund (Fundusz Wsparcia Kredytobiorców - short 'FWK') by PLN 7,732 thousand, resulting from the release in 2021 of provisions created in the second half of 2020 and in the first half of 2021. In 2020, the provisions created in the first half of 2020 were released in December 2020 - with the approval of the FWK Board.
- Marketing expenses increased by PLN 17,468 thousand, which was influenced, on the one hand, by the reduction of marketing activities in 2020 due to the COVID-19 pandemic, and, on the other hand, by the Bank's increased advertising activity in 2021 (offline and online campaigns) and the "Szlachetna paczka" campaign. There was also an increase in costs (by PLN 3,885 thousand) in the Bank's sponsorship activities (2 tennis tournaments and 2 film festivals),
- IT costs increased by PLN 15,071 thousand, which resulted mainly from the release in April 2020 of a provision in the amount 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. On the other hand, there was a decrease in the costs of service contracts for software and hardware resulting from the consolidation of contracts and costs related to BNP group systems (including mainly licence fees related to Oracl), while there was an increase in the costs of licence fees, costs of services and maintenance related to IT security and costs of intermediary companies for contact centre customers caused by recertification of customers in the KYC process.

The Bank's depreciation expense in 2021 amounted to PLN 398,319 thousand and was higher than in 2020 by PLN 32,160 thousand (i.e. by 8.8%). This increase was mainly due to further transformation and digitalization of the Bank and capital expenditures incurred for this purpose

The Bank's capital expenditures in 2021 amounted to PLN 322,917 thousand and were lower compared to the same period last year by PLN 65,490 thousand or 16.9%.

In 2020 (H1) the finalization of the implementation of projects related to the integration of IT infrastructure and systems after the operational merger in November 2019 took place and expenses related to the construction of the new building of headquarters of Bank "Petrus" were incurred.

In the structure of expenditures of the current period, projects related to digitalization and automation of processes, development of IT systems, infrastructure and equipment had a dominant share. The amount of investment outlays is adjusted to the current needs and possibilities of the Bank. All projects are analyzed from the perspective of their rationality and impact on the Bank's financial and business standing.

7.2. Statement of comprehensive income

The Bank's comprehensive income in 2021 amounted to PLN 667,068 thousand and was by PLN 1,528,775 thousand (i.e. by 177.4%) lower compared to 2020.

The recorded decrease was mainly affected by the deterioration of the valuation of financial assets measured by other comprehensive income by PLN 1,132,824 thousand related to the increase in interest rates of the National Bank of Poland (negative impact on comprehensive income in 2021 in the amount of PLN 969,416 thousand, compared to a positive impact in 2020 in the amount of PLN 163,408 thousand). Another element that affected the decrease in the Bank's total income was the net financial result, which at the end of 2021 was lower by PLN 546,534 thousand (i.e. by 74.8%) compared to the end of 2020.

Table 30. Statement of comprehensive income

in PLN'000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y PLN'000	%
Net profit for the period	184,526	731,060	(546,534)	(74.8%)
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	(854,322)	132,361	(986,683)	(745.4%)
Mark-to-market of assets measured at fair value through other comprehensive income	(969,416)	163,408	(1,132,824)	(693.2%)
Deferred tax	184,189	(31,047)	215,236	(693.3%)
Mark-to-market of derivatives in cash flow hedge accounting	(85,303)	-	(85,303)	-
Deferred tax	16,208	-	16,208	-
Items that will not be reclassified subsequently to profit or loss	2,728	(1,714)	4,442	(259.2%)
Actuary valuation of employee benefits	3,368	(2,116)	5,484	(259.2%)
Deferred tax	(640)	402	(1,042)	(259.2%)
Other comprehensive income (net of tax)	(851,594)	130,647	(982,241)	(751.8%)
Total comprehensive income	(667,068)	861,707	(1,528,775)	(177.4%)

7.3. Statement of financial position

Assets

The Bank's total assets as at the end of 2021 amounted to PLN 126,361,260 thousand and were higher by PLN 10,693,110 thousand, or 9.2%, compared to the end of 2020.

The most important change in the Bank's asset structure compared to the end of 2020 was a decrease in the share of the securities portfolio (-3.5 p.p.) with a simultaneous increase in the share of the loan portfolio (sum of portfolios measured at amortised cost and at fair value), which increased by 2.1 p.p. The shares of receivables from banks also increased by 1.3 p.p. and cash and balances with the Central Bank by 0.7 p.p.

The asset structure was 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 2021 compared to 62.2% at the end of 2020. The increase in the net volume of loans and advances amounted to PLN 9,356,955 thousand (+13.0%) and concerned both the individual customers portfolio (+16.1%) and the corporate customers portfolio (+10.4%). The increase in the value of the portfolio was influenced, among other things, by an increase in loan sales and a decrease in the balance of impairment losses.

The second largest asset item was securities, which accounted for 25.9% of total assets at the end of 2021 (end of 2020: 29.4%). In 2021, their value decreased by PLN 1,229,828 thousand (i.e. by 3.6%) compared to the end of 2020. The decrease in the portfolio mainly concerned securities measured at fair value through other comprehensive income, including bonds issued by banks and central government institutions.

Simultaneously with the above changes, there was an increase in the share of receivables from banks from 0.5% to 1.8% (in value terms PLN 1,699,332 thousand i.e. by 306.0%) and an increase in the share of cash and balances with the Central Bank from 3.0% to 3.7% (in value terms PLN 1,209,544 thousand i.e. by 35.3%).

Table 31. Assets

In PLN'000	31.12.2021	31.12.2020	change PLN'000	%
Cash and balances at Central Bank	4,631,410	3,421,866	1,209,544	35.3%
Amounts due from banks	2,254,621	555,289	1,699,332	306.0%
Derivative financial instruments	1,901,919	1,531,617	370,302	24.2%
Fair value adjustment of hedged item	65,465	531,793	(466,328)	(87.7%)
Loans and advances to customers measured at amortised cost	80,124,751	70,446,975	9,677,776	13.7%
Loans and advances to customers measured at fair value through profit or loss	1,219,027	1,539,848	(320,821)	(20.8%)
Debt securities measured at amortised cost	23,268,041	23,361,022	(92,981)	(0.4%)

Financial instruments measured at fair value through profit or loss	320,216	371,856	(51,640)	(13.9%)
Debt securities measured at fair value through other comprehensive income	9,143,353	10,228,560	(1,085,207)	(10.6%)
Investments in subsidiaries	122,033	140,765	(18,732)	(13.3%)
Intangible assets	744,169	651,202	92,967	14.3%
Property, plant and equipment	1,233,221	1,468,673	(235,452)	(16.0%)
Deferred tax assets	719,650	613,553	106,097	17.3%
Current tax assets	-	12,271	-	-
Other assets	613,384	792,860	(179,476)	(22.6%)
Total assets	126,361,260	115,668,150	10,693,110	9.2%

Loan portfolio

Structure and quality of loan portfolio

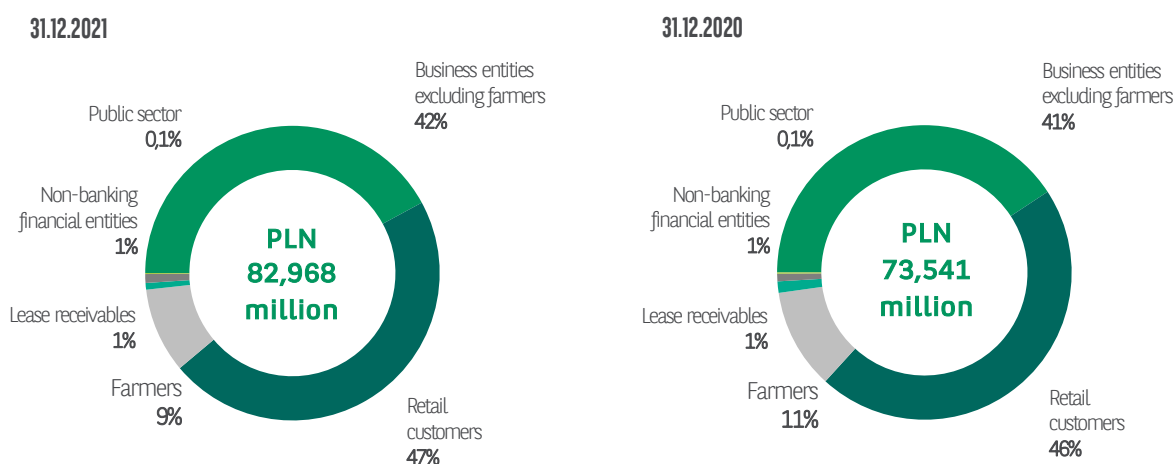
At the end of 2021, gross loans and advances to customers (the sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 84,311,771 thousand and increased by PLN 9,055,132 thousand or 12.0% compared to the end of 2020.

The gross portfolio of loans and advances at amortised cost in the period under review amounted to PLN 82,968,369 thousand and increased by PLN 9,427,410 thousand or 12.8% compared to the end of 2020.

Table 32. Structure of loan portfolio measured at amortised cost

PLN'000	31.12.2021		31.12.2020	
	PLN'000	share %	PLN'000	share %
Business entities with the exception of farmers	34,893,415	42.1%	29,989,406	40.8%
Farmers	7,755,784	9.3%	8,118,713	11.0%
Retail customers	38,817,716	46.8%	33,802,097	46.0%
- mortgage loans	26,710,997	32.2%	22,559,727	30.7%
in PLN	22,141,389	26.7%	17,687,284	24.1%
in foreign currencies	4,569,608	5.5%	4,872,443	6.6%
- cash loans	7,701,994	9.3%	7,312,444	9.9%
- other retail loans	4,404,725	5.3%	3,929,926	5.3%
Lease receivables	620,444	0.7%	920,944	1.3%
Public sector	84,487	0.1%	101,382	0.1%
Other financial entities	796,523	1.0%	608,417	0.8%
Gross loans and advances	82,968,369	100.0%	73,540,959	100.0%

Chart 19. Gross loans and advances measured at amortised cost - structure



Gross loans and advances to retail customers, at the end of 2021 amounted to PLN 38,817,716 thousand (up by PLN 5,015,619 thousand or 14.8% compared to the end of 2020). Their share in the loan portfolio measured at

amortised cost in the analysed period was 46.8% (+0.8 p.p. compared to the end of 2020). Over two-thirds (68.8%) of credit exposure of individual customers are mortgage loans, which at the end of 2021 amounted to PLN 26,710,997 thousand. In the structure of mortgage loans, 82.9% are loans granted in PLN, while 17.0% are loans granted in CHF (compared to the end of last year, the share of CHF dropped by 4.4 p.p.).

The gross portfolio of loans and advances to business entities (excluding farmers) amounted to PLN 34,893,415 thousand (an increase by PLN 4,904,009 thousand or 16.4% as compared to the end of 2020). Their share in the analysed loan portfolio at the end of 2021 amounted to 42.1% (+1.3 p.p. compared to the end of 2020). The half of this portfolio (50.2%) are current account loans.

The volume of loans granted to individual farmers at the end of 2021 amounted to PLN 7,755,784 thousand, registering a 4.5% decrease compared to December 2020.

Lease receivables amounted to PLN 620,444 thousand (an increase of 32.6% compared to the end of 2020). Their share in the loan portfolio measured at amortised cost in the analysed period amounted to 0.7% (compared to 1.3% at the end of 2020).

The volume of loans granted to non-banking financial entities and budget sector institutions totalled PLN 881,010 thousand, registering a 24.1% increase compared to December 2020.

Table 33. Quality ratios of loan portfolio measured at amortised cost

PLN'000	31.12.2021	31.12.2020	change PLN'000	%
Total gross loans and advances to customers	82,968,369	73,540,959	9,427,410	12.8%
Impairment allowances	(2,843,618)	(3,093,984)	250,366	(8.1%)
Total net loans and advances to customers	80,124,751	70,446,975	9,677,776	13.7%
Exposures without impairment triggers				
Gross carrying value	79,862,932	69,472,685	10,390,247	15.0%
Impairment allowance	(1,062,301)	(1,052,717)	(9,584)	0.9%
Net balance sheet exposure	78,800,631	68,419,968	10,380,663	15.2%
Impaired exposures (stage 3)				
Gross carrying value	3,105,437	4,068,274	(962,837)	(23.7%)
Impairment allowance	(1,781,317)	(2,041,267)	259,950	(12.7%)
Net balance sheet exposure	1,324,120	2,027,007	(702,887)	(34.7%)
Ratios				
Share of impaired exposures in gross portfolio	3.7%	5.5%		(1.8 p.p.)
Coverage with impairment allowances	57.4%	50.2%		7.2 p.p.

The ratio of impaired exposures to gross loans and advances to customers and measured at amortized cost was 3.7% at year-end 2021, down 1.8 p.p. compared to year-end 2020

Table 34. Quality of loan portfolio measured at amortised cost

PLN'000	31.12.2021			31.12.2020		
	Gross total	of which: impaired	share %	Gross total	of which: impaired	share %
Business entities with the exception of farmers	35,774,425	1,207,284	3.4%	30,699,205	1,675,724	5.5%
Farmers	7,755,784	633,557	8.2%	8,118,713	789,395	9.7%
Retail customers	38,817,716	1,127,343	2.9%	33,802,097	1,444,716	4.3%
- mortgage loans	26,710,997	522,335	2.0%	22,559,727	672,458	3.0%
in PLN	22,141,389	167,127	0.8%	17,687,284	275,967	1.6%
in foreign currencies	4,569,608	355,208	7.8%	4,872,443	396,490	8.1%
- cash loans	7,701,994	489,948	6.4%	7,312,444	595,880	8.1%
- other retail loans	4,404,725	115,060	2.6%	3,929,926	176,378	4.5%
Lease receivables	620,444	137,253	22.1%	920,944	158,439	17.2%
Gross loans and advances	82,968,369	3,105,437	3.7%	73,540,959	4,068,274	5.5%

As at the end of 2021, the value of collateral held for customers' loans amounted to PLN 2,018,663 thousand. Detailed information on collateral held is included in Note 55.2. of the Separate Financial Statements of BNP Paribas Bank Polska S.A. for the 12-month period ended 31 December 2021.

In December 2017, the Bank performed a securitization transaction of the portfolio of cash and car loans. The transaction is a traditional securitization involving the transfer of ownership of the securitized receivables to SPV (BGŻ Poland ABS1 DAC based in Ireland). The revolving period was 24 months and ended in December 2019. Transaction is subject to amortisation since January 2020.

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

SPV issued bonds with a total value of PLN 2,180,850 thousand on the basis of securitized assets, and received a loan of PLN 119,621 thousand, which were secured by a registered pledge on the rights to cash flows from securitized assets. As at the end of December 2021, the value of bonds and loans amounted to PLN 761,924 thousand.

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

In the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of securitized assets. In connection with the above, the Bank recognizes securitized assets in "Loans and advances to customers" as at 31 December 2021 at net value of PLN 775,591 thousand.

The Bank acts as a servicer in the transaction.

Liabilities and equity

As at 31 December 2021, the Bank's total liabilities amounted to PLN 114,968,617 thousand and were PLN 11,354,005 thousand or 11.0% higher than at the end of 2020. The share of liabilities in the Bank's total liabilities and equity was 91.0% in the analysed period (+1.4 p.p. compared to the end of 2020).

There are no significant changes in the structure of liabilities in 2021. The structure is dominated by liabilities to customers. Their share at the end of 2021 amounted to 88.6% and increased compared to the end of 2020 by 0.3 p.p. In terms of value, the volume of these liabilities increased by PLN 10,357,049 thousand, i.e. by 11.3% compared to December 2020 and amounted to PLN 101,823,600 thousand.

Table 35. Liabilities and equity

PLN'000	31.12.2021	31.12.2020	change PLN'000	%
Amounts due to Central Bank	0	84,675	(84,675)	(100.0%)
Amounts due to banks	2,621,155	2,831,538	(210,383)	(7.4%)
Derivative financial instruments	1,918,032	1,521,148	396,884	26.1%
Fair value adjustment of hedging instruments and hedged items	44,107	542,719	(498,612)	(91.9%)
Amounts due to customers	101,823,600	91,466,551	10,357,049	11.3%
Subordinated liabilities	4,334,572	4,306,539	28,033	0.7%
Lease liabilities	860,009	968,592	(108,583)	(11.2%)
Other liabilities	1,504,486	1,234,157	270,329	21.9%
Current income tax liabilities	164,660	0	164,660	x
Provisions	1,697,996	658,693	1,039,303	157.8%
Total liabilities	114,968,617	103,614,612	11,354,005	11.0%
Share capital	147,519	147,419	100	0.1%
Supplementary capital	9,110,976	9,110,976	0	0.0%
Other reserve capital	2,946,115	2,208,982	737,133	33.4%
Revaluation reserve	(595,707)	255,887	(851,594)	(332.8%)
Retained earnings	(216,260)	330,274	(546,534)	(165.5%)
- previous years result	(400,786)	(400,786)	0	0.0%
- net profit for the period	184,526	731,060	(546,534)	(74.8%)
Total equity	11,392,643	12,053,538	(660,895)	(5.5%)
Total liabilities and equity	126,361,260	115,668,150	10,693,110	9.2%

Equity as at 31 December 2021 amounted to PLN 11,392,643 thousand and decreased by 5.5% or PLN 660,895 thousand compared to 31 December 2020. The share of total equity in the Bank's total liabilities and equity was at the end of 2020 9.0% (against to 10.4% at the end of last year).

Amounts due to customers

At the end of 2021, amounts due to customers amounted to PLN 101,823,600 thousand and were higher by PLN 10,357,049 thousand, i.e. by 11.3% compared to the end of 2020.

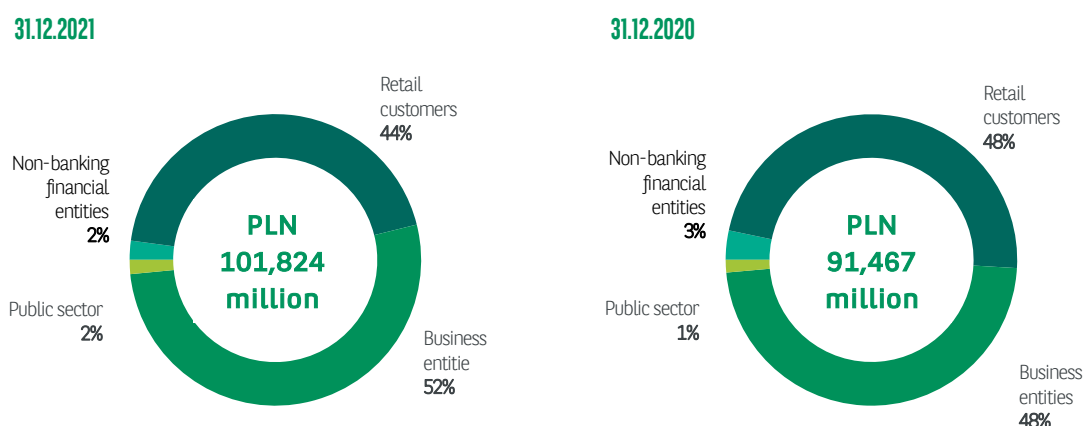
By entity, the increase was mainly in amounts due to business entities (balance at the end of 2021: PLN 53,305,156 thousand), the volume of which increased by PLN 9,648,107 thousand, or 22.1% compared to the balance at the end of 2020 (including mainly in current deposits, up by PLN 6,963,766 thousand, i.e. by 17.3%, with a simultaneous increase in term deposits by PLN 2,704,423 thousand, i.e. by 99.3%). The share of this segment in the structure of total amounts due to customers increased to 52.4% compared to 47.7% at the end of December 2020.

An increase in volumes was also recorded in the case of retail customer deposits, which amounted to PLN 44,771,344 thousand at the end of 2021, up by PLN 1,193,322 thousand, or 2.7%, compared to the balance at the end of 2020. At the same time, the share of retail customer deposits in the structure of amounts due to customers decreased to 44.0% compared to 47.6% at the end of 2020.

A decrease was recorded in the case of deposits of non-banking financial entities (at the end of 2021 they amounted to PLN 2,160,265 thousand, i.e. by PLN 805,254 thousand or 27.2% less than at the end of 2020).

The volume of deposits of public sector institutions increased by PLN 320,864 thousand (i.e. by 25.3%), to PLN 1,586,835 thousand at the end of 2021.

Chart 20. Structure of amounts due to customers



The share of current accounts in the structure of total amounts due to customers was at the end of 2021 86.9%, recording an increase of 0.9 p.p. compared to the end of 2020. Funds deposited in current accounts amounted to PLN 88,434,911 thousand and increased by PLN 9,844,874 thousand, or 12.5%. This increase concerned all customer groups: business entities (+ PLN 6,963,766 thousand, i.e. by 17.3%), and individual customers (PLN +2,604,196 thousand, i.e. by 7.3%).

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 11.2% and decreased by 0.2 p.p. compared to the end of 2020. In value terms, term deposits increased by PLN 1,014,793 thousand or 9.8% compared to December 2020 and reached PLN 11,398,894 thousand. This change was mainly related to business entities and individual customers (an increase by PLN 2,704,423 thousand, i.e. by 99.3%) and individual customers (a decrease by PLN 1,445,630 thousand, i.e. by 19.7%).

The share of other liabilities in the structure of liabilities to customers was 1.2% (unchanged compared to December 2020). Their volume amounted to PLN 1,125,811 thousand.

Table 36. Amounts due to customers by products

PLN'000	31.12.2021		31.12.2020	
	PLN'000	share %	PLN'000	share %
Current accounts	88,434,911	86.9%	78,590,037	85.9%
Term deposits	11,398,894	11.2%	10,384,101	11.4%
Loans and advances received	101,666	0.1%	-	-
Securitisation settlements liabilities	762,318	0.7%	1,390,551	1.5%
Other liabilities	1,125,811	1.1%	1,101,862	1.2%
Total amounts due to customers	101,823,600	100%	91,466,551	100.0%
Including deposits	101,721,934	99.9%	91,466,551	100.0%

Equity

As at the end of 2021, the Bank's equity amounted to PLN 11,392,643 thousand and was by PLN 660,895 thousand or 5.5% higher than at the end of 2020.

Pursuant to the Resolution of the Ordinary General Shareholders' 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. In addition, the increase in equity was influenced by the change in the revaluation reserve (decrease by PLN 851,594 thousand compared to the end of 2020). In 2021, the share capital balance also increased as a result of the issuance of series M shares (increase of PLN 100 thousand or 1.0%).

7.4. Own funds and capital ratios

The calculation of the capital adequacy of the Bank and the Group as at 31 December 2021 has been performed applying the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013. (CRR) on prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019. (CRR2) in relation to leverage ratio, net stable funding ratio, own funds and minimum eligible liabilities requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

On the 12th of December 2017, the European Parliament and the Council of the EU adopted Regulation No 2017/2395 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for treating as large exposures certain exposures to public sector entities denominated in the domestic currency of any Member State. This Regulation entered into force on the day following its publication in the Official Journal of the European Union and applies from 1 January 2018. The European Parliament and the Council (EU) recognized that the application of IFRS 9 could lead to a sudden increase in the allowance for expected credit losses and, consequently, a decrease in Common Equity Tier 1 capital.

The Group, after analyzing the requirements of Regulation No. 2017/2395, decided to apply the transitional provisions provided by this Regulation, which means that for the purposes of assessing the capital adequacy of the Bank and the Group, the full impact of the implementation of IFRS 9 will not be taken into account. As a result of adjusting the calculation of the regulatory capital requirements, it was estimated that taking into account the full impact of the implementation of IFRS 9 on the Bank's total capital ratio would reduce its value by 25 basis points as estimated at the date of implementation of IFRS 9.

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, inter alia, a reduction in risk weights for a portion of SME loans, a temporary partial exclusion from the calculation of Common Equity Tier 1 items of the amount of unrealised gains and losses measured at fair value through other comprehensive income in relation to the COVID-19 pandemic.

As of December 31, 2021, the adjustment related to the temporary partial exclusion from the calculation of Common Equity Tier 1 capital items of the amount of unrealised gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic was PLN 367,167 thousand.

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

As at 31 December 2021, the adjustment in Common Equity Tier 1 capital related to other intangible assets amounted to PLN 367,295 thousand.

Pursuant to the Resolution of the Annual General Meeting of the Bank dated 24 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 to approve the inclusion of subordinated loan in the amount of PLN 2,300,000,000 (two billion three hundred million) as an instrument in the Bank's Tier II capital. The subordinated loan agreement was signed by the Bank with BNP Paribas SA on 7 December 2020 to meet the minimum requirement of the level of own funds and eligible liabilities (MREL).

The Bank's total capital ratio at December 31, 2021 was 17.77%, a decrease of 1.69 p.p. compared to December 2020. The Bank's Common Equity Tier 1 (CET I) capital ratio and Tier 1 capital ratio at December 31, 2021 were identical at 12.96% (decrease by 1.20 p.p. from year-end 2020).

Total own funds at 31 December 2021 decreased by PLN 260,023 thousand compared to 31 December 2020.

Total risk exposure as at 31 December 2021 amounted to PLN 87,410,438 thousand and increased by PLN 6,264,632 thousand compared to 31 December 2020.

Table 37. Own funds and capital ratios of the Bank

in PLN'000	31.12.2021	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	4 120,622	3,425,961	694,661	20.3%
– funds for general banking risk	627,154	627,154	0	0.0%
– intangible assets	(376,874)	(422,569)	45,696	(10.8%)
– other components of equity included in Tier I capital	(447,774)	449,041	(896,815)	(199.7%)
Total Tier I capital	11,329,963	11,486,322	(156,359)	(1.4%)
Tier II capital				
– subordinated liabilities classified as Tier II capital	4,198,911	4,302,575	(103,664)	(2.4%)
Total own funds	15,528,874	15,788,897	(260,023)	(1.6%)
Risk exposure due to:				
– credit risk	77,832,976	71,778,684	6,054,292	8.4%
– market risk	1,345,487	1,265,023	80,464	6.4%
– operational risk	8,202,110	7,994,887	207,223	2.6%
– CVA adjustment	29,865	107,211	(77,346)	(72.1%)
Total risk exposure	87,410,438	81,145,805	6,264,633	7.7%

Capital adequacy ratios of the Bank	31.12.2021	31.12.2020	change
Total Capital Ratio (TCR)	17.77%	19.46%	(1.69 p.p.)
Tier I Capital Ratio	12.96%	14.16%	(1.20 p.p.)

Pursuant to the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial sector (Journal of Laws 2015, item 1513, as amended), a capital conservation buffer of 2.5% was introduced starting from 1 January 2019.

At the same time, the Ordinance of the Minister of Development and Finance of 1 September 2017 on the systemic risk buffer (Journal of Laws 2017, item 1776) stipulates that a systemic risk buffer of 3% is introduced as of 1 January 2019.

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%.

The Financial Supervision Commission, in a communication dated 8 November 2021, announced that, based on the provisions of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system and after taking into account the opinion of the Financial Stability Committee, confirmed the identification of ten banks as other systemically important institutions (O-SIIs).

As a result of the review, the Commission concluded that there were no grounds for revoking or amending the Commission's decision of 4 October 2016, as amended by the Commission's decision of 19 December 2017, to impose on the Bank (on a consolidated and individual basis) an Other Systemically Important Institution buffer equivalent to 0.25% of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013.

As a result of the changes described above, the minimum levels of solvency ratios under the law and administrative decisions issued by the FSA as at the reporting date of 31 December 2021 on a separate basis are as follows:

Minimum level of the capital adequacy ratios of the Bank	31.12.2021
Common Equity Tier I (CET I) capital ratio	7.25%
Tier I capital ratio	8.75%
Total capital ratio (TCR)	10.75%

Minimum requirement for own funds and eligible liabilities (MREL)

On 22 November 2021, the Bank received a letter from the Bank Guarantee Fund (hereinafter: BFG) regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board (SRB), the Central Bank of Hungary, Finanstilsynet, the Bank of England and the BFG, on the minimum level of own funds and eligible liabilities (hereinafter: MREL).

The joint decision indicates that the group restructuring plan provides for a single point of entry (SPE) strategy for the mandatory restructuring. The Group's preferred tool for forced restructuring is the open bank bail-in.

The MREL requirement set at the individual level by the BFG, in consultation with the SRB, for the Bank is:

- 15.90% of the total risk exposure amount (TREA) calculated in accordance with Article 92(3) and (4) of Regulation (EU) No 575/2013 (hereinafter: MREL-TREA) and
- 5.91% of the total exposure measure (TEM) calculated in accordance with Article 429 and Article 429a of Regulation (EU) No 575/2013 (hereinafter: MREL-TEM)

The Bank is required to meet the MREL requirement by December 31, 2023.

The BFG, in consultation with the SRB, has set interim targets for the Bank to meet by the end of each calendar year during the period of reaching the MREL target:

- in relation to TREA are: 11.95% at the end of 2021 and 13.92% at the end of 2022,
- in relation to TEM are: 3.00% at the end of 2021 and 4.46% at the end of 2022,

The entire MREL requirement should be met in the form of own funds and liabilities meeting the criteria set out in Article 98 of the Bank Guarantee Fund Act, which transposes Article 45f(2) of the BRRD2. According to the decision, the portion of MREL corresponding to the Recapitalization Amount (RCA) will be met in the form of AT1, T2 instruments and other subordinated eligible liabilities acquired directly or indirectly by the parent company.

The Bank meets the defined MREL requirements as of December 31, 2021.

MREL requirements	Minimum regulatory levels for the Bank	execution
TREA	11.95%	17.91%
TEM	3.00%	11.19%

7.5. Financial ratios

The Bank's return on equity (ROE), calculated on a reported basis, was 1.5% in 2021 and was 4.8 p.p. lower than in 2020. Return on assets (ROA) calculated in a similar manner was 0.2% and decreased by 0.4 p.p. compared to 2020. The impact of integration costs on both measures was insignificant in the periods compared. The decrease in the levels of return ratios is a result of a significant increase in the cost of risk provisions related to litigation related to CHF mortgage loans. The Bank's ROE calculated excluding the impact of provisions related to CHF loans and integration costs would be 9.9% and would be 2.3 p.p. higher compared to the similarly calculated ratio for 2020 (7.6%). In the case of return on assets (ROA), the ratio would be 1.0%, i.e. by 0.2 p.p. higher than in 2020.

The Cost/Income ratio calculated on the basis of reported volumes was 52.1% (0.7 p.p. lower than in 2020). The difference to the normalized ratio is due to the small positive impact of integration costs in 2020).

The presentation of the ratios calculated on the basis of the income statement categories excluding integration costs (understood as additional costs related to the bank merger processes) and the impact of provisions for risk related to court cases concerning mortgage loans in CHF is intended to provide additional information allowing for a more adequate assessment of the changes in the Bank's financial situation in the long term.

Net interest margin calculated in relation to average assets amounted to 2.5% and was lower by 0.2 p.p. compared to the level calculated for 2020. Deterioration of the realized interest margin is a result of significant decrease of interest rates in the first half of 2020, partially neutralized by the impact of rate increases in the fourth quarter of 2021.

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

Table 38. Financial ratios

	31.12.2021	31.12.2020	31.12.2019	change 2021/2020
Return on equity ⁽¹⁾	1.5%	6.3%	5.8%	(4.8 p.p.)
Return on equity - normalized ^(*)	9.9%	7.6%	9.0%	+2.3 p.p.
Return on assets ⁽²⁾	0.2%	0.6%	0.6%	(0.4 p.p.)
Return on assets - normalized ^(*)	1.0%	0.8%	0.9%	+0.2 p.p.
Net interest margin ⁽³⁾	2.5%	2.7%	3.0%	(0.2 p.p.)
Cost / Income ⁽⁴⁾	52.1%	52.6%	63.9%	(0.5 p.p.)
Cost / Income - normalized ^(*)	52.1%	52.8%	54.8%	(0.7 p.p.)
Cost of credit risk ⁽⁵⁾	(0.30%)	(0.79%)	(0.57%)	+0.49 p.p.
Cost of credit risk - normalized ^(*)	(0.45%)	(0.54%)	(0.60%)	+0.09 p.p.
Net loans and advances / deposits ⁽⁶⁾	80.0%	78.7%	79.9%	+1.3 p.p.
Gross loans and advances / Total sources of funding ⁽⁷⁾	79.4%	78.4%	81.6%	+1.0 p.p.

(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 net interest income considering 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.

(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

* Normalized values calculated excluding integration costs (2021 no integration costs, 2020 positive value PLN 15,336 thousand, 2019: PLN 414,537 thousand) and the impact of provisions for risk related to litigation related to CHF mortgage loans (2021: PLN 1,045,304 thousand, 2020: PLN 168,156 thousand, 2019: PLN 32,113 thousand). The impact of integration costs on net profit was estimated using an income tax rate of 19%.

The ROE and ROA are calculated taking into account the appropriate adjustments of the average equity and average assets.

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. For the "income" category, the income statement figures comprising the result from banking activities were adjusted by the integration costs recorded within other operating expenses. As of 2020, provisions for proceedings related to CHF housing loans are presented as a separate line, in addition to income, this change was also taken into account for 2019.

In the case of the normalized cost of risk ratio - the calculation made eliminating the impact of the result from provisions related to COVID-19 (in 2021: +27,093 thousand, in 2020: -226,667 thousand) and the impact of the sale of non-performing loan portfolios (in 2021: +84,920 thousand, in 2020: PLN +42,368 thousand and in 2019: PLN +25,414 thousand).

7.6. Average interest rates applied by the Bank

Table 39. Average interest rates in the Bank*

Product	PLN		EUR	
	2021	2020	2021	2020
Deposits	0.04%	0.31%		
Households and non-commercial institutions	0.04%	0.36%		
Non-financial corporates	0.04%	0.22%		
Loans	3.17%	3.65%	1.24%	1.26%
Households and non-commercial institutions	3.64%	4.16%	2.04%	2.05%
Non-financial corporates	2.09%	2.52%	1.23%	1.24%

* based on the Bank's mandatory reporting to the Statistic Department of the NBP

8. Description of the business activities

8.1. Distribution channels

Branches

As of 31 December 2021, the Bank had 427 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, 268 retail and business banking branches were closed between 31 October 2018 and 31 December 2021 (including 32 branches closed in 2021).

In 2021, the transformation of the branch network, which began in 2017, was 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 31 December 2021 the Bank had 171 branches in the new format (including 163 branches after transformation and 8 branches without rearrangement).

In 152 branches (including 3 partner branches) cash services were provided exclusively through self-service devices.

As of 31 December 2021 the Bank had 77 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 customers (60+) are served in a safe, understandable and accessible manner.

In 2021, the sales network for Corporate Banking consisted of 6 Regional Corporate Banking Centers located in Warsaw, Gdańsk, Poznań, Katowice, Cracow and Lublin.

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

ATM and cash deposit network

As at 31 December 2021, the Bank's branches had:

- 514 dual-function devices processing contactless deposits and withdrawals with Bank cards and BLIK, as well as cash withdrawals using Google Pay and Apple Pay, and
- 58 ATMs supporting only standard withdrawals and transactions made available by the VISA and Mastercard systems.

In addition, two dual-function devices and two ATMs operated outside the Bank's branches.

E-banking and mobile banking

In 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. The Bank 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 2021

Payments

- 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 is a pan-European real-time interbank settlement system in EUR - the counterparty should receive the transfer to its account within several minutes.

MyID Services

- Completely free, the possibility of confirming one's identity via internet,
- 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.

Loans and cards

- Making credit card agreement termination process as well as cancellation of submitted termination process available.
- Possibility of an application for an increase of credit card or Allegro credit limits in GOMobile
- Customers who have a virtual/mobile card, a card that does not have a physical/plastic form, can conveniently manage it in the mobile app. Possibility to uncover/hide card data (full number, CVC code) was added in the app functionalities. Moreover, customers can use functions that are available for standard cards.
- Allowing clients to pay off a credit card also from an account in another bank in GOMobile. Similarly to online purchases, customers can use the PaybyNet/PayLane option.
- Change in presentation of Internet and Correspondence/Telephone limits.

Investments

- Provide access to Brokerage Analytics in the *Investment* and *Offers* sections.
- Making available transfers in foreign currencies.
- 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.

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.

Client's data / Client

- The ability to update address information.
- GOMobile - introduction of generic signature allowing to sign documents in the application.
- 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 working days between 9 am and 5 pm.
- Increase of safety in changing password in GOonline process – necessity of entering a current password.
- Unlocking GOMobile in GOonline - after completing the process of unlocking the mobile app in GOonline, an additional message about a necessity of the PIN in GOMobile removal is displayed.
- Password reset does not change the authorization method to SMS codes for customers who have previously used mobile authorization.

Accounts & Savings

- 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, GOoptima and in the context of proxies. Authorizations for one-time actions are not displayed.
- 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.

The voice of the customer is the basis for building development plans in the area of internet and mobile banking. Regular feedback, e.g. via customer satisfaction survey, makes it possible to identify the advantages and disadvantages of the services offered and to better understand individual customer needs.

Customer safety is a fundamental element of the Bank's e-banking development strategy and because of that the GOonline system has been enhanced with additional mechanisms to prevent the potential consequences of unauthorised access and campaigns promoting modern authorisation methods and responsible use of remote channels.

Table 40. Data on retail customers

Specification	system name	31.12.2021	31.12.2020
Number of customers/users using internet banking	GOonline	790,012	742,724
Average monthly number of transactions in the Internet channel	GOonline	3,378,491	3,416,891
Number of customers / users using mobile application (GOMobile)	GOMobile	911,142	669,043
Number of customers / users using mobile banking (mobile device)	GOMobile + GOonline	1,078,048	838,632
Number of customers / users using only the mobile application (GOMobile)	GOMobile	591,801	415,430
Number of customers / users using only mobile banking (mobile device)	GOMobile + GOonline	708,876	498,786

KEY CHANGES IN SYSTEMS AND OFFERS FOR CORPORATE CUSTOMERS IN 2021

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,
- changes in the Credits module - printing out the schedule of credits, making the "Financial Subsidy TF 1.0 PFR" product available, presenting the launch and the repayment schedule,
- changes in Self Service module: adding new types of dispositions, e.g. adding a new transfer cancellation request and automation of processes performed on the Bank's side,
- 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,
- implementation of a new log-in page for the GOonline Business system with a new graphic design,
- making new Accounts module available in scope of the accounts list, accounts history (including managing the list view), accounts management (naming, sorting, etc.),
- changes in the ADK (Customer Advisor Application) - adding an automatic mechanism of breaking a session of a logged in user to GOMobile Biznes when blocking a user's WWW channel, adding information on the user's establishment channel in GOMobile Biznes,
- 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, and implementation of changes in subsequent project phases,
- Channel names unification for the GO Business ecosystem for corporate customers: GOonline Business, GOconnect Business - H2H solutions, GOMobile Business - mobile banking.

Implemented changes are another stage in the process of modernising and improving the functionality of the GOonline Biznes system.

Table 41. Data on corporate and SME clients

Specification	System name	31.12.2021	31.12.2020
Number of clients actively logging on	BiznesPI@net	145,194	143,758
Monthly average number of transactions	BiznesPI@net	5,999,966	5,753,859
Number of mobile application customers/users	GOMobile Biznes	17,034	8,357

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 31 December 2021, the number of cards issued amounted to 2,547.6 thousand and was 113.8 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 (Moja Karta Premium) or Multicurrency Card (Karta Multiwalutowa)
- Open Account for You (Konto Otwarte na Ciebie) with possibility to issue 4 cards (Open for Today card (Karta Otwarta na Dzisiaj), eWorld Open card (Karta Otwarta na eŚwiat), Open to the World card (Karta Otwarta na Świat) and Multicurrency card (Karta Multiwalutowa)),
- Family Banking offer - Adulthood Card (Karta do Dorosłości) issued to persons aged 13-18, Samodzielniak's Card (Karta Samodzielniaka) and Samodzielniak's Microcard (Mikrokarta Samodzielniaka) issued to children aged 7-13.

Table 42. Number of banking cards issued by the Bank

in PLN'000	31.12.2021	31.12.2020	change y/y	
			PLN'000	%
Debit cards for retail customers	1,538.2	1,429.1	109.1	7.6%
Credit cards for retail customers	800.2	802.4	(2.2)	(0.3%)
Business debit cards	196.0	188.5	7.5	4.0%
Deferred payment business cards	7.7	7.8	(0.1)	(1.3%)
Business credit cards	5.5	6.0	(0.5)	(8.3%)
Number of cards issued - total	2,547.6	2,433.8	136.8	4.7%

Cooperation with intermediaries

At the end of December 2021, in the Retail and Business Banking, in the area of acquisition of banking products, the Bank was actively working with:

- based on outsourcing agreements - 13 external outsourcing intermediaries, 8 outsourcing intermediaries acting exclusively for the Bank and 14 franchise partners
- based on marketing agreements – 321 counterparties

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.

8.2. Bank Transformation Programme

Previously, the Bank's transformation programme has been in line with the Fast Forward strategy but based on a classic project management model. In July 2020, the Bank's Management Board decided to start an Agile transformation (Agile@Scale). Due to the implementation of the Agile approach, the Bank wants to achieve the following objectives:

1. Responding faster to changing customer needs and market conditions.
2. Providing innovative, high quality products and services based on customer needs
3. Engaging employees, ensuring their development as well as attracting and retaining talent through a new organisational culture.

In the next strategic horizon (2022-2025), the Bank will implement its objectives in the Agile@Scale operating model. Among the main priorities of the leaders and transformation teams are strategic initiatives to transform the distribution model, developing the ecosystem to become the main bank for innovative companies in Poland.

The Agile@Scale transformation covers the part of the organisation responsible for the production and delivery of products (business, IT, support roles). The whole Bank is embraced in the cultural change by implementing a common set of values and principles.

Agile@Scale – new operational model

Around 1,300 people have started working in the new Agile@Scale operating model since January 2022, .

The implementation of Agile@Scale required a significant transformation of the organisational structure with new organisational units of the Bank: 14 Tribes, 46 Products, 54 Chapters.

Key achievements in 2021 and Tribe's priorities in 2022

AREA	TRIBE	2021 / PRIORITIES 2022
For individual customers	Omnichannel for Retail	<p>2021 – main results</p> <ul style="list-style-type: none"> • MyID/trusted profile: identity confirmation via GOMobile/GOonline - our customers made 400 thousand authorisations with the trusted profile in 2021. • Availability of all e-administration programs in GOonline (more than 160 thousand requests for 500+ and 300+ benefits). • New remote post-sale processes: possibility to submit post-sale disposition, generate certificates, update client's data, manage given powers of attorney. • A universal mechanism for e-signing documents in GOMobile/GOonline. • Possibility to add accounts from other banks in GOonline. <p>2022 – priorities</p> <ul style="list-style-type: none"> • Implementation of 24/7 instant payments and BLIK P2P. • Next digitalized and paperless processes in branches. • The same quality of customer service across all channels: customer service based on a centralised full history of relationships and communications, one method of mobile authentication, personalised and synchronised communications. • Full home banking for customers of the premium segment - digital self-service supported by remote advisory within the virtual branch. • New ecosystem of multi-channel communication with customers: chat, video chat, email, phones, including support for chat and voice bots.
	Loans to Individuals	<p>2021 – main results</p> <ul style="list-style-type: none"> • Implementation of the „Clean Air“ credit, „My Electrician“ leasing and “Green Cash Loan” - contributing to Energy Transition. • E-commerce process with extensive use of the possibilities offered by open banking solutions: KYC (Know Your Customer), fraud prevention, pre-filling of data, income confirmation and calculation of creditworthiness - over 14,700 applications processed on the basis of open banking. • Launch of a new product to support the concept of a circular economy - long-term phone rental. • Digitalization: continued implementation of chatbot, simplification of credit card and cash credit application, new process for credit limit increase and online payments. • Virtual credit card implementation. <p>2022 – priorities</p> <ul style="list-style-type: none"> • Continuing credit and post-sales processes digitalization. • Use of solutions based on open banking capabilities for cash loans and credit cards sales processes. • Continuing development of "green" loans offer to support the energy transition.
For individual customers	Investments and Savings	<p>2021 – main results</p> <ul style="list-style-type: none"> • Launching a view of the Customer's entire investment portfolio in GOinvest - improving the process of researching and matching investment offers to Customer needs. • Implementation of a new, automated and intuitive process of selling investment funds in GOone. Average transaction processing time reduced from 15 minutes to less than 1 minute. • Further activation of fund sales in GOonline - transactions number increased by 410% year on year. • Optimisation and standardisation of the investment sales process in terms of the number and layout of documents received by customers. • Making the acquisition and management of investment products available in remote channels and improving processes in branches, which contributed to a 30% increase in the share of investments in Customers' portfolios. <p>2022 – priorities</p> <ul style="list-style-type: none"> • Implementation of robo-advisory in GOonline and advisory in GOinvest.

	<ul style="list-style-type: none"> • Developing awareness of responsible investment by including ESG aspects in investment decisions. Expanding the range of "green" products. • Implementation of attractive systematic savings programmes in digital channels. • An easy-to-use and modern brokerage system for clients, advisors and brokers.
Daily banking	<p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Virtual debit card implementation. • Implementation of new sales processes in GOMobile banking: opening foreign currency accounts and savings accounts. • In GOonline, implementation of remote opening process of an account for children 0-7 years old - "Konto Samodzielniaka" and issuing payment cards for children 7-13 years old. • Optimisation of the card transaction process in e-commerce with 3DSecure. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Implementation of a modern, remote and convenient method of confirming identity for customers. • Implementation of a new acquisition model in cooperation with one of the commercial networks. • Implementation of a savings and settlement account dedicated to a selected customer segment (ROR for Seniors). • Joining a new loyalty program in the area of debit and credit cards. • Development of mobile payments.
	<p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Simplification of credit processes for microenterprises (automatic generation of agreements for loans with BGK guarantee - 68% of agreements, launch of unsecured cash loans up to PLN 120 thousand - increase by 144% y/y) • Credit process efficiency increase by 17% y/y. • Development of sustainable business: <ul style="list-style-type: none"> - implementation of a green change loan as part of the offer; - implementation of ESG questionnaire (research on the impact of environmental, social, corporate aspects on investment decisions) in the loan request; - extending the "Auto-Plan" offer to include electric cars. • Remote process of application and conclusion of a long-term lease contract (in cooperation with Arval Service Lease Polska Sp. z o.o.) - remote sales accounted for 60% of total sales. • Development of Agronomist portal with useful and innovative functionalities supporting sustainable production, e.g: <ul style="list-style-type: none"> - Greenhouse Gas Emission Calculator - quick and easy estimation of the environmental impact of Customers' activities, - Kredytomat - Customer needs research and support in choosing the right product. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Implementation of a remote onboarding process for Micro Customers. • Digitisation of key post-sales dispositions and delivery of selected self-service functionalities in transactional applications. • Implementation of fast, efficient and predictable credit processes. • 360 offer linking all products for Micro customers. • Development of the Agronomist portal with new environmental tools to support the grocery and agro industries.
Entrepreneurs and Farmers	

For business entities	Management and Omnichannel for Legal Entities	<p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • New modules in the flagship e-banking system GOonline Biznes (including the main module Accounts and a new login page) and a change of the system name from BiznesPL@net to GOonline Biznes. • Faster and more efficient settlement of SEPA payments - migration to the EuroElixir system operated by the Krajowa Izba Rozliczeniowa (National Clearing House). • Launch of fully digital onboarding for the majority of SME customers - in 2021, 76% of customers have been digitally acquired. • Implementation of the financial subsidies request process related to the PFR shields. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Finalize the migration of the flagship online banking system BiznesPL@net to GOonline Biznes. • Further digitalisation of interactions with customers. • Optimisation and automation of the onboarding and recertification process for SME and corporate customers.
	Loans for Legal Entities	<p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Implementation of a tool for automatic generation of loan agreements for corporate clients. • Implementation of a monitoring application for syndicated loans. • Updating the tool supporting Trade Finance portfolio management. • Making an ESG (environmental, social and regulatory) risk assessment module available to credit process participants. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Construction of a new digital document archive with fast access for credit process participants. • Implementation of a new credit exposure monitoring module with automation of necessary data gathering. • Implementation of a new credit application improving the process of borrower assessment by the analyst. • Electronic credit application for Agro Customers. • Optimisation for corporate credit process.
For business entities	Financial Markets	<p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Implementation of new functionalities and products available to Customers on the FX PL@net transaction platform, including new types of derivatives hedging FX risk and structured dual currency deposits (91% of current FX transactions of Corporate Customers were processed via the platform, the volume of all types of transactions processed on the platform +30% y/y) • Automation of the onboarding process in GOBiznes for customers who use foreign payments with negotiated exchange rates (FX+Cash). • Implementation an overdraft facility with maximum base rate for Corporate and SME Customers. This allows the Customer to limit the risk of interest rate increases (WIBOR or EURIBOR). • Implementation of new interest rate reference levels for financial instruments (SARON, SONIA and SOFR) replacing LIBOR. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Further development of FX services available on the FX PL@net transaction platform, including the implementation of a mobile version, an automated onboarding process for corporate, SME and micro-enterprise clients as well as increasing the percentage of transactions concluded automatically. • Strengthening the cyber resilience of the Bank's existing technological solutions (external and internal).

Shared strategic assets	Data Platform	<p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Implementation of advanced analytical algorithms for Process Mining and categorisation of transactions made by customers in digital channels. • Implementation of the General Ledger based on the Corporate Data Warehouse in Big Data technology. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Strengthening the use of artificial intelligence and advanced analytics. • Optimisation of architecture and processes in finance area. • Strengthening high quality and consistency of data across the ecosystem.
	Open Banking	<p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Creation of the first commercial open banking service (PoC on the Agromonist platform). • New data model to integrate with BlueMedia and 7 banks: BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., Alior Bank S.A., Santander Bank Polska SA, Bank Millennium S.A, PKO BP, Pekao S.A. Use in the process of KYC (e-shop) and aggregation of information on customer accounts in the GOonline banking system. • Increase of the number of authorised payment market service providers (Third Party Provider) using the connection with the bank under the framework of open banking (22 to 40 y/y). • Use of open banking services to verification of identity or income information in the instalment loan process - 14.7 thousand requests. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Open banking services development based on the new API platform. • Development of services supporting Customers' e-commerce activity.
Shared strategic assets	CRM and Analytics	<p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Increase of CRM campaign contribution to Bank products sales: 42% (+4 p.p. vs 2020) in cash loan sales; 52% (+5 p.p. vs 2020) in Micro customer financing; 48% (+16 p.p. vs 2020) in investment products. • Implementation of the new CRM Omnichannel Interaction Ecosystem: <ul style="list-style-type: none"> - over 130 campaigns driven by customer behaviour in real time (Event Based Real Time Marketing), across all customer contact channels; - 12 predictive models based on artificial intelligence and machine learning to improve targeting of CRM campaigns in communication with customers, in effect increasing the relevance of the offer to customer needs; - CRM activities personalization based on Customer segments, sub-segments and purchase profiles; - implementation of Customer Lifecycle Management programmes (CLM/Onboarding) - Individual & Micro customers. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Increase of Customers' satisfaction (NPS) through precise adjustment of products to Customers' needs in CRM campaigns. • Increase of customers activity and digitalisation (transactivity, mobile payments, remote channels). • Development of hyper-personalization in CRM interactions with customers - matching the offer and contact channel to customers' expectations in real time. • Increase of CRM communication efficiency with customers by implementing geotargeting in customer communication

	<p>Risk Systems</p> <p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Reducing the risk of potential credit fraud through the BIK PAF (Anti-Fraud Platform), which helped stop approximately 280 suspicious credit transactions in 2021. • Improvement of the credit process by: <ul style="list-style-type: none"> – development of an automated process for calculating pre-acceptance limits for Retail customers; – implementation of new scoring and rating models for Retail/SMEs/Corporates customers. • Improvement of risk processes through the implementation of a full market risk management application. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Construction of an automated process for calculating pre-approval limits and automation of monitoring for Micro and SME clients. • Collection and reporting of ESG data (Environmental, Social Responsibility, Corporate Governance). • Implementation of next new scoring and rating models for clients from Retail/SME/Corporates segments.
	<p>Operational Excellence</p> <p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Improved efficiency as a result of the implementation of 58 new robots for business and operational processes (customer service, credit and post-sales processes), which resulted, for example, on the reduction of customer service time. • In terms of KYC procedures, developing automated certification processes for clients in the microenterprise segment. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Development of a platform to support operational processes. • Continued improvements in the KYC process (e.g. tools to automate certification and data update processes, integration with improved customer communication applications) • Continued robotisation to optimise process costs and increase customer satisfaction.
<p>Shared strategic assets</p> <p>Candidate and Employee journey</p>	<p><i>2021 – main results</i></p> <ul style="list-style-type: none"> • Definition and communication of the organisational culture, including the Bank's mission, shared values (transparency, courage, empowerment, simplicity, collaboration) and promoted attitudes. • Definition of the main pillars of the Bank's brand as an employer to attract talents: "Bank BNP Paribas Polska is inclusive and benefits from diversity. We are the Bank of Green Changes. We give you space to act with the support of your supervisors. We change for you and for the world". • HR system development - enabling employees the modern mobile application and desktop TETA ME to support HR processes. • Implementation of a new hybrid work model to ensure the comfort and safety of our employees. • Extension of the benefit offer and wellbeing programme (e.g. psychological support, webinars on psycho-physical fitness). • Activities dedicated to students and interns - Ambassador Duets Programme and Summer Internship Programme, internship programmes. • Strengthening and promoting Diversity&Inclusion activities, e.g. supporting the Pride community, promoting Parenting Week, Paternity Week, Diversity Week, Campaign to include People with Disabilities (OzN) working in the bank, as well as recruiting OzN. <p><i>2022 – priorities</i></p> <ul style="list-style-type: none"> • Developing leaders and employees in the context of defined values and attitudes; refreshing the development offer, and attracting talent that demonstrates defined values. • Implementation of changes in HR processes so that they represent the Bank's values (transparency, simplicity) and

promote value-based attitudes (e.g. employee appraisal process).

- Improving the effectiveness of new employee onboarding to the organization by digitizing and simplifying the onboarding process and other HR processes.

8.3. 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

- 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 keeping full financial reporting, meeting the criterion of annual net revenues for the previous financial year below EUR 2 million, conducting activities classified under selected PKD 2007 codes;
- Professionals: entrepreneurs not keeping full financial reporting in accordance with the principles specified 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 2021

FILAR STRATEGICZNY	MAIN ACHIEVEMENTS
GROWTH	<ul style="list-style-type: none"> • Mortgage - sales growth to PLN 6.6 billion (+18% y/y) • Personal accounts - sales increase to 322 thousand (+25% y/y) • Cash loans - sales growth to PLN 3.6. billion (+32% y/y) • Microfinance (including Leasing) increase to PLN 3.9 billion (+12% y/y) • Investments - increase to PLN 8.2 billion (+13.4% y/y) • Fee and commission income up by 19% y/y

SIMPLICITY

- Mortgage loan:
 - shortening the time of issuing a credit decision to less than 10 days
 - digitisation and automation of the e-Mortgage Register (usage at 97%)
 - simplification of application and credit simulation
 - improved service quality (efficiency) of the process by 23% y/y by automating and optimising the process, including: e-signature, simplification and reduction of documents
 - dedicated support for the process available through the Bank's hotline
- MICRO Credit:
 - improved service quality (efficiency) of the process by 17% y/y
 - process steps automation, standardisation, simplification and reduction of number of documents
 - optimisation of credit products number from 38 to 33
- Transformation of the claims area:
 - GObetter - introduction of a new system to claims handling allowing to automate and increase effectiveness of the process
 - reduction of the number of claims by 14% y/y, reduction of claim handling time by 60%
 - increase of the number of cases handled within the 1st statutory deadline (+11 p.p.)
 - increase of customers' satisfaction regarding the complaint handling process +12% y/y
- Transactions secured by BGK - shortening the period of waiting for the agreement by automatic generation of documents
- Automatic activation of the Credit Card - within 15 minutes from the moment of signing the agreement
- Paperless and e-signature - 285 thousand of cash transactions authorisation with e-signature (43% of all transactions in 2021)
- Cashless sales network - decrease of the volume of cash deposits/withdrawals (-6% y/y), increase of the number of non-cash branches by 23% y/y (36% of the network)
- **Friendly banking:**
 - introduction of "Banking Guide" for Ukrainian Customers (simple and clear set of the most important operations, which customers can perform remotely or by contacting the Helpline in Ukrainian)
 - introduction of disposal matrix - knowledge base of post-sale processes and channels, through which processes can be realized by a customer
- **Simple Polish** - simplification of messages in the following processes: remote account opening via the Internet, mortgage purchase, complaints
- Building a **customer-centric organisation**: NPS e-training for all Bank employees, regular Customer Experience training to managers and new employees; "Customer Days" event
- **Focus on Customer priorities** - new credit card statement, information about: underpayment of a credit instalment (before reporting to the BIK), time of disposition realisation, effective closure of the process
- **Numerous awards and distinctions:**
 - Institution of the Year - 6th edition: Best Bank in Poland, Best service in remote channels, Best Bank for Companies, Best Service in the Branch, Best Internet Banking, Best remote account opening process
 - Bank of the Year in Poland award granted by "The Banker" magazine
 - BNP Wealth Management black credit card on the podium - FORBES
 - BNP Paribas fund - capital deposit the best Polish corporate paper fund by Anality Online portal
 - Innovation Diamond for MIGAM implementation - a sign language service for deaf customers
 - first places for accounts in each segment, i.e. best Premium account for the second year running, best account for travellers, best corporate account with supporting account and money bonus (bankier.pl)
 - Visa Platinum card in Money.pl platinum card ranking - I place
 - Premium Client Advisors with international EFA/EFPA certificate
 - BNPP Wealth Management was awarded The Best Private Bank in Poland as a part of Global Private Banking Innovation Awards 2021
- Declaration of Responsible Sales - The Bank remains a signatory to the Declaration. It sells its products and services in a responsible way
- Adjusting branches to disabled customers services, vulnerable groups (77 branches with Barrier Free certificate, 18% of the network), all branches with OK SENIOR certificate)

QUALITY

DIGITALIZATION

- 1.4 million active online and mobile banking users (+19% y/y)
- ~13 thousand accounts opened through video verification in 2021
- Changes in GOMobile - possibility of new products requests: foreign currency accounts, savings accounts, revolving account limits
- Mortgage loan:
 - process flexibility - omnichannel online purchase process, i.e. any part of the mortgage loan application process can be completed by the customer via remote channels or in a branch. The customer also has the opportunity to go through the whole process via remote channels from simulation, through application submission, credit decision to signing the agreement
 - the possibility of delivering a property insurance policy via GOonline was implemented
- Implementation of My ID (electronic identity) / trusted profile functionality
- Multi-currency card, virtual debit and credit cards: visibility and management via e-banking
- Development of the Bank's website www.bnpparibas.pl
 - smallest carbon footprint; green product zone
 - real-time information about number of customers on hotline and chat
 - access to chat from online login page
 - possibility of remotely scheduled branch appointments through the Bank's website: 21 thousand in 2021
 - ability to make a quick transfer from the Bank or via BLIK on behalf of "Szlachetna Paczka" organisation
- Credit card / credit - product management via remote channels (credit repayment schedule and credit history in pdf, credit card debt - divided into instalments, credit card cancellation / card repayment confirmation, loan instalment repayment from another bank)
- Self-service and product management via remote banking channels
 - bank account: certificates of account ownership and balance
 - Customer data: change of contact and authorisation phone number
 - GOMobile dashboard: personalisation
 - enforcement seizures and their details visible on GOMobile
 - investment fund: amount and rate of return visibility, realisation of stock exchange transactions 24/7
 - transfers: payment by watch
- Micro customer in GOonline: possibility to transfer money immediately in EURO, full knowledge about the proxy
- "Sentry User Feedback" - allowing customers to report GOMobile's errors directly via the application
- New products: Family Banking, green change loan for companies, structured deposit, "My Auto" offer and electric car leasing in cooperation with Arval Service Lease Polska Sp. z o.o.

Product offer for retail customers

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

With regard to the management of the retail banking product offer, the Bank focused on improving the efficiency of operations, the innovativeness of offering products and services and their profitability.

As of the end of 2021, there were 4 tariff plans in **the personal account offer for retail customers**:

- *Konto Otwarte na Ciebie (Open Account for You)* - the flagship current account, which during this period occupied one of the highest positions in the personal account rankings of the largest online services, including being the best offer on the travellers' market,
- My Premium Account - a current account for Premium Banking clients, which has been voted as the best account for Premium customers for the second year running,
- *Private Banking Account* for Private Banking customers,
- *Konto Samodzielniaka* - an account offer addressed to children aged 0-18.

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

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

Since the introduction of the new offering in 2019, *Konto Otwarte na Ciebie* has been the most popular personal account opened to individual customers (88% of opened accounts for individual customers are Accounts "Open for You"). In 2021, the Bank opened 322,000 new personal accounts, up 25% y/y. In over 95% of cases, the account was opened jointly with a debit card. The main channel of account sales was the Bank's branches (about 86% share of sales), the rest of the customers opened the account via digital channels - online applications on the Bank's website or via the GOMobile application with video verification.

During the analysed period, the offer of Samodzielniak Account also met with great Customer's popularity. It is addressed to children - especially those aged 7-13 due to the possibility of issuing a payment card in the form of e.g. a contactless wristband - and young people until the age of 18. The Bank already maintains over 33 thousand Samodzielniak Accounts, with almost 30 thousand opened in 2021.

In 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 second half of 2021, the offer was simplified and the Safe Account was removed from the offer and the opening of a savings account was made conditional on having a personal account. Promotional and progressive deposits were removed from the term deposit offer.

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 the offered term deposits. In Q4 2021 Monetary Policy Council had decided to increase interest rates the first time since 10 years. In order to adjust the offer to market changes, the terms and conditions of negotiating interest rates of term deposits were modified and special offers for Premium customers were introduced. Action undertaken in 2021 brought changes in the structure of the deposit product portfolio.

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 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 2.1 billion, which is a decrease of PLN 0.6 billion, 22% 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 na Start*, *Moja Lokata Premium* and special offers.

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 *GOMobile Deposit*.

In addition, in 2021, the Bank:

- continued its strategy for Premium customers, implemented in 2020, with a dedicated product offering: My Premium Account, Platinum Credit Card and the "Sickness Support Plan - Premium" insurance,
- in cooperation with the Foundation for Financial Advice Standards, carried out the external EFPA EIP (European Investment Practitioner) certification of Premium Client Advisors,
- extended its offer for Housing Associations with an investment loan secured by an EIB guarantee, which increased the amount of financing,
- continued to implement the "Bank at Work" partnership program. 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,
- organised numerous educational and promotional campaigns to raise financial awareness among parents and children, promoting the sale of personal accounts to the youngest customers (0-18 years old). Conducted promotional offers include: "Kieszonkowe dla Samodzielniaka", "Moneyback for parent",

"Moneyback with pocket money", "January with BNP Paribas", "February with BNP", "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 2021, there was a 42% increase in the number of vehicle rental contracts, with a total of 243 vehicle rental contracts concluded (up 42% year-on-year),
- cooperated with Employment Agencies and financial intermediaries in the area of acquisition of retail products (personal accounts, cash loans, mortgages and micro loans),
- implemented the next steps of the online mortgage loan application process. Customers are now able to apply for a loan with complete loan documentation and sign the loan agreement remotely (paperless) using the Autenti solution. As a result, customers can remotely go through the entire mortgage process from application to conclusion of the loan agreement,
- implemented other remote customer service processes, including the ability to self-generate selected certificates.

Dedicated **credit offer for retail customer** in the first half of 2021 included: PLN credits and mortgage loans including the "Green Mortgage" offer for financing energy-saving real estate, as well as the offer with a periodically fixed interest rate for 5 years, personal account loans (revolving credits), Consumer Finance products (described in more detail in Chapter 8.4. Personal Finance Banking).

Because of the ongoing coronavirus pandemic, the Bank continued to intensify its efforts to provide customers with more sales and after-sales services in remote form. Besides convenience for customers, these solutions are designed to minimise the unnecessary visits to Bank branches and direct contact. Additionally, they make it possible to mitigate the potential negative impact of the pandemic on the Bank's sales and financial performance.

In 2021, the Bank made available, for example, further phases of the remote mortgage process, i.e. the possibility to conclude a loan agreement remotely (paperless) using the Autenti signature, the Bank introduced the possibility to obtain selected opinions and certificates to its products directly in the GOonline application and implemented a universal solution enabling signing any documents with customers via the GOMobile and/or GOonline applications. The Bank's ongoing activities and consequent improvements, in the Bank's opinion, have contributed to avoiding the negative impact of the COVID-19 pandemic on the achieved business results in retail banking area. In 2021, The Bank achieved significant sales increase also in comparison to the pre-pandemic period.

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", including close family members or assets held in private companies and other investment vehicles.

BNP Paribas Wealth Management benefits from 40-years experience in serving Wealth Clients, market position and best practices of the BNP Paribas Group, which is the number 1 Wealth Management company in the Eurozone.

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.

Within daily banking Wealth Management offer 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,
- 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.

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.

Because of the situation caused by the COVID-19 pandemic, a Competence Centre was established, in scope of Wealth Management, to clients with Wealth Management and corporate relationships. Wealth Management clients were offered free consultations provided by a Wealth Management expert, e.g. on government assistance programmes. Currently, Wealth Management supports clients in scope of the Polish Governance ("Polski Ład") package of regulations regarding doubts about the impact of the regulatory environment on wealth issues. Also, BNP Paribas Wealth Management provides access to a cost-free wealth planning service delivered by experts who advise clients in the area of wealth succession.

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 2021:

- Clients were given the opportunity to open a dual-currency deposit and to conclude structured deposit agreements through the GOonline e-banking system; Wealth Management also offers its clients preferential exchange rates;
- Enabled investment in products supporting the Sustainable Development Goals, e.g. structured certificates, which offer the chance of attractive profits and support actions supporting the natural environment. These are initiatives such as the building of the International Polar Station on the Arctic Ocean, conducted by the Tara Ocean Foundation or the action of reforestation in Poland and Europe;
- A mobile debit card has been implemented which allows contactless payments via mobile devices by adding the card to Google Pay, Apple Pay, Garmin Pay, Fitbit Pay and SwatchPAY! electronic wallets. The card can be used to make online payments and to withdraw cash at ATMs with a contactless reader;
- Availability of FX PI@net platform 24/7;
- Improvement of processes and functionalities available to Wealth Management Clients in the Private Line helpline, e.g. Click2Call - via GOmobile to connect directly with a Private Line Consultant without additional verification; possibility to change the verification method in GOonline from SMS to mobile Token; notification of cash withdrawal and its cancellation.

Prizes for BNP Paribas Wealth Management in 2021

February 2021 - BNP Paribas Wealth Management is awarded a Forbes rating - 5 stars for the best private banking on the Polish market.

May 2021 - Mastercard World Elite credit card issued by BNP Paribas Wealth Management once again on the podium in the prestigious ranking of Forbes magazine's black credit cards.

August 2021 - The Bank with the title of Best Private Bank in Poland in the international *Global Private Banking Innovation Awards 2021* competition organized by The Digital Banker magazine.

Product offer for Business Clients

Transaction and deposit offer

The Bank's offer to business customers includes current accounts, savings accounts - auxiliary deposit accounts in PLN and foreign currencies, as well as term deposits available in a variety of deposit periods and sale channels. Moreover, the Bank offered its business customers investment products adjusted to their profile and needs.

In 2021, the current account offered to micro-entrepreneurs was named the best on the market, which, together with ongoing promotional campaigns, contributed to an increase in new customer acquisition in the second half of the year. In addition, the Bank promoted additional services to micro-entrepreneurs, i.e. an offer of payment terminals in cooperation with the Bank's partner Elavon and a car lease offer in cooperation with Arval Service

Lease Polska Sp. z o.o. Additionally the Bank extended the range of services related to convenient currency exchange by offering the FX PI@net platform available 24/7. At the same time the Bank enabled its Customers the possibility of remote application and processing of grants as part of the PFR 1.0 and 2.0 Financial Shield programme.

Credit offer

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.

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

In 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 2021, the Bank issued 18 bank guarantees for the Business Banking Area customers at a total amount of PLN 2.1 million.

Commercial volumes

As at 31 December 2021, Retail and Business Banking deposits on a consolidated level amounted to PLN 56,313,009 thousand and were by PLN 1,908,316 thousand higher than at the end of 2020. Current accounts increased by PLN 4,578,340 thousand. The decrease was recorded in terms of saving accounts (by PLN o 697,275 thousand) and term deposits (by PLN o 1,900,177 thousand).

The percentage structure of the main product categories changed: the share of current accounts increased (by 6.5 p.p. to the level of 55.3%) with a parallel decrease in the share of savings accounts (by 2.5 p.p. to the level of 34.3%) and of term deposits (by 3.8 p.p. to the level of 9.5%) and overnight deposits (by 0.2% to the level of 0.9%).

In Q4 2021, as a consequence of the increase of interest rates, the trend observed throughout the year of an increase of the share of current deposits compared to time deposits was reversed. In the scenario of a continuation of interest rate rises, this trend will intensify.

Table 43. Deposits and Loans in Retail and Business Banking³

in PLN'000	31.12.2021	31.12.2020	change y/y	
			PLN'000	%
Current accounts	31,160,552	26,582,212	4,578,340	17.2%
Savings accounts	19,300,990	19,998,265	(697,275)	(3.5%)
Term deposits	5,363,338	7,263,515	(1,900,177)	(26.2%)
Overnight deposits	488,129	560,701	(72,571)	(12.9%)
Accounts and Deposits	56,313,009	54,404,693	1,908,316	3.5%
Consumer loans	10,447,106	9,201,591	1,245,515	13.5%
Investment loans	6,404,482	6,536,144	(131,662)	(2.0)%

³ 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.

Overdrafts	2,818,811	2,761,117	57,694	2.1%
Mortgage loans	26,555,347	22,397,224	4,158,123	18.6%
Lease receivables	2,724,712	1,879,18	845,529	45.0%
Credit cards	1,036,825	1,163,18	(126,359)	(10.9%)
Other loans	8,060	5,19	2,867	55.2%
Net loans and advances	49,995,342	43,943,63	6,051,706	13.8%

The net loan portfolio of the Retail and Business Banking segment on a consolidated basis as at 30 December 2021 amounted to PLN 49,995,342 thousand, an increase of 13.8% (PLN +6,051,706 thousand) compared to the end of 2020. In value terms, the largest increase was in residential mortgages (PLN +4,158,123 thousand, +18.6%).

The gross volume of FX mortgage loans (withdrawn from the offer in 2008-2009) in the analysed period amounted to PLN 4,569,608 thousand (PLN 4,872,443 thousand at the end of 2020). Loans granted in CHF accounted for 99.2% 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 2020 to 4.4484 at the end of 2021). The value of the portfolio denominated in CHF decreased by 9.9% compared to the end of 2020.

Gross profit of Retail and Business Banking segment

In 2021, the Retail and Business Banking segment had a negative gross result of PLN -710,148 thousand (compared to a loss of PLN -313,616 thousand in 2020) mainly due to charging results with the cost of provisions for risks related to CHF mortgage loans litigation (it was higher by PLN 877,148 thousand y/y). Excluding this negative impact, the segment's gross result would have been PLN 335,157 thousand as compared to a loss of PLN 145,460 thousand in 2020.

This was possible because of the improvement of net interest and fee income, the reduction in the credit risk cost (as a consequence of the lower negative impact of COVID-19 on the economy and on customers), and as a result of the reduction of the BFG costs in comparison to 2020.

The Retail Banking segment recorded significant growth in products and service sale in 2021, in most cases above that of 2019. This mainly concerned mortgage loans (+18.4% y/y), cash loans (+34.8% y/y) and personal accounts (+25.2% y/y), as well as investment products (+13.8% and +35.3% excluding investment deposits).

The result on banking activity of Retail and Business Banking in 2021 amounted to PLN 2,390,190 thousand and was 6.7% higher compared to 2020. This result accounted for 49.7% of the Group's banking result in the period under review. The Personal Finance area generated 30.9% of the result on banking activity of the Retail and Business Banking segment.

Table 44. Gross profit of Retail and Business Banking segment⁴

PLN '000	12 months ended	12 months ended	change y/y	
	31.12.2021	31.12.2020	PLN'000	%
Interest income	1,747,419	1,714,399	33,020	1.9%
Fee and commission income	557,486	468,236	89,250	19.1%
Trading and other income	85,285	58,040	27,245	46.9%
Income on banking activity	2,390,190	2,240,675	149,514	6.7%
Result on impairment allowances	(148,295)	(512,572)	364,277	(71.1%)
Provisions for legal risk of CHF portfolio	(1,045,304)	(168,156)	(877,148)	521.6%
Operating expenses and depreciation	(1,154,202)	(1,223,999)	69,797	(5.7%)
Allocation of costs	(580,917)	(483,811)	(97,106)	20.1%
Operating profit	(538,529)	(147,862)	(390,666)	264.2%
Tax on financial institutions	(171,619)	(165,753)	(5,866)	3.5%
Gross result of the segment	(710,148)	(313,616)	(396,532)	126.4%

⁴ Information based on the segmentation note included in the Consolidated report of BNP Paribas Bank Polska S.A. Capital Group for the period ended 31 December 2021.

8.4. 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 2021

- Implementation of the „Clean Air” credit, „My Electrician” leasing and “Green Cash Loan” - contributing to Energy Transition. Over 43 thousand of customers has benefited from the offer in 2021.
 - Over 16 thousand photovoltaic installations financed for individual customers
 - Launch of a new product on the market to support Circular Economy - Long-term rental of durable goods for individuals
-
- Unified and simplified cash loan application process across the entire Sales Network
-
- Digitalization: further chatbot implementation, simplification of the credit card and cash credit application, new process of credit limit increase and online payments
 - Implementation of the virtual Credit Card
 - Possibility to split a card transaction into instalments at the terminal within Mastercard “pay in instalments” programme
 - Implementation of new functionalities in Internet banking allowing for post-sale card processing
-
- Open banking - developed full set of features to enhance customer experience, well tested in e-commerce activity - Bank as a pioneer
-
- 75% of agreements for installment loans are concluded within the "paperless" process implemented in cooperation with Autenti
-
- 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 with high repurchase value
 - 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
-
- 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 2021, the Bank in the area of cash loans introduced:

- new cash loan offer supported by marketing activities ("Loan for Green Change"), over 43.6 thousand of green financing,
- improvements in automation of credit decisions for e-banking and mobile banking applications, over 30 thousand of financing in online channels,
- new insurance with monthly premiums as loan repayment security,
- one streamlined cash loan application process across the entire Sales Network.

Credit cards

In 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.

Instalment loans

Currently, instalment loans are offered in stores (both stationary and online) of over 15 thousand 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.

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 16 thousand finalized credits for photovoltaic installations in 2021,
- active cooperation with more than 500 partners involved in the sale and installation of photovoltaic installations,
- European Investment Bank guarantees.

Implementation of the „Clean Air” credit to support the Programme of the same name, which aims to reduce emissions of harmful substances into the atmosphere resulting from heating of single-family houses using outdated heat sources and low-quality fuel.

Cooperation with partners

The Bank cooperates with leading players in the Polish and international market such as Media Saturn Holding Polska Sp. z o.o., Decathlon, Sp. zo.o., E.ON Foton Sp. z o.o. or Abra Meble, as well as with local Partners across the entire country.

Car loans, leasing loans

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

New products and processes were introduced by the Bank in 2021:

- launch of operational cooperation with a new partner - Jaguar and Land Rover,
- extension of automation of credit decisions to business customers,
- launch of a loan with a high residual value of the vehicle (HRV) at the end of the contract with the KIA and Jaguar brands by dealer
- digitalization of post-sale processes: increase of customers' access to online banking, enable customers with GOonline to attach scans of the motor policy and registration certificate,
- implementation of automation and optimisation of the sales process in scope of customer identification.

Leasing

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.

New product offers and process improvements in 2021:

- the HRV (High Residual Value) leasing product for the KIA and Jaguar brand - leasing with buy-back with a high residual value of the vehicle and buy-back guarantee by the dealer,
- the „My Electrician” Programme - to support the leasing of zero-emission vehicles,
- decision process automation in leasing,
- automation and optimisation of the sales process in scope of customer identification.

Long-term rental of vehicles

In 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), introducing new solutions, as: modification of the sales platform to adjust it to the needs related to the cooperation with car dealers and brokers, or automation and optimization sale process.

8.5. Brokerage House of BNP Paribas Bank Polska S.A.

The Brokerage House of BNP Paribas Bank Polska S.A. ("BNP Paribas 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 advisory 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.

BNP Paribas Brokerage in numbers in 2021

- Sales of over 900 funds managed by 22 Investment Fund Companies.
- PLN 6.36 billion - the value of assets of the Investment Fund Companies' customers distributed via BNP Paribas Bank Polska
- PLN 1.07 billion - value of investment certificates emitted for Customers of the Brokerage Office in cooperation with BNP Paribas Group last year (growth by 82% y/y).
- PLN 126.3 million - total income from brokerage services and investment products distribution (growth by 41% y/y).
- Commission income from stock exchange transactions of Brokerage House clients – growth by 27% y/y.
- Assets in portfolio management services for Wealth Management clients – growth by 130% y/y.
- Results from investment advisory services as well as portfolio management services grew strongly in comparison to their benchmark indexes.

Table 45. Share of the Bank's Brokerage House in turnover on the WSE

		31.12.2021		31.12.2020	
		volume	share	volume	share
Shares	PLN million	3,889.2	0.6%	3,750.8	0.6%
Bonds	PLN million	231.0	5.7%	135.6	4.4%
Contracts	pcs.	138,892	0.7%	169,368	0.8%
Investment certificates	PLN million	1.7	1.8%	1.5	1.4%
Options	pcs.	30,659	5.7%	25,943	3.5%
Structured products	PLN million	445.3	7.2%	497.5	9.0%

8.6 Small and Medium Enterprise Banking

Segmentation

The **Small and Medium Enterprise (SME)** Banking area provided services to three main customer sub-segments in 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 a budget 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 between PLN 0 and PLN 60 million and credit exposure not exceeding PLN 40 million, as well as individual farmers if their credit exposure is between PLN 4 and 40 million and between PLN 3 and 4 million 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.

In Q4 2021, the Bank conducted a strategic review of the organisational structure in the SME Banking Area. As a result, from 1 January 2022, the territorial extents of regions were changed and the previous 6 SME Banking Regions were consolidated to 3 Regions. This change was intended to align the regional sales network in the SME Banking Area with the organisational changes taking place in the Corporate Banking Area and consequently better capture of the synergies between SME Clients and Medium-sized Corporate Clients (MID CAP).

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 rea.

Key achievements in 2021

STRATEGIC PILLAR	KEY ACCOMPLISHMENTS
GROWTH	<ul style="list-style-type: none"> • Profit from banking activities up +1.3% y/y despite dynamic changes in the environment and persistent COVID-19 pandemic • Increase of income from financial markets transactions y/y (+12.3% y/y) • Increase of leasing revenues (+22.1% y/y) • Increase of new loans volumes of Agro segment clients - over PLN 1.1 bn of new Agro loans sales, best result in 5 years • Increase of net fee and commission income (+15.2% y/y) • Reversal of negative trend in assets, increase of net value of credit and loan portfolio in the SME segment (+2.9% 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 • Promoting the use of e-signatures for internal processes as well as in interactions with clients

QUALITY	<ul style="list-style-type: none"> • Improving customer satisfaction and the Bank's rating measured by the Net Promoter Score NPS (+26 r/r) • Separation of team in the Business Service Area dedicated to key SME customers and implementation of personalisation service (assignment of an employee to a customers' portfolio) • 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 – Key processes automation • Procedures and processes that allow for effective remote customer service in the light of the ongoing COVID-19 pandemic and restrictions on personal contact
DIGITALIZATION	<ul style="list-style-type: none"> • Further development of the GOonline Business system, in particular: <ul style="list-style-type: none"> – new Export and Import Receipts modules available to customers – extension of the Loans module (in the area of printing schedules and presentation of PFR subsidies) – providing access to Accounts module - for example list of accounts, account history, account management (naming, sorting, etc.) – New log-in page was made available to customers – unification of channel names across the GOBiznes ecosystem for corporate clients: GOconnect Biznes - H2H solutions, GOMobile Biznes - mobile banking – development of the self-service module for customers in GOonline Biznes: adding new types of dispositions and processes automation on the Bank side, e.g. fully digital immediate process of opening auxiliary accounts • Implementation of fully digital and automated request processes, servicing of redemptions of financial subsidies granted to clients due to the PFR 1.0 and 2.0 Financial Shield Programs • 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 business development in 2021

In 2021, 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).

The activities of the SME area in 2021 focused mainly on sales activity by:

- increasing the customer base,
- reversing the negative trend of loan volumes, which were decreased due to the COVID-19 pandemic and the launch of the state support addressed to companies as government aid programmes in 2020,
- increasing the level of customer and cross-sell transactions mainly in the area of cash management and foreign exchange transactions.

Despite the restrictions related to the ongoing COVID-19 pandemic and the lower demand of credit by SME companies, especially in the first half of the year, the SME Banking area increased the sales volume of new credit limits. In 2021, sales of new credit limits increased by 27% y/y. It is worth noting that approximately 47% of new credit volumes were directed to customers of the AGRO sub-segment, which was the highest result of credit sales in this sub-segment over the last 5 years.

In 2021, the Bank's result was also positively influenced by other activities undertaken in the SME area:

- Intensive acquisition and cross-sell activities as part of the cash management offer. As part of these activities, the Bank conducted, for example, new clients acquisition by offering the Profit Box Plus product package together with a special promotion for H2H GOconnect Biznes solutions and the e-signature. These activities were supported by a special campaign "we plant trees for every open account". Because of the changes in the law effective from 1 January 2022, the Bank also promoted the offer of payment terminals for SME customers. All these activities on an annual scale enabled cross-sell of cash management products to 1.9 thousand SME Customers, with whom almost 2.4 thousand new product agreements were concluded,
- Promoting increase of customer activity on financial markets, including mainly foreign exchange transactions. As a result of actions undertaken by the Bank, there was an increase in the number of customers using products related to the area of financial markets.

In 2021, the Bank continued its efforts to support its SME Customers under the government aid programs:

- PFR Financial Shield 2.0 - The Bank has given customers a fully digital opportunity to request and receive subventions,
- PFR Financial Shield 1.0 - The Bank has launched an online process of accounting and remission of received subventions.

In 2021, in addition to the above activities, the Bank carried out work related to the further development of processes in particular credit and post-sales processes.

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

- issued 634 bank guarantees for the total amount of PLN 173.4 million,
- opened 133 import letters of credit for the total amount of PLN 38.3 million and handled 82 export letters of credit for the total amount of PLN 22.4 million issued by third-party banks in favor of these Customers.

Commercial volumes

As of 31 December 2021, deposits of Small and Medium Enterprise Banking customers on a consolidated basis amounted to PLN 12,966,188 thousand and were PLN 444,358 thousand or 3.5% 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 0.3 p.p., to 94.5%, with a simultaneous decrease in the share of term deposits by 0.3 p.p., to 0.4% and overnight deposits decreased by 0.1 p.p. to 0.3%).

As at 31 December 2021, the value of the SME Banking segment's net credit and loan portfolio on a consolidated basis amounted to PLN 7,262,029 thousand (an increase of PLN 207,429 thousand, or 2.9%, than at the end of 2020). The largest increase in value concerned overdrafts and leasing.

Table 46. Deposits and Loans to Small and Medium Enterprises⁵

PLN '000	31.12.2021	31.12.2020	change y/y PLN '000	%
Current accounts	12,254,801	11,795,792	459,010	3.9%
Savings accounts	56,834	89,973	(33,139)	(36.8%)
Term deposits	614,046	587,276	26,770	4.6%
Overnight deposits	40,507	48,790	(8,283)	(17.0%)
Accounts and deposits	12,966,188	12,521,830	444,358	3.5%
Investment loans	4,510,564	4,670,893	(160,329)	(3.4%)
Overdraft facilities	2,055,745	1,772,700	283,045	16.0%
Lease receivables	693,373	608,857	84,515	13.9%

⁵ see footnote on page 105

Factoring	512	841	(329)	(39.1%)
Other loans	1,836	1,309	527	40.3%
Loans and credits (net)	7,262,029	7,054,600	207,429	2.9%

Gross profit of the SME Banking segment

The SME Banking segment generated a gross profit of PLN 80,582 thousand in 2021 (compared to PLN 106,012 thousand in the first half of 2020, an decrease of 24% y/y).

The decrease in the result was due to, in particular, higher risk costs and allocation costs than in 2020.

The result on banking activities of Small and Medium Enterprises Banking in 2021 amounted to PLN 449,798 thousand and was 1.3% higher compared to 2020. This was the result of an improvement in net fee income and trading profit possible due to, for example, changes in pricing policy and higher customer activity, especially in the second half of 2021. Result on banking activity of the SME segment accounted for 9.4% of the Group's banking activity in the analyzed period.

Table 47. Gross profit of the SME Banking segment⁶

PLN '000	12 months ended 31.12.2021	12 months ended 31.12.2020	change y/y PLN'00	%
Net interest income	241,560	264,110	(22,550)	(8.5%)
Net commission income	129,558	112,460	17,098	15.2%
Net trading income and other operations	78,679	67,515	11,165	16.5%
Result on banking activity	449,798	444,085	5,713	1.3%
Result on impairment allowances	(40,255)	(15,875)	(24,380)	153.6%
Operating expenses and depreciation	(126,592)	(136,130)	9,538	(7.0%)
Allocation of costs	(175,598)	(150,494)	(25,104)	16.7%
Result on operating activities	107,352	141,586	(34,233)	(24.2%)
Tax on financial institutions	(26,771)	(35,574)	8,803	(24.7%)
Gross segment result	80,582	106,012	(25,430)	(24.0%)

⁶ see footnote on page.106

8.7 Corporate Banking

Segmentation

In 2021, **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.

Distribution channel

The Corporate Banking area operates on the basis of stable relations with clients, and particular emphasis is placed on the high standard and quality of services provided, professionalism, specialised competencies of sales network employees and product specialists.

The sales network for the Corporate Banking area in 2021 consisted of 6 Corporate Banking Regions located in Warsaw, Gdańsk, Poznań, Katowice, Kraków and Lublin. Within the Regions there were 30 Corporate Banking Centres and Offices located in the largest business centres in Poland, thus ensuring a wide geographical and sector coverage. Within these offices, client advisors serve corporate clients locally. In the second half of 2021, in order to further improve the quality of service and to tailor the services offered even better depending on the specific nature of clients, the specialisation of individual Corporate Banking Centres and Offices into centres dedicated to serving domestic clients or international clients was introduced.

In Q4 2021, the Bank conducted a strategic review of the organisational structure in the Corporate Banking Area, resulting in the following changes from 1 January 2022:

- the existing 6 Corporate Banking Regions were consolidated into 3 Regions,
- the Strategic Client Division was created, including international clients, the largest Polish corporations, financial institutions and selected public sector entities.

These changes are intended, on the one hand, to better address the needs and specificities of the respective customer segment and to better exploit synergies between SME customers and medium-sized corporate customers (MID CAP), and on the other hand to simplify the internal organisational structure. After-sales service for Corporate Banking segment customers is provided through a dedicated Corporate Customer Service Office. Access to products and services is offered through modern online and mobile banking systems. In addition, a new central unit, the Premium Customer Service Office, was established in 2021 to provide the highest level of after-sales service to strategic Corporate Banking customers.

Main achievements in 2021

STRATEGIC PILLAR	MAIN ACHIEVEMENTS
GROWTH	<ul style="list-style-type: none"> • Increase of banking profit by +5.9% y/y despite dynamic changes in the environment and continuing COVID-19 pandemic • Increase of cash management income (+8.6% y/y) • Dynamic growth of revenues from financial markets products (+16.6% y/y) • Significant increase of net value of credit and loan portfolio in the SME segment (+12.1% y/y)
SIMPLICITY	<ul style="list-style-type: none"> • Business and operational activities with extensive use of secure remote working formula, online and mobile banking channels and remote customer service tools • Promoting the use of electronic signatures for internal processes as well as interactions with clients

QUALITY	<ul style="list-style-type: none"> • A clear improvement in customer satisfaction and the Bank's rating as measured by the Net Promoter Score (+12 y/y) • Further improvement of customer service processes in the Corporate Customer Service Office - the centre of support and post-sales customer service: <ul style="list-style-type: none"> ○ First Contact Resolution (FCR) indicator for e-mail orders and telephone calls was implemented ○ a mechanism has been introduced for informing clients about the execution time of supported orders and the person executing the order ○ transactional research for executed mail orders has been implemented (possibility to assess NPS of each executed order) ○ a standardised response to customers has been introduced ○ entering orders on behalf of the client during a phone call if the matter cannot be resolved during the phone call ○ the possibility for customers to assign/change their PIN has been implemented (PIN on the IVR) • In the second half of the year, a specialisation in the service of domestic and international customers was introduced in Corporate Banking Centres and Offices, to ensure an increase in the quality of customer service and use of the BNP Paribas Group standards in the service of international customers
DIGITALISATION	<ul style="list-style-type: none"> • Further development of the GOonline Business system, in particular: <ul style="list-style-type: none"> ○ provision of the Accounts module (e.g. list of accounts, history of accounts (including management of the list view), management of accounts (naming, sorting, etc.)) ○ to make the new Export and Import Collection modules available to customers ○ development of the Loans module (e.g. for printing schedules and presentation of PFR subsidies) ○ to provide customers with a new login page ○ unifying channel names within the GO Business ecosystem for business customers: GOconnect Biznes - H2H solutions, GOMobile Biznes - mobile banking, GOonline Biznes - online banking ○ development of the self-service module for customers in GOonline Biznes: adding new types of instructions and automation of processes on the Bank's side, such as a fully digital instantaneous process of opening auxiliary accounts • Implementation of fully digital and automated processes for requesting, handling and cancelling financial subsidies granted to customers under the PFR 1.0 and 2.0 Financial Shield Programmes • Extending digital onboarding of paperless customers to include accounts for non-residents

Product offer

The Bank provides a full range of financing and transactional banking products to corporate customers using the experience and know-how of the BNP Paribas Group.

The Bank's basic corporate offering includes:

- cash management,
- investment of surpluses,
- financing,
- service and trade finance,
- online and mobile banking,
- structured finance for mid-cap companies,
- 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.

In the second half of 2021, a new product - an overdraft facility with a maximum base rate (MSB) responding to the upward trend in interest rates - was made available to customers as part of the credit offering.

Out of concern for the environment and as part of the implementation of the sustainable development policy, in 2021 the Bank expanded its offer to customers within the framework of green and sustainable financing (photovoltaics and RES projects, investment loans Green Energy and UNIA+, technology loans, the EKO-FIRMA programme with profit, leasing of photovoltaic installations, Sustainability Linked Loan - SLL).

Business line development in 2021

The year 2021 in Corporate Banking was a period of intensive efforts directed at further increasing the scale of our business and strengthening our market position. This was particularly important after 2020, when the outbreak of the COVID-19 pandemic and the global economic slowdown translated into a decline in client business activity and the Bank's performance.

In 2021, in a difficult economic environment related to the persistent COVID-19 pandemic, the Bank continued to support Corporate Banking clients under government aid programmes targeted at 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.

Traditionally, as in previous years, also in 2021 the Bank continued to organise information, education and business conferences under the series called Foreign Trade Programme (FTP). The main theme of PHZ is to share knowledge about foreign markets, their specifics and to support Polish entrepreneurs and show positive examples of foreign expansion into new markets. The PHZ conferences in 2021 were on the subject of "Expansion into foreign markets through E-COMMERCE". Due to the ongoing restrictions in connection with the ongoing pandemic, the conferences were conducted in the form of webinars and met with very high interest from clients.

In 2021, the adopted business growth strategy was based on:

- acquisition and activation of new clients,
- development of transactionality of customers and increasing the number of products used by customers (cross-sell of individual product lines)
- development of credit action,
- acquisition and servicing of companies conducting international business,
- building the position of a leading bank in providing foreign trade and specialist finance services (trade finance / specialized finance, global trade solutions).

The above activities have resulted in very good sales results including:

- 905 new customers were acquired, i.e. +4% y/y
- new sales of credit limits amounted to nearly PLN 10.8 billion, i.e. +20% y/y
- the volume of the Customers' deposit portfolio increased by PLN 8.6bn, i.e. +37.2%, reaching PLN 31.6bn at the end of December 2021.

The measures taken ultimately translated into an increase in the result from banking activities of +5.9% y/y.

As part of its Corporate Banking activities in the area of sustainable financing, the Bank concluded several important loan agreements. In July, the Bank signed one of the first Sustainability Linked Loan (SLL) agreements in the European logistics industry. This was a 5-year €225m syndicated loan for logistics operator Raben Group, in which the Bank acts as Sustainability Coordinator. The bank has also financed the solar power portfolio of R.Power, the largest Polish developer of photovoltaic projects.

In 2021, the Bank also continued to work on scaling up digitisation and automation of processes, which included:

- the GOonline Biznes e-banking system was successively developed - new functionalities and modules were implemented or extended (Accounts module, Export and Import Collection module, Loans module) and a new system login page was made available,
- new self-service solutions were introduced for customers in GOonline Biznes: new types of instructions were made available, an automatic process of opening auxiliary accounts was implemented,

- the remote onboarding process for customers based on an e-signature has been extended. It does not require a physical meeting with a Bank employee and the use of paper documents. Non-resident customers were also included in the process,
- The KYC periodic recertification process has been improved by providing customers with an electronic Recertification e-Application to support this process.

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 2021, at the request of Corporate Banking customers, the Bank:

- issued 5.103 bank guarantees, with a total value of PLN 3.952 million,
- opened 1.290 import letters of credit with a total value of PLN 1.031.2 million and handled 417 export letters of credit with a total value of PLN 718.9 million issued by other banks for those customers.

Commercial volumes

As at 31 December 2021, deposits from Corporate Banking customers amounted to PLN 31,597,965 thousand and were PLN 8,562,766 thousand or 37.2% higher than at the end of 2020. In the structure of the portfolio, the share of current accounts decreased (by 6.9 p.p., to 86.3%), with a simultaneous increase in the share of time deposits (by 5.4 p.p., to 11.7%) and savings accounts (by 1.4 p.p., to 2.0%).

The net loan portfolio of the Corporate Banking segment on a consolidated basis amounted to as at 31 December 2021 PLN 24,655,759 thousand, up 12.1% over the balance at the end of 2020. The increase was mainly in overdrafts (highest growth rate of 28.4%), investment loans and leasing.

Table 48. Deposits and loans – Corporate Banking⁷

in PLN'000	31.12.2021	31.12.2020	change y/y	
			PLN'000	%
Current accounts	27,269,707	21,473,020	5,796,687	27.0%
Saving accounts	14,545	437	14,108	3227.5%
Term deposits	3,692,061	1,437,117	2,254,945	156.9%
Overnight deposits	621,652	124,625	497,027	398.8%
Accounts and deposits	31,597,965	23,035,199	8,562,766	37.2%
Investment loans	14,871,172	13,691,947	1,179,225	8.6%
Overdraft facilities	7,672,517	5,977,687	1,694,830	28.4%
Lease receivables	2,071,598	1,984,999	86,598	4.4%
Factoring	38,796	334,945	(296,149)	(88.4%)
Other loans	1,677	1,417	260	18.3%
Net loans and advances	24,655,759	21,990,996	2,664,764	12.1%

Gross profit of Corporate Banking segment

The Corporate Banking segment generated a gross profit of PLN 607,691 thousand in 2021 (compared to PLN 542,412 thousand in 2020, an increase of 12.0%). This was due to higher banking profit, lower cost of risk and lower tax on financial institutions.

The result from Corporate Banking activities amounted to PLN 1,157,209 thousand and was higher by PLN 64,655 thousand or 5.9% compared to 2020. This was due to an improvement in net fee and commission income and net trading income as a result of, among other things, changes in pricing policies and higher customer activity, particularly in the second half of 2021. The segment's result from banking activities represented 24.1% of the Group's result from banking activities in 2021.

⁷ see footnote on page 105

Table 49. Gross profit of Corporate Banking segment⁸

In PLN'000	12 month ended 31.12.2021	12 months ended 31.12.2020	change y/y In PLN'000	%
Interest income	557,923	569,678	(11,755)	(2.1)%
Fee and commission income	320,643	285,997	34,646	12.1%
Trading and other income	278,643	236,879	41,764	17.6%
Income on banking activity	1,157,209	1,092,555	64,655	5.9%
Impairment losses	(79,021)	(68,331)	(10,690)	15.6%
Operating expenses and amortisation and depreciation	(267,819)	(261,585)	(6,233)	2.4%
Expense allocation	(119,088)	(124,395)	5,307	(4.3)%
Operating result	691,282	638,244	53,038	8.3%
Tax on financial institutions	(83,591)	(95,832)	12,242	(12.8)%
Gross profit of the segment	607,691	542,412	65,280	12.0%

8.8. Agro area

Product offer

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

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

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

Insurance

The Bank as an Agent of Generali T.U. S.A. offers a wide range of insurance to farmers. Gross written premium in 2021 amounted to PLN 51.7 million (growth dynamics +122% y/y).

The main insurance products offered by the Bank are:

- crop insurance with a subsidy from the state budget - gross written premium 35 million PLN (growth dynamics +129% y/y),
- agricultural equipment insurance - gross written premium PLN 10 million (growth dynamics +121% y/y).

Guarantee from the Agricultural Guarantee Fund

The Bank continues to provide guarantees from the Agricultural Guarantee Fund (hereinafter: FGR) implemented on the basis of the agreement concluded in 2019 with Bank Gospodarstwa Krajowego (hereinafter: BGK). This guarantee can serve as collateral for a loan granted to a farmer or agri-food processor and is completely free of charge for the customer.

Customer benefits resulting from the new form of security:

- it may be the sole collateral for: 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

⁸ see footnote on page 106

finance the first production cycle, as well as loans of up to PLN 250,000 for micro farmers and PLN 500,000 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 concluded three annexes to the agreement with Bank Gospodarstwa Krajowego. Currently, the offer is available until the end of June 2022.

In addition to the extension of the term for granting BGK guarantees and subsidies, a possibility has been introduced for SME and Corporate Banking customers to cover with FGR guarantee and BGK subsidies the existing revolving working capital loan in credit account in case of renewal of the loan for another period or increase of 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.

In Q4 2021, the loan amount was increased in the SME segment (from PLN 300 to 500 thousand) for which the FGR guarantee can be the only security.

Loans for financing new and used agricultural machinery and equipment

From 1 March 2021, 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.

Sales support

In 2021, employees of the Agro Expert Department took part in a number of pro-sales tasks improving the quality of the handled portfolio. Over 900 meetings were held with the Bank's existing and potential clients and nearly 530 expert opinions were prepared - for new transactions and in support of reviews of the current Agro portfolio (verification of the condition of farms and recommendation of the direction of cooperation).

The following tasks were carried out, among others, which are necessary for decision-making in crisis situations in the Agro segment:

- preparation of material on the current and prospective impact of the COVID-19 pandemic on the Agro sector and its consumers, preparation of an expert ranking of the condition of selected types of Agro production in the context of the market threat posed by COVID-19, with a view to identifying potentially safe (or not recommended) funding directions in the SME segment,

- monitoring and reporting on the hydrological situation in the country - determining causes and ongoing effects of water scarcity on crops, forecasting yields in 2021 and the impact on Agro's customer portfolio,
- periodic reports on the current weather situation, its impact on the field work schedule, harvest and preparation for the next season, and forecasts of funding requirements,
- analysis of the situation of the Bank's customers in the context of the increase in feed prices and the outbreak of avian influenza (HPAI),
- analysing the situation of the Bank's clients in the context of ASF, rising feed prices and falling sale prices,
- participation in meetings and webinars on sustainable agriculture,
- participation in consultations for the new methodology of calculating indicators.

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

- support tools to evaluate the client as part of the improvement of the industry matrix, updating benchmarks and vectors determining advantages and weaknesses affecting business profitability for poultry producers (to be used in credit assessment).

As part of the ongoing work for the Sales Network, training courses were prepared and delivered:

- on the use of databases of information on potential clients,
- for advisers on how to customise credit products according to the type and needs of the client.

Agro Offensive Campaign

In 2021, the Agro Offensive sales campaign took place in 2 parts: spring and autumn.

The campaign was dedicated to both micro and SME customers. The aim of the campaign was to attract new customers and increase sales of credit and leasing products in this segment.

The promotional offer applied to loans: Agro Ekspres, Agro Rzeczówka light and Agro Progres. For new customers a promotional offer was prepared to run a current account within Konto Otwarte na Agrobiznes for PLN 0. As part of the cooperation with BNP Paribas Leasing Solutions, attractive pricing conditions were also offered for leases and lease loans.

Spring edition (from 1 February to 31 May) under the motto "Gain more reasons to be proud".

The spring edition of the campaign introduced a bonus for recommendation. To encourage recommendation of our services during the campaign period, advisers could issue a "Promotional Certificate". It entitled the client to a reduced commission for encouraging his fellow farmers to use the Bank's offer (0% until the end of the year). Also, for the first time, free access to Premium tools on the Agronomist.pl portal was presented as a bonus to the said promotion.

The autumn edition (from 20 September to 30 November) with the motto "The world needs you in your best role".

The promotion for Konto Otwarte na Agrobiznes was combined with the Money Back promotion - a 2% refund on each non-cash transaction for payments made with a Debit Mastercard Business debit card in PLN issued to a newly opened account.

In addition, an EKO bonus was introduced to support sustainable agricultural production activities. This is an additional 0.2 p.p. reduction in loan margins for farms certified in sustainable production or EKO, as well as those in conversion.

The campaign was supported by dedicated marketing materials, a campaign in traditional media (e.g. newspapers, ATMs) and online and social media campaigns.

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 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,
- Kredytomat - the first easy-to-navigate tool on the Polish market that takes into account the needs of a farmer to match a bank's offer with loans, insurance and complementary products,
- Gabinet Spożywczy - a series of inspiring talks with leaders of the food sector in Poland,
- Systematic development of the module on average prices of agricultural products,
- A section on "The role of the lawyer" explaining in accessible language the intricacies of the law related to operating in the agri-food sector,
- The Food&Agro Sonar video series, in which analysts of the BNP Paribas Food&Agri Hub and invited guests comment on the current situation on agricultural markets,
- Extension of the "Green Shifts" 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 December 2021, the number of portal users increased by 70% compared to the same period of 2020, (the number of registered users increased by 38% y/y). The number of visits to the portal in 2021 was over 727,000.

#Local flavours action

The Bank has been supporting food producers for years, not only by selling tailored banking products, but also by conducting educational campaigns, pointing out new opportunities for development.

The Bank established cooperation with the Allegro Locally portal, which is part of the Allegro Group - the largest sales platform in Poland. As part of the cooperation, the #local tastes action was carried out, during which farmers who joined the action and produced healthy, organic or regional food could sell their products without commission. The aim of the action was to convince farmers to use the Internet as a new sales channel and to draw the public's attention to the benefits of eating healthy food. The action was supported by an educational campaign.

Educational and informational activities

The Bank has been involved in financing the agro market for many years and is constantly observing this market and the changes occurring therein. Recently, the Bank has noticed a deterioration in the economic situation of farmers, resulting in an increase of their interest in taking out loans. This, in turn, triggers a response to the above demand from various financial institutions, offering credits and loans, often not adjusted to the specific nature of farms' functioning and leading to their indebtedness.

As a leader in agro banking, knowing the specifics of this business, we know what to pay attention to in order to make the use of external financing by agricultural business as safe as possible and serve its development. In 2021, the Bank continued its information and education activities, adjusting them to the current challenges brought by the market. These included:

- video podcasts - the series "Green Deal Talks", in which invited experts pointed out the main aspects, challenges but also opportunities arising from the implementation of the EU strategy "From Farm to Table";
- e-learning on financial sustainability on the farm - the training course prepared in cooperation with the Association of Sustainable Agriculture ASAP is available free of charge to anyone interested at www.asapakademia.pl;
- Food & Agro Conference - a meeting of representatives of the agri-food ecosystem, during which the most important conditions of conducting business by companies from this sector are discussed. Organised since 2006, the event has become an important annual meeting of the Bank with clients and institutions from the sector. The Food & Agro Conference is an extension of the previous Agro Conferences. To a greater extent than before, the event has been addressed to an international audience. It is available in Polish and English, and international experts are invited to speak. In 2021, the event was conducted in a hybrid format;

- konkurs na pracę licencjacką lub magisterską o tematyce Agro - The 3rd edition of the Competition for the best diploma thesis related to agro issues. The objective of the Competition is to promote innovation and sustainable development of rural areas, ecology and other activities bringing added value to rural society, health, environment, farms, rural areas, agri-food industry and sustainability of food production. In 2021, 51 works were submitted for the Competition. The Competition Chapter, appreciating the high level of the competition, awarded 5 main prizes and 5 special prizes. More information: <https://www.bnpparibas.pl/agroabsolwent/>.

8.9. Corporate and Institutional Banking

Corporate and Institutional Banking (CIB) supports sales of products of the BNP Paribas Group dedicated to the largest Polish enterprises, including service of strategic customers, the Financial Markets Line and Custody Services Department, whose offer is addressed to insurance companies, as well as pension and investment funds.

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 2021:

- further intensive development of the FX PI@net platform, which is an electronic tool used by many business and individual customers to conclude foreign exchange transactions;
- improving the quality of service to corporate customers by FX dealers and dedicated product professionals, as well as customer satisfaction survey (NPS);
- meeting customer needs by expanding the available product range.

8.10. Other banking activity

Other banking activity of BNP Paribas Bank Polska S.A. (hereinafter: the Bank) is mainly operated by the Asset and Liability Management Division (hereinafter: ALM Treasury Division). The ALM Treasury's task is to ensure 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 to reduce 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,
- determining and managing internal transfer prices for all products offered by the Bank (including their determination).

Tasks completed in the ALM Treasury Division cover both the prudential aspect (compliance with external regulations and internal orders) and the optimisation aspect (management of the cost of funding and generation of the result from the management of the Bank's balance sheet items).

One of the key risk management mechanisms in place at the Bank is a systemic transfer of structural risks from all business lines to the ALM line. Structural risks are: currency risk, liquidity and banking book interest rate. The ALM Line 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,
- 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 ALM Treasury 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.

8.11. IT and cybersecurity

The year 2021 in the Area of New Technologies and Cyber Security was a year of dynamic changes - the most challenging task was to achieve the Bank's agile transformation objectives while implementing changes resulting from the outbreak of the coronavirus pandemic.

2021 was also a year of design and preparation for large-scale investments to be made in the coming years and aligned with the Bank's strategic priorities.

In 2021, in response to the prolonged coronavirus pandemic, a number of actions were taken to:

- improving the Bank's security on the independent NIST scale and increasing compliance with BNP Paribas Group standards,
- Implementation of new GOonlineBiznes and GOMobileBiznes e-banking, responding to the migration of customers to digital channels, while providing a best-in-class user experience for business customers,
- Developing a private cloud based on OpenShift technology, on which all the new applications being deployed and the entire GO ecosystem run,
- Adopt public cloud solutions for selected non-production environments to ensure maximum levels of automation and access to the latest services,
- Ensure a stable hybrid working environment through the continuous evolution of digital working environment solutions and the hot-desk model.

The most important IT projects completed in each area in 2021

I. INITIATIVES FOR BUSINESS LINES	
Retail Banking and Personal Finance	<ul style="list-style-type: none"> • Developing the GOmobile application and the GOonline environment with new functionalities and services: <ul style="list-style-type: none"> ○ myID - possibility to confirm identity online, including creation of a Trusted Profile ○ possibility to repay loans from an account in another bank ○ self-service functions such as generating bank confirmations • Development of the GOone application supporting customer service at Branches and Contact Centres with new capabilities such as: <ul style="list-style-type: none"> ○ mechanism for digital signing of bank documents ○ Mobile onboarding process for new groups of customers ○ GObetter - a new system for handling bank complaints • Digital Product Center - expansion of functionality for GOonline customers in relation to regulator requirements: PFR Financial Shield, 500+ and Good Start applications • Launch of GOinvest system to support advisers in the digital handling of investment products for clients
Corporate and SME Banking	<ul style="list-style-type: none"> • Implementation of new electronic banking GOonlineBiznes and GOmobileBiznes • Credit Process - implementation of a new eTermsheet application for the SME segment, which automates the drafting and approval of credit decisions, preparation of credit documentation and monitoring of contract terms and conditions • Onboarding and post-sales services - implementation of a solution for handling the beneficial owner's VAT documents • Syndicated loans - launch of a new tool to automate syndicated loans • Continuous development of FX PL@NET with new functionalities, such as: <ul style="list-style-type: none"> ○ 24/7 functionality ○ notifications on limit utilisation ○ Multiforward transaction ○ presentation of exchange rates for customers without a bank account
Corporate and Institutional Banking	<ul style="list-style-type: none"> • Development of the GOFx trading platform - new functionalities: faster access to exchange rates, ability to split transactions • Development of the FXPLUS trading platform to support foreign payments for clients without accounts in these foreign currencies, including exotic ones • Implementation of a new product - Fixed Rate Loan - through the use of the IR CAP mechanism, customers have the opportunity to hedge loans against interest rate increases
II. PROJECTS RELATED TO THE BANK'S DAILY OPERATIONS	
Initiatives for business lines and regulatory projects	<ul style="list-style-type: none"> • 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 central SMS integration - a set of services was made available allowing for comprehensive handling of the Bank's communication with customers via SMS • SWIFT complaint analysis - shortening the SWIFT complaint handling time by 80% thanks to the use of AI and Big Data algorithms automating the process of analysis and verification of complaint notifications - the system analyses SWIFT messages on a daily basis, indicates the path for their handling on an ongoing basis, and handles and closes some of them on its own • Implementation of a new mobile application to support HR processes in the Bank
Infrastructure Projects	<ul style="list-style-type: none"> • New hardware platform for banking systems - modern, virtualized, automated and scalable • IT monitoring - increase the number of applications covered by IT monitoring • Optimisation of the database refresh process on test environments • I can do IT - training programme for workers 50+
Cyber-security initiatives	<ul style="list-style-type: none"> • Coordination of the Bank Security Committee's activities related to crisis management during the COVID-19 pandemic and ensuring maximum protection for the Bank's employees and clients • Secure ICT environment adjusted to the possibility of remote work in continuous mode for all Bank employees

- ISO27001 certification in the area of Security - confirmed by a supervision audit
- Enhanced security monitoring of SOC for Linux servers and databases
- Improving security in the software development cycle
- Extending the scope of privileged identity management in the CyberArk system
- Red Teaming exercises proving aspects of physical security and social engineering methodologies
- Continuation of the campaign addressed to the Bank's employees concerning phishing, i.e. a fraud method in which an offender impersonates another person or institution in order to extort confidential information (e.g. log-in details, credit card data), to infect the computer with malware or to persuade the victim to perform certain actions
- Building awareness of cyber security threats and solutions among Employees and Customers:
 - As every year, the organisation of the Cybersecurity campaign, which aims to raise awareness among Bank employees on security aspects
 - A series of webinars for Bank employees from "sensitive population" groups,
 - Webinars for Bank employees on security in cloud computing
 - Customer awareness "red light" campaign on Facebook - 10 videos and educational articles
 - Call centre workshops on handling e-banking fraud scenarios
 - E-learning training session "How to be safe in the Bank"

8.12. Operations and business support area

MAIN ACTIVITIES WITHIN OPERATIONS AND BUSINESS SUPPORT AREA IN 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 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 PROJECT	<ul style="list-style-type: none"> • The implementation of the new operations model consisting of three pillars: optimisation, partnership and efficiency/simplicity, aimed at improving process efficiency, collaboration and NPS increase (Customer-centricity). The programme implemented, for example: <ul style="list-style-type: none"> - a transparent form of cooperation with branches and a common platform of knowledge exchange, achieving further efficiency gains in the Operations - a competence matrix to measure processes, define new KPIs, build Multiskilling (a process enabling quick response to increased volume of customer dispositions), achieving increased volume service
BRANCHES AND HQ TRANSFORMATION PROJECT	<ul style="list-style-type: none"> • As part of branch network optimisation and cost reduction, 32 branches were closed. 77 branches with "Facility without barriers" certificate issued by Integration Foundation (Fundacja Integracja) • Optimisation of office space in Warsaw head offices - integration of the locations on Kasprzaka and Suwak Streets and a major part of Grzybowska Street into the Bank's new head office on Kasprzaka Street 2 in Warsaw
OPTIMIZATION PROJECTS	<ul style="list-style-type: none"> • 58 processes were automated in the areas of Compliance, Corporate, PF, Procurement, Accounting and Operations (e.g. cash transport optimisation, SWIFT claims handling, insurance processing, automated credit documentation verification - mortgage loan in Retail) • Continuation of E2E processes redesign - corporate and mortgage loans, KYC, paperless, resulting in improved indicators of quality and correctness of loan applications • As part of the CSR and sustainability strategy implementation: <ul style="list-style-type: none"> - tender for the purchase of electricity from renewable sources for the period 2023-2024 was awarded - elimination of more environmentally unfriendly energy sources - continuation of replacement of light sources with LEDs and optimisation of utility consumption - photovoltaic installations launched at 3 locations (2 more in progress) • As part of the electrification of the car fleet, the number of owned hybrid cars was doubled (~30%). Currently, the fleet consists of 3 electric cars and 372 hybrid cars • Purchasing processes within the purchasing system were automated and a new supplier evaluation tool was implemented.

8.13. Cooperation with financial institutions

As at 31 December 2021, the Bank was a correspondent bank of ca. 1000 other banks and held 56 nostro accounts for 25 major currencies in other banks.

In the first half of 2021, the Bank extended its activity in terms of maintenance of loro accounts by taking over accounts from BNP Paribas Branch in Poland. In the second half of the year, the Bank closed the only Bank's LORO account outside the BNP Group, so currently the Bank maintains 33 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 2021, the Bank continued its cooperation with other domestic and international financial 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.

Agreements with the National Bank of Poland concluded in 2021

In November 2021, the National Bank of Poland (hereinafter: NBP), on the basis of designated selection criteria, extended the term of the "Agreements on performing the function of Money Market Dealer" (hereinafter: Agreement) concluded on 14 December 2020 between the NBP and the Bank. The renewed Agreement is valid from 1 January 2022 to 31 December 2022.

8.14. 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 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 Analizy 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.

As at 31 December 2021, the Company managed the following funds:

- **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 December 2021, assets under management totalled approx. PLN 3,511.5 million.
- **BNP Paribas Parasol 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 sub-funds. As at the end of December 2021, assets under management totalled approx. PLN 882.1 million.
- **BNPP FIO** - it entered the Polish market in 2005. It comprises three sub-funds investing mainly in the Polish market. As at the end of December 2021, assets under management totalled PLN 63.2 million.
- **BNP Paribas Premium 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 December 2021 amounted to PLN 63.9 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 December 2021 was PLN 2.8 million.
- **BNP Paribas PPK SFIO** - intended for clients Employee Capital Plans. It comprises nine sub-funds (defined date funds). The value of assets at the end of December 2021 amounted to PLN 118.3 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 50. Basic financial data of BNP Paribas TFI S.A.

in PLN'000	31.12.2021	31.12.2020	31.12.2019
Balance sheet total	41,211	36,748	37,781
Long-term investments	4,859	44	327
Equity	33,913	30,087	29,066
including: net financial result	4,664	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 31 December 2021, its equity totalled PLN 33.9 million and was sufficient to ensure security of the entity's daily operations.

It should be noted that the SARS-CoV-2 epidemic also affected financial market sentiment in 2021. New variants of the virus caused new waves of illnesses and an increased uncertainty about the functioning of the economy. On the other hand, the ongoing vaccination process had a stabilising effect on market conditions. However, the pandemic caused a number of disruptions in the global economy; limiting its effects through an expansive fiscal and monetary policy contributed to a significant increase in inflation. Consequently, central banks had to raise

interest rates, and the Monetary Policy Council also decided to do so. Rising interest rates contributed to a decline in debt fund valuations and a significant outflow of assets from this class of funds in Q4,2021.

Finally, BNPP TFI recorded net inflows of funds of PLN 709.9 million during the year. As at 31 December 2021, TFI managed assets with a total value of PLN 4,642 million (compared to PLN 4,000 million at the end of 2020), an increase in assets of 16.1%.

In 2021, the company achieved a net inflow of PLN 4,664 thousand (compared to PLN 1,086 thousand in 2020).

BNP Paribas Leasing Services Spółka z o.o.

BNP Paribas Leasing Services Sp. z o.o. (the "Company") in cooperation with the Bank, offers its clients from micro-entrepreneurs, Personal Finance, SME and corporate segments, a wide range of leasing products. 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 mentioned 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. Actions undertaken in 2020 were crucial for the Company's situation, including extension of the repayment of instalments at the request of customers as well as intensification of repayment monitoring and debt collection activities. Because of that, the Company managed to maintain a comparable quality of its portfolio limiting the impact of the pandemic on credit risk costs. Customers to whom instalment repayments were prolonged in the previous year did not noticeably contribute to the deterioration of the Company's portfolio quality. In 2021, there were no more circumstances that required non-standard actions to be taken, and the Company only continued to monitor customers' payment discipline very diligently, not allowing the portfolio to deteriorate.

In 2021, despite concerns about the further development of the pandemic and its impact on the health of the economy, there was a rapid recovery of the Polish market, which, in accordance with the Company's predictions, led to a significant increase in new sales volumes. The recovery in the leasing market was in fact much stronger than the company expected, allowing it to regularly achieve or exceed the budgeted levels of newly concluded contracts, breaking its previous monthly sales records several times over. The improvement was mainly the result of the economic recovery and the increased level of investment in the corporate sector, allowing the entire industry to record clear increases in the volume of assets financed. The automotive and agricultural machinery sectors performed very well during this period. Because of effective cooperation with the Bank and its business partners, the Company was able to realise twice the sales dynamics compared to the very good results of the entire industry reported by Polish Leasing Association in 2021.

To summarise 2021, the Company has concluded 24.9 thousand new agreements for PLN 3,455,640 thousand, which was an increase of 75% compared to the 2020.

Table 51. Basic financial data of BNP Paribas Leasing Services Spółka z o.o.

in PLN'000	31.12.2021	31.12.2020	31.12.2019
Balance sheet total	5,544,614	4,028,835	3,439,131
Long-term investments	4,755,620	3,610,100	3,139,626
Equity	10,763	1,459	(2,752)
including: net financial result	9,304	4,211	(9,996)

*receivables due to granted financing

At the end of 2021, the portfolio of financed assets reached a record level of PLN 4,756 million (increased by 31.7% y/y). The dynamic increase in the scale of the portfolio affected on revenues value, which amounted to PLN 94.5 million compared to PLN 72.3 million in 2020, which is an increase of 31%.

At the same time, the dynamics of administrative costs recorded by the Company was only +12%. This was possible thanks to scale effects and a significant improvement of the economic efficiency in conducted activities. Also, the credit profile of the portfolio remains stable, generating a charge to the financial result fully in compliance with expectations and the adopted business model.

In 2021 the Company recorded a net profit of PLN 9,304 thousand, affecting a significant increase in the equity balance.

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 as well as "green assets".

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;
- **providing electronic equipment rental** services to individual customers
- 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 52. Basic financial data of BNP Paribas Group Service Center S.A.

in PLN'000	31.12.2021*	31.12.2020	31.12.2019**
Balance sheet total	48,338	42,246	45,401
Long-term investments	40,328	34,364	35,644
Equity	39,443	34,411	38,926
including: net financial result	5,032	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.

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 (Rkantor.com) and consequently is not subject to prudential regulation in terms of PFSA's capital standards.

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 a 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,
- developing an online transaction platform for currency exchange (FX PI@net).

Table 53. Basic financial data of BNP Paribas Solutions Sp. z o.o.

in PLN'000	31.12.2021	31.12.2020	31.12.2019
Balance sheet total	4,656	4,316	74,419
Long-term investments	3,453	1,339	69,701
Equity	(2,538)	(1,236)	2,989
including: net financial result	(1,302)	(5,725)	(660)

On 1 March 2022, the Extraordinary General Meeting of Shareholders of BNP Paribas Solutions Sp. z o.o. adopted a resolution to open liquidation of the Company. The decision to start liquidation is related to decisions regarding the location of business functions previously performed by the Company within the Bank and the Group.

Bankowy Fundusz Nieruchomościowy Actus Spółka z o.o.

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

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

In the fourth quarter of 2020, the Company disposed of its property.

Table 54. Basic financial data of BFN Actus Spółka z o.o.

in PLN'000	31.12.2021*	31.12.2020	31.12.2019
Balance sheet total	24,726	42,587	56,824
Long-term investments	0	0	56,577
Equity	24,713	42,426	48,238
including: net financial result	(1,738)	(5,812)	549

* - non-audited data

On 28 January 2022, the Company's Extraordinary General Meeting was held and resolution regarding the dissolution of the Company in the process of liquidation was passed. The commencement date of the liquidation process is 1 February 2022. As of that date, the Company changes its name to Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. in liquidation.

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.

The Company is trying to adapt the activities of the facility to external conditions, based 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. The offer is also available on booking.pl.

During the ongoing pandemic and the imposed restrictions, the Company introduced takeaway catering services. Thanks to the Bank's financial support, in 2021 the Company provided meals for medics in covid wards: the hospital in Sochaczew and in December in Nowy Dwór Mazowiecki.

In 2021, the Company reported significantly less interest especially in business events and the organisation of training courses.

BGZ Poland ABS1 Designated Activity Company

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

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

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

9. Key risk management

9.1. The risk management system

The risk management system

The risk management system is an integrated set of principles, mechanisms and tools (including but not limited to policies and procedures) relating to risk processes. Risk management is part of the overall management system of the Bank. In addition to regulatory requirements, the Bank takes into account the specific nature, scale and complexity of its business activities and the associated risks. The main objectives of the risk management system are:

- ensuring early identification and appropriate management of all risks associated with Bank's activities,
- support the implementation of the business strategy by effectively controlling the level of risk and maintaining it within the accepted risk appetite,
- a reflection of the Bank's risk attitude and risk culture,
- the measurement or estimation and monitoring of risks, including the prevention of potential losses through appropriate control mechanisms,
- reducing risks by defining a system of limits and the rules to be followed if those limits are exceeded,
- defining an organisational structure appropriate to the size and profile of the risks incurred.

The Bank's risk management system is organised on the basis of a scheme of three independent lines of defence, used to define roles and responsibilities in order to achieve effective supervision and organisation of risk management in the Bank:

- **the first line of defence** includes the business units responsible for risk management in the Bank's operations, including compliance with control mechanisms
- **the second line of defence** consists of the organisational units of the Risk Area, Security and Business Continuity Management Division and Compliance Monitoring Division, which are responsible for managing individual risks, including measuring, monitoring, controlling and reporting risks, independently of the first line,
- **the third line of defence** is the activity of the Internal Audit Division, which performs independent assessments of the risk management activities conducted by both the first and second lines of defence.

The Bank's Management Board plays the leading role in the Bank's risk management system, determining the risk management strategy, risk appetite and adopting risk management policies, as well as setting limits for significant risks and risk control procedures. The risk management principles have their source in the document *Risk Management Strategy at BNP Paribas Bank Polska S.A.* defined by the Bank's Management Board and approved by the Supervisory Board.

The organisation of the risk management system at the Bank includes primarily the role of the Supervisory Board, the Bank Management Board, dedicated committees (Audit Committee and Risk Committee at the Supervisory Board level, Assets and Liabilities Management Committee (ALCO), Risk Management Committee, Retail Banking Risk Committee, Personal Finance Risk Committee, Credit Committee, Problem Loans Committee, Products, Services, Transactions and Activities Acceptance Committee and Internal Control Coordination Committee), Risk Area, Compliance Monitoring Division and Security and Business Continuity Management Division.

Internal capital adequacy assessment

The purpose of the internal capital adequacy assessment process is to monitor and control the level of the Bank's internal capital. The implementation of the ICAAP process is dictated by the intention to maintain a stable financial position of the Bank, guaranteeing the Bank's operation despite incurring unexpected losses. The Bank is required to ensure that the risk management process is consistent with the Bank's risk profile, and that it mitigates excessive risks in its operations. Details of the process are defined in the Internal Capital Assessment Policy in BNP Paribas Bank Polska S.A.

The Bank has developed a comprehensive risk identification and assessment framework in response to the requirements of the supervisory review and evaluation process. The principles are designed to identify and assess all risks to which the Bank is or may be exposed, taking into account regulatory requirements, best practice and the use of the Bank's well established risk management processes. The Bank takes into account the specific nature,

scale and complexity of its business activities and the associated risks, ensuring that all material risks in the Bank's operations are measured and mitigated. The Bank aims to identify and assess risks arising from the internal and external environment that could have a significant impact on the Bank's financial stability.

Identification of potentially material risks involves the identification of threats and potential risks that may occur in the future with a reasonable degree of probability.

The objective of the risk management process is to:

- protect the Bank against the materialisation of risk,
- ensure an adequate assessment of the capital needs necessary for the identified risks.

The risk identification process is performed annually at the Bank.

The assessment of the materiality level of the risks identified in the risk identification process includes:

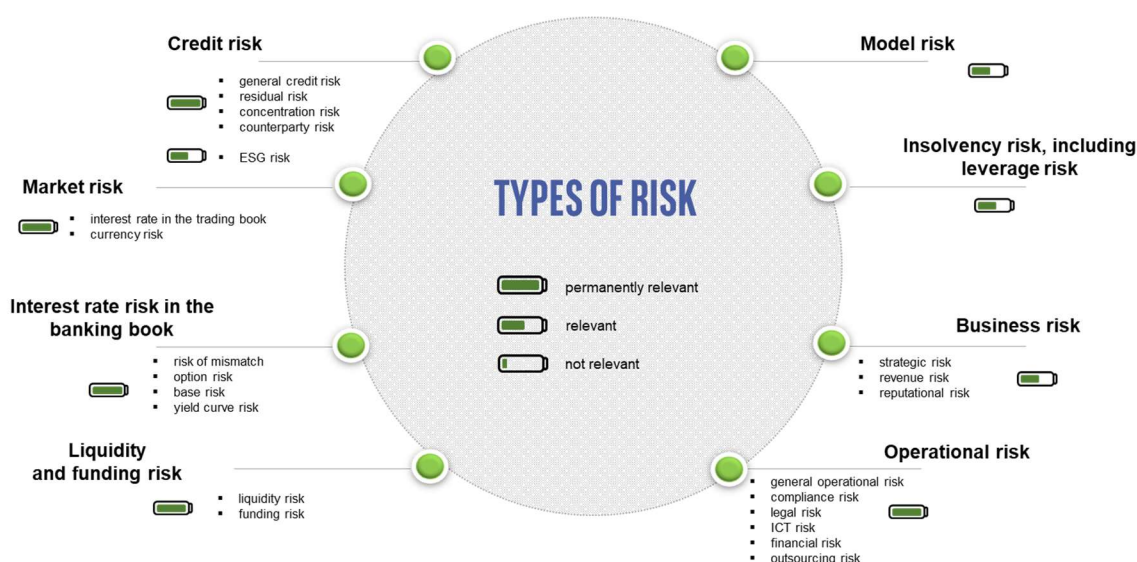
- defining the concept of materiality of risks,
- defining the determinants of risk materiality,
- conducting an assessment of the materiality of risks,
- drawing up the report on the assessment performed.

The risk materiality assessment process is performed annually at the Bank.

The Bank identifies the following types of risks:

- **permanently relevant** - inherent in the business profile (does not require periodic materiality assessment),
- **relevant:**
 - risks for which the Bank has incurred costs in the past related to their realisation,
 - the exposure to risk, the severity of losses and the lack of adequate risk mitigation processes and procedures expose the Bank to unexpected financial losses (risks for which the materiality assessment is at least medium),
- **not relevant** - risks for which the materiality assessment is low.

Following the risk identification and materiality assessment process performed in 2021, the structure of the identified risks is as follows:



In 2021 none of the identified risks were assessed as not relevant.

Internal capital reporting is dedicated to presenting the results of monitoring of the internal capital level and the main factors determining its level. The Bank reports capital monthly on both a standalone and consolidated basis. Reports are presented at the Risk Management Committee meeting on a monthly basis and on a quarterly basis for the Bank's Management Board and Supervisory Board.

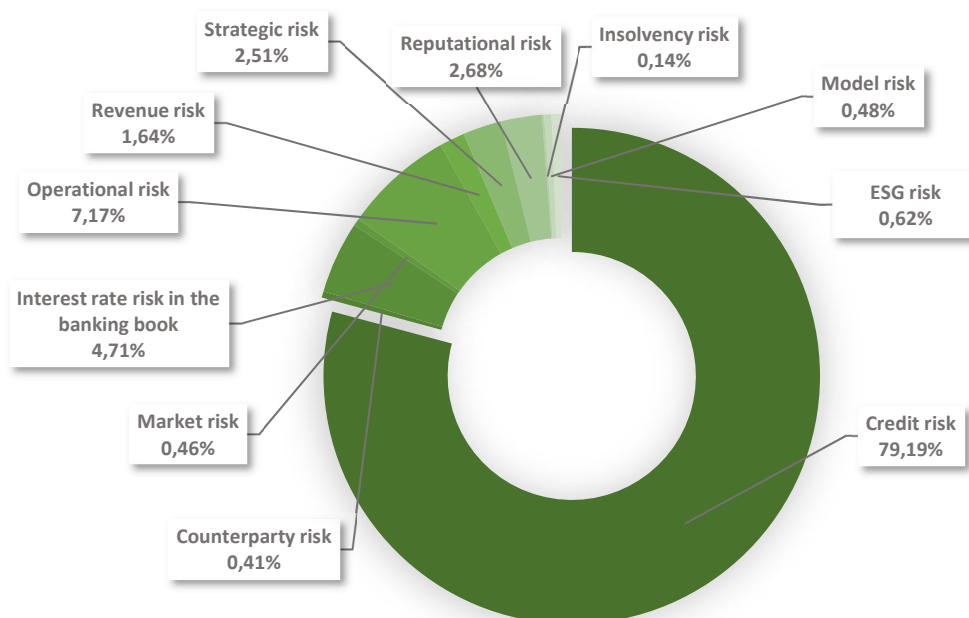
A review of the capital adequacy process is conducted once a year and the review report is submitted to the Bank's Management Board and Supervisory Board. In addition, Internal Audit regularly performs an independent review of the ICAAP process.

The Bank uses two approaches to measure risk: quantitative and qualitative. The use of a particular approach is linked to the characteristics of the risk.

Risk measurement methods:

- quantitative methods - are used in cases where the Bank has information on risk realisation and is able to measure a quantitative characteristic,
- qualitative methods - used when the Bank has no information collected on the historical realisation of risk or the effect of volatility of a risk measure is determined by many risk factors, among which the Bank is not able to distinguish the effect related to the source of the assessed risk. The Bank considers the risk as difficult to measure and performs the assessment using the qualitative method, presenting the qualitative characteristics of the risk realization.

The structure of internal capital in the BNP Paribas Bank Polska S.A. Group as at 31 December 2021 is as follows:



Risk appetite

For the material risks identified, the Bank defines the risk appetite. By determining the level of risk appetite, the Bank determines its risk profile and the attitude adopted towards risk. The risk appetite determines the maximum level of risk that the Bank is prepared to accept in pursuit of the business strategy and financial plan.

The risk appetite, within the limits set by the risk tolerance, determines how the Bank uses its risk-taking capacity by determining, for each risk type, the degree of risk exposure that a particular area can take. The Bank determines the level of risk appetite in the form of risk measures that reflect the Bank's current and future risk appetite. All methods and procedures are periodically reviewed for adequacy and reliability. The level of risk appetite is determined by the Bank's Management Board and requires the approval of the Supervisory Board.

In addition, the Bank monitors individual risks using a formal system of limits, which is established in such a way that:

- the Bank complied with supervisory standards,
- the desired risk profile defined in the Bank's business strategy and risk management strategy is maintained,
- limits did not exceed the risk level acceptable to the BNP Paribas Group.

If limits are exceeded, corrective action is taken to reduce the value of the risk in accordance with the procedures in place at the Bank. The information system used in risk management ensures collection of data on operations and transactions and their impact on the Bank's risk profile. The Bank has risk control and risk management policies governing the handling of crisis events.

Stress tests

Pursuant to the Methodology of the stress testing programme at BNP Paribas Bank Polska S.A. The Bank conducts, among others, the following types of bottom-up tests:

- stress tests based on the recommendations of the Financial Supervision Authority,
- business model stress tests,
- internal capital stress tests,
- recovery plan stress tests.

Stress tests are an important tool in the risk management process. They allow the risk measurement to be extended to include sensitivity to abnormal changes in market parameters, which are significantly different from those observed in periods of normal functioning of the financial markets. The objective of the stress testing programme is to assess the potential risks to which the Bank is exposed under hypothetical market conditions. The macroeconomic assumptions are developed by the Bank's Chief Economist. The stress testing programme fulfils the requirements of Guideline EBA/GL/2018/04 of 19 July 2018 on stress testing.

The stress testing programme covers:

- sensitivity analysis
- scenario analysis,
- reverse stress testing.

The Bank conducts tests with reference to the level of risk appetite expressed in terms of risk appetite measures and capital targets specified in *the Capital Management Policy at BNP Paribas Bank Polska S.A.* Through stress testing, the Bank assesses the reliability of its financial plan and capital plan under stress conditions to ensure that the Bank meets the capital requirements applicable to it. The Bank's Management Board approves the stress testing programme and supervises its implementation and results.

9.2. Principal types of risk

Credit risk

Credit risk is the risk that the Bank will incur a loss for failure to meet its obligations at the contractual date as a result of the customer's deterioration or loss of creditworthiness.

The Bank's credit risk management system is defined in *the Credit Policy of BNP Paribas Bank Polska S.A.* adopted by the Management Board. Detailed financing rules and criteria for the product offering of a given business line, types of loans available, financing purposes, conditions and limits, are defined in credit policies for particular business lines. The Bank's intention, according to its credit policy criteria, is to cooperate with customers with good reputation and sound economic and financial situation.

Credit policies also set out detailed rules for identifying, measuring and accepting risk, securing loan repayment and monitoring customers during the life of the loan agreement.

The credit risk management process is adjusted to the business line structure adopted by the Bank. An organisationally separate Risk Area, headed by a Member of the Management Board (Chief Risk Officer), plays the key role in the credit risk management system. Credit risk management activities are supported by the Risk Management Committee and Retail Banking/Personal Finance Risk Committees.

The Bank assesses the risk of borrowers using rating and scoring classification systems and risk classification according to IFRS standards.

Credit decisions are made according to a decision-making model approved by the Bank's Management Board and adjusted to the standards binding in the BNP Paribas Group. The decision-making model takes into consideration the structure of business lines, determines the number of decision-making levels, scope of their authority and rules, criteria and conditions of making credit decisions. The amount caps of the decision-making authority depend on the criteria of: customer segment, customer risk profile and credit period. At all competency levels, credit decisions are made in a two-person mode ("four eyes" principle) by a representative of the business line and a representative of the organisational unit responsible for assessing the Customer and transaction risk independent of the business line. With respect to customers for whom credit risk is assessed using simplified risk assessment principles or risk assessment models, including scoring models approved by the Risk Management Committee or the Retail

Banking/Personal Finance Risk Committees, as appropriate, credit decisions may be made on a one-person basis by business line representatives.

The Bank follows the below principles in its credit risk management:

- each credit transaction requires a comprehensive assessment of credit risk, which is reflected in the internal rating or scoring,
- thorough and diligent financial analysis is the basis for considering the client's financial data and information on the value of collateral; the Bank's conservative analyses always take into account the necessary margin of safety,
- the basis for the Client's financing is, as a rule, his/her ability to generate cash flow sufficient to repay his/her liabilities to the Bank,
- the prepared credit risk assessment is subject to additional verification by credit risk assessment services independent from business services,
- the pricing terms of the credit transaction must cover the risk of that transaction,
- credit risk is diversified by geographical areas, economic sectors, products and customers,
- credit decisions may only be taken by authorised persons,
- the client and his/her transactions are monitored in a way that is transparent to the client and strengthens the relationship with the client.

Credit risk management in the Bank's subsidiaries

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

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

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

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

Impact of the COVID-19 pandemic on credit risk

Due to the COVID-19 pandemic in 2021 the Bank has taken a number of actions regarding, i.a.

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

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

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

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

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

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

As at 31 December 2021, the total gross value of loans and advances covered by the Group's ongoing and expired moratoria amounted to PLN 5,709,313 thousand, of which statutory moratoria amounted to PLN 255,747 thousand. The balance of expired moratoria at the end of 2021 was PLN 5,696,483 thousand and the balance of active moratoria was PLN 12,830 thousand.

Restructuring and debt collection

In 2021, a total of PLN 1,001.3 million of receivables were obtained, of which:

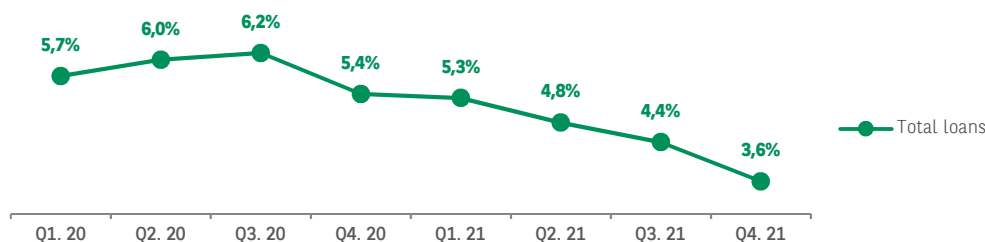
- PLN 555.0 million - as a result of portfolio restructuring (corporate entities PLN 356.0 million, SMEs PLN 196.6 million, micro enterprises PLN 1.6 million, individual customers PLN 0.8 million),
- PLN 288.5 million - as a result of debt collection activities (corporate entities PLN 32.7 million, SME PLN 28.1 million, micro enterprises PLN 97.0 million, individual customers PLN 106.1 million, mortgage loans PLN 24.6 million),
- PLN 157.8 million - as a result of sale of impaired portfolio.

Quality of the Bank's loan portfolio

Structure of loans by stages

The share of receivables classified to Stage 3 in 2021 was significantly better than in previous years. The share of loans at amortised cost classified to Stage 3 in the Group decreased from 5.4% at the end of 2020 to 3.6% at the end of 2021.

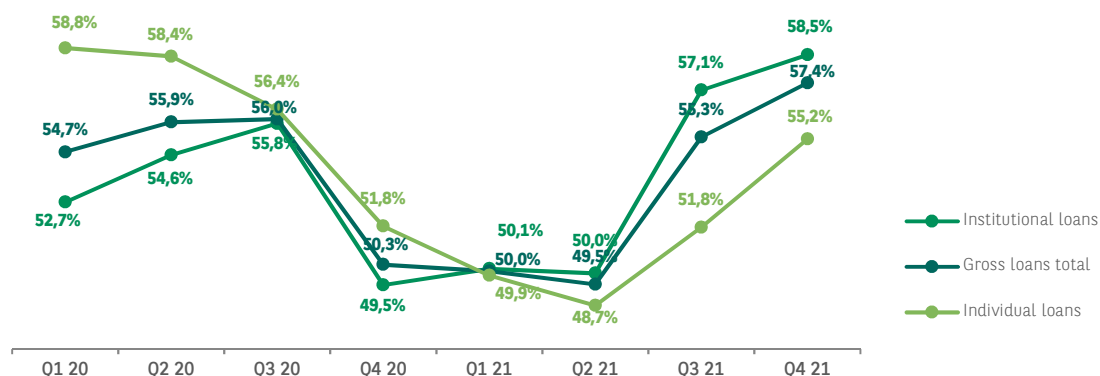
Chart 19. NPL ratio - share of receivables measured at amortised cost, classified as Stage 3



The quality of the loan portfolio achieved at the end of 2021, as measured by the share of loans classified as Stage 3, was significantly better than the quality of the loan portfolio in the banking sector as a whole. The share of Stage 3 receivables in the sector at the end of 2021 was 5.7%.

At the end of 2021, the write-down coverage for the portfolio classified as Stage 3 was 57.4% which is significantly above the coverage at the end of 2020. The increase in the coverage level for Stage 3 in the second half of 2021 is the result of the creation of allowances for exposures in default status due to changes in expected recovery levels and the aging effect of the Stage 3 portfolio.

Chart 20. Reserve coverage for the portfolio classified in Stage 3



Detailed information on the quality of the portfolio is presented in chapter 6.3 in the credit portfolio section.

The Bank also actively monitors the structure of the credit portfolio, including in particular the industry structure. Details are described in the Concentration risk section.

Concentration 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 Tier 1 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 Tier 1 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 Tier 1 capital.

The Bank monitors concentration limits in accordance with Article 387 of the EU Regulation No. 575/2013. As at the end of 2021, the limits specified in Article 395 of the EU Regulation No. 575/2013 were not exceeded. 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 20.1%.

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 and liquidity risk, 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 2021, similarly as at the end of 2020, is characterised by concentration towards such industries as: Agriculture, Forestry, Hunting and Fishing and Manufacturing (in accordance with the section defined in the PKD). At the end of 2021, the share of Manufacturing increased by 3 p.p. to 24% compared to the end of 2020, while the share of the Agriculture, Forestry, Hunting and Fishing industry decreased by 4 p.p. compared to the end of 2020 and amounted to 22% of industry exposure.

At the end of 2021, the industries with the highest share of non-performing loans in industry exposure were Culture, entertainment and recreation activities (21.3%), Accommodation and food service activities (20.2%). For more detailed information on industry exposure, see Note 56.2 of CONSOLIDATED FINANCIAL STATEMENTS OF BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP for the year ended 31 December 2021.

Counterparty risk

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

As at the end of December 2021, the counterparty risk was calculated for the following types of transactions: 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)

The market risk management process at BNP Paribas is divided into interest rate risk management in the trading book and currency risk management. The process is centralized, which means that all transactions that expose the Bank to the aforementioned risks are transferred to the Financial Markets Division, which is responsible for operational risk management within the limits granted. The unit responsible for measuring and monitoring the level of market risk is the Market and Counterparty Risk Division, which is organisationally separated up to the level of the Bank's Management Board from the units performing activities that expose the Bank to risk. The key participants in the market risk management process are the Risk Management Committee, the Management Board and the Supervisory Board, which, within the scope of the authority and responsibility defined in the written regulations, decide on and allocate the amounts of market risk limits, the level of risk appetite, and monitor the level of their utilisation and the compliance of the business with the adopted strategy.

In measuring market risk, the Bank uses, among other things, the Value at Risk (VaR) method. VaR is the change in the market value of an asset or a portfolio of assets under certain assumptions about market parameters, over a fixed period of time and with a given probability. It is assumed that VaR for the purpose of currency risk monitoring is determined with a 99% confidence level over a one-day time horizon. The VaR methodology is subject to at least an annual review of the quality of implemented models, inter alia by performing a test comparing forecasted values and values determined on the basis of actual changes in risk factors, on the assumption that the open position remains unchanged (back-testing).

In addition to VaR, the Bank used a number of other measures in its market risk management process, such as open position limits for a given risk factor, loss limits, analysis of stress test results, or gamma and vega limits for option instruments.

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 interest rate risk in the trading book is classified as relevant, while the economic capital allocated to this risk represents less than 1% of the Bank's total economic capital.

The global crisis triggered by COVID-19 and the ensuing turmoil in the financial instruments market forced a significant reduction in open interest rate positions. However, this did not adversely affect the execution of the planned budget.

Exposures to interest rate risk were the main source of risk in the trading book. The Bank assesses the level of this risk as moderate. In addition to instruments of a linear risk nature, the Bank maintained a small open position in interest rate options to ensure that customer transactions could be serviced at more favourable pricing conditions.

The table below presents the level of interest rate risk in the trading book in terms of value at risk with a 99% confidence level over a one-day time horizon, allowing the Bank's result to be estimated in terms of its sensitivity to changes in market interest rates, including in particular potential losses.

FX VaR (PLN'000)	2021	2020
Medium	1,266	1,085
Maximum	3,065	2,012
Minimum	556	174

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. In addition to instruments of a linear risk nature, the Bank maintained a small open position in foreign exchange options to ensure that customer transactions could be serviced at more favourable pricing conditions.

Currency risk has been classified as relevant, while the economic capital allocated to this type of risk represents less than 1% of the Bank's total economic capital.

The table below presents the level of currency risk in terms of value at risk with a 99% confidence level over a one-day time horizon, allowing the Bank to estimate the sensitivity of the Bank's result to changes in market interest rates, including in particular potential losses.

FX VaR (PLN'000)	2021	2020
Medium	354	276
Maximum	1,725	3,916
Minimum	71	71

Interest rate risk in the banking book

The Bank's core business activities - lending and taking deposits from customers - result in open interest rate risk positions that are transferred from business lines to portfolios managed by the Asset and Liability Management Division by means of a transfer pricing system.

The structural elements (the stable, interest rate insensitive, part of the current accounts and capital) are hedged with longer maturity transactions. On the remaining portfolio, the Bank's intention is to lock in interest rate risk.

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 interest rate gap for the banking portfolio as at 31 December 2021. The gap presents the net amounts of revalued items by product in each time interval. Utilisation of set limits is below the maximum values.

Table 55. Interest rate gap (in PLN million)

Interest rate gap	to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	total
Cash and balances at the Central Bank	4,631,410	-	-	-	-	4,631,410
Amounts due from banks	2,175,621	69,000	10,000	-	-	2,254,621
Loans to customers	29,346,300	35,600,673	9,778,615	5,751,559	1,129,680	81,606,828
Securities	1,550,400	77,990	1,607,950	10,891,497	18,397,040	32,524,878
Other assets	1,244,065	52,216	234,971	1,253,181	626,590	3,411,024
Total assets	38,947,796	35,799,880	11,631,537	17,896,237	20,153,310	124,428,760
Amounts due to banks	(3,064,819)	(3,382,743)	(415,356)	-	-	(6,862,918)
Amounts due to customers	(31,573,451)	(7,305,519)	(20,312,153)	(29,683,473)	(11,975,070)	(100,849,666)
Other borrowed funds	(415,356)	(178,675)	(30,790)	-	(137,103)	(761,924)
Capital	(259,987)	(268,257)	(1,207,156)	(6,438,163)	(3,219,081)	(11,392,644)
Other liabilities	(4,391,074)	-	-	-	-	(4,391,074)
Total liabilities	(39,704,687)	(11,135,193)	(21,965,455)	(36,121,636)	(15,331,254)	(124,258,225)
Off-balance sheet net liabilities	(6,146,153)	(6,107,753)	(7,079,780)	15,151,152	4,050,232	(132,303)
Interest rate gap	(6,903,044)	18,556,934	(17,413,698)	(3,074,248)	8,872,288	38,231

The average length of capital investment and non-interest bearing current accounts as at 31 December 2021 was exceeding 4.9 years.

The sensitivity of interest income when interest rate curves shift as at 31 December 2021 largely depends on changes in the balance sheet structure and the impact of subsequent increases on product interest rates.

The Bank analyses the sensitivity of interest results for the variants:

- 1) conservative variant - there is a large movement, especially in corporate clients, of non-interest-bearing deposits into interest-bearing deposits and a large part of the change in interest rates is reflected in the interest rate on these deposits,
- 2) the most probable variant - there is a moderate transfer of non-interest-bearing deposits to interest-bearing deposits and interest rate increases are at a relatively low level,
- 3) optimistic variant - the flow from non-interest-bearing to interest-bearing deposits is practically non-existent, and interest rates on interest-bearing deposits and savings accounts are close to their value at the end of 2021.

Table 56. Sensitivity of interest income as at 31.12.2021 with immediate change of interest rates in all currencies by 100 basis points in the most probable variant (in PLN million)

Change in interest rate	+100pb	-100pb
PLN	191	(184)
All currencies – total	203	(195)

The impact of interest rate increases to date (from October 2021 to February 2022 by a total of 265 bps) on the Bank's 2022 interest income was estimated at PLN 520-580 million.

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 57. Supervisory test of the Bank's equity economic sensitivity

Scenario	PLN million	% of own funds
+200bp	(428.5)	(2.76%)
-200bp	45.0	0.29%

The economic sensitivity of capital is at a low level at the end of 2021.

At 31 December 2021, the Group applies 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 specified reference rate. The hedged items are current accounts with fixed interest rates in PLN, EUR and USD. The 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.
- **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 specified reference rate. The hedged items are: fixed coupon bonds PS0422. The 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.
- **cash-flow hedge** - 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: WZ1131 floating coupon bonds. 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 online information on the level of the intraday 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 expensive 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) and other financial institutions. The policy adopted by the Bank allows the use of other funding sources, such as: issuing own debt securities or entering into structured transactions.

At the end of December 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 58. Structure of the Bank's loan portfolio financing

in PLN million	31.12.2021
Net loans and advances	81,344
Total sources of funding	104,445
Customer deposits, including:	101,824
- retail customers	44,771
- corporate	53,305
- non-banking financial institutions	2,161
- public sector institutions	1,587
Liabilities due to banks	2,621
Debt securities issued	0

As at the end of December 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 31 December 2021, the structure of open long-term lines of credit was as follows:

Table 59. Structure of loans from the BNP Paribas Group

PLN million	31.12.2021
CHF	150
EUR	200
PLN	2,740

Table 60. Structure of loans from the EBRD, EIB and CEB

PLN million	31.12.2021
PLN	101.5

The Net Liquidity Coverage Ratio (LCR) for the Bank was 142.8% at the end of December 2021, a decrease of 38.2 p.p. compared to the end of 2020 (181%). The decrease in the LCR measure is mainly due to an increase in loans larger than the increase in customer liabilities.

The Net Stable Funding Ratio (NSFR) for the Bank reached 133.3% at the standalone level and 131.2% at the consolidated level at the end of December 2021 representing a decrease of 9.5 p.p. at the standalone level and 9.9 p.p. on consolidated level compared to the end of 2020. The decrease is due on the one hand to an increase in the level of liabilities during the year and a decrease in liabilities from Customers at the end of 2021. On the other hand, the product structure of funds from customers changes following the interest rate increases from September 2021, more liabilities are accumulated in the form of time deposits, instead of deposits in current and savings accounts. Fluctuations in the ratio in 2021 were not significant: at the individual level from 133.3% to 145.69%, and at the consolidated level from 133.5% to 143.3% during 2021.

In addition, in the process of securitisation of the loan portfolio, the Bank received financing, the value of which amounted to PLN 1,040.5 million at the end of 2021.

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. The Bank identifies operational risk as permanently significant.

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. The main measure used to measure risk within the adopted appetite for operational risk is the ratio of operational losses recorded by the Bank over the adopted time period. 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 processes include:

- the identification and assessment of operational risk through the collection of information on operational events, the assessment of risks in processes and products and the determination of key risk indicators,
- setting the operational risk appetite and limits at the level of the entire Bank and individual business areas analysis of operational risk and its monitoring and ongoing control,
- preventing an increased level of operational risk, including risk transfer.

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. In particular, both the Bank's Management Board and the Supervisory Board are regularly informed about the development of the operational risk appetite measures specified in the Operational Risk Management Strategy.

Internal environment

The Bank precisely defines the roles and responsibilities in the operational risk management process, considering its organisational structure. The operational risk management process is implemented through three lines of defence. The first line of defence consists of risk management in the operational activities of the Bank. The second line of defence includes, in particular, risk management by employees of specially appointed organisational units, independent of the risk management of the first line of defence, and the activities of the compliance function. The third line of defence involves the activities of the internal audit department.

Within the second line of defence, comprehensive supervision of the organisation of operational risk management standards and methods is exercised by the Operational Risk Department operating within the Risk Area. The definition and implementation of the Bank's strategy with regard to insurance, as a method of risk mitigation, is the responsibility of the Real Estate and Administration Department. Business continuity management, on the other hand, is the responsibility of the Security and Business Continuity Management Division.

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.

In view of the increase in external and internal threats bearing the characteristics of fraud or crime against the assets of the Bank and its customers, the Bank has expanded and improved its processes for prevention, detection and investigation of such cases. The Fraud Prevention Department, as the second line of defence, supervises the activities performed in this area. The Bank's Management Board and the Risk Committee of the Supervisory Board are informed about the effectiveness of solutions implemented by the Bank in this area.

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.

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.

The Bank ensures the exercise of internal control through independent monitoring of compliance with controls, including ongoing verification and testing. The Bank strengthened the control environment in 2021 by, among other things, developing a tool to record and manage testing of the internal control environment.

Control and monitoring

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

Operational risk capital requirements

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

Operational risk management in the Bank's subsidiaries

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

10. Statement of compliance with corporate governance principles

10.1. Compliance with corporate governance principles in 2021

Legal and regulatory basis for the corporate governance

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

In accordance with § 70, par. 6, point 5 of the Regulation of the Minister of Finance of 29 March 2018 concerning current and periodic information reported by issuers of securities and conditions for recognizing as equivalent information required under the law of a non-member state (consolidated text: Journal of Laws of 2018, item 757), the Management Board of BNP Paribas Bank Polska S.A. presents the following information regarding compliance with corporate governance principles in 2021.

Corporate governance principles applicable to the Bank

Principles of corporate governance for supervised institutions

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

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

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

The Bank's annual statement on the application of Principles of Corporate Governance for supervised institutions is available in the "Report on the activities of the Supervisory Board of BNP Paribas Bank Polska S.A. and its committees" together with the assessments indicated in chapter 2.11 of the "Best Practice for WSE Listed Companies 2021" and the assessment of the Bank's compliance with the "Principles of Corporate Governance for supervised institutions of 22 July 2014 issued by the Polish Financial Supervision Authority".

Best Practice for WSE Listed Companies

Since 1 January 2016 until 30 June 2021, the Bank was subject to the "Best Practice for WSE Listed Companies 2016", as adopted by the Warsaw Stock Exchange Supervisory Board Resolution No. 26/1413/2015, dated 13 October 2015.

In its Resolution No. 7/BZ/3/2016 of 20 January 2016, the Bank's Management Board adopted the principles of corporate governance described in the "Best Practice for WSE Listed Companies 2016", with individual exceptions. The application of the principles was subject to constant review.

A code of corporate governance "The Best Practice of GPW Listed Companies 2021" ("Best Practice", "DPSN 2021") as approved by the Warsaw Stock Exchange ("GPW") Supervisory Board's resolution no 13/1834/2021 of

29 March 2021, entered into force on 1 July 2021 and replaced previous version called "The Best Practice of GPW Listed Companies 2016".

The Best Practices for WSE Listed Companies 2021 is available on the Warsaw Stock Exchange website at: <https://www.gpw.pl/best-practice2021> .

In its Resolution No. 49/BZ/42/2021 of July 30, 2021, the Bank's Management Board adopted the principles of corporate governance described in the "Best Practices for WSE Listed Companies 2021" obliging the Bank's organizational units to take steps to ensure full compliance with the adopted principles. The state of application of the rules as at the end of July was described in the first EBI report published by the Bank on July 30, 2021.

The Extraordinary General Meeting of the Bank adopted the rules contained in the document "Best Practices of WSE Listed Companies 2021" by Resolution No. 3 of January 4, 2022. The state of application of the rules, taking into account the decisions of the above-mentioned EGM, was described in the EBI report published by the Bank on January 11, 2022.

Information on the application of the "Best Practices of WSE Listed Companies", including all EBI reports, is available on the Bank's Investor Relations website: (<https://www.bnpparibas.pl/en/investor-relations/corporate-governance/best-practices-of-wse-listed-companies>).

Management Board's statement of compliance with corporate governance principles in 2021

Principles of Corporate Governance for supervised institutions

BNP Paribas Bank Polska S.A. in 2021 follows the "Principles of Corporate Governance for supervised institutions" with exemption regarding application of § 8 item 4 of the Principles:

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

Bank's commentary

In 2021, due to the shareholder structure, as well as due to doubts as to the possibility of completely eliminating legal, organizational and technical risks associated with providing shareholders who do not attend the General Meeting in person with real-time bilateral communication and voting using electronic communication means, the Bank decided not to use the possibility of electronic participation of shareholders in the General Shareholders' Meeting, limiting itself to recording the General Shareholders' Meeting and real-time transmission via the Internet.

The Bank is prepared regulatorily and technically to organize General Meetings using electronic communication means. The Bank has enabled shareholders to participate in the Bank's EGM on 4 January 2022 using electronic communication means (e-GSM), including; recording and broadcasting of the EGM via the Internet, real-time bilateral communication and the exercise of voting rights during the General Meeting in person or by proxy.

This rule has been applied by the Bank since 2022. Full compliance with Corporate Governance Principles for Supervised Institutions will be confirmed on the Bank's website after approval of the relevant decisions by the Bank's bodies.

Best Practice for WSE Listed Companies

In the 1st half of 2021, the Bank has applied the recommendations and principles defined in the Best Practices of Companies Listed on the Stock Exchange 2016, with the reservations indicated below:

- The Bank partially applied recommendation IV.R.2 relating to the issue of transmission of the General Meeting and the possibility to participate and vote in the General Meeting via electronic channels. The amended Regulations of the General Meeting enabled the organisation of General Meetings and active shareholders' participation by using electronic forms of communication. Because of the shareholder structure and potential legal and organisational risks, the Bank applied the above principle partially, limiting itself to the real-time transmission of General Meetings (started in 2020 in accordance with Rules I.Z.1.16, I.Z.1.20, IV.Z.2).

- The Bank partly applied rule V.Z.5. - the Supervisory Board's consent to the conclusion by a company a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or a related entity. The Bank applies the rule concerning the Supervisory Board's approval of the conclusion of significant agreements with an affiliated entity (at present all shareholders holding more than 5% of votes are affiliated entities).
- The following principles and recommendations were not applied: I.Z.1.10 (the Bank does not publish financial forecasts), III.Z.6. (the internal audit function and the Audit Committee at the Supervisory Board **are separated in the Bank**) and IV.R.3. (**the Bank's shares are listed only on the WSE**).

The status of application of the "Best Practices of WSE Listed Companies 2021" at the Bank is subject to constant verification. As at the date of publication of this Report, the Bank applied all the principles set out in the Code of Best Practice for WSE Listed Companies in 2021, except for principle 2.1.

- **Principle 2.1.: " Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%."**

The Bank has a diversity policy, which formally forms part of the policies of assessing the suitability of Supervisory Board Members, Management Board Members and persons performing key functions at the BNP Paribas Bank Polska S.A. The Diversity Policy with regard to the Supervisory Board was approved by the General Meeting of Shareholders on January 4, 2022.

The application of the criteria ensuring diversity in the Bank's bodies is a legally binding requirement resulting from specific legal regulations as well as the EBA Guidelines applicable to banks. The Bank is an entity regulated and supervised by the Polish Financial Supervision Authority. The correctness and quality of the application of the diversity approach is monitored, inter alia, as a part of the PFSA's verification of individual and collective suitability assessment. When selecting people for the Company's bodies and for key functions, the Bank takes into account the criteria of reputation, honesty and ethics, sufficient time commitment, no conflict of interest, independence of judgment, knowledge, skills and experience of the candidates.

In the applied adequacy assessment policy, the Bank ensured the promotion of diversity in the Management Board, Supervisory Board as well as in case of key functions, from the moment of constructing a diverse pool of candidates, in order to reach a wide range of properties and competences of the Management Board and Supervisory Board Members, in order to gain different points of view and experience and enable the issuance of independent opinions and sensible decisions within the corporate bodies. As part of the appointment and suitability assessment processes, to ensure diversity the Bank takes into account such criteria as: gender, education and professional experience, specialist knowledge, age, and geographical origin.

The Bank attaches great importance to the real implementation of diversity, including ensuring an appropriate participation of women in the Bank's bodies. The Bank has made a strategic decision, reflected in the diversity policy, that by 2025 it will ensure the participation of 30% of women in the Management Board and Supervisory Board separately. As at the date of publication of this report, the share of women in the Supervisory Board is 41.7%. The share of women in the Bank's Management Board is 22.2%.

Compliance with the principle of diversity is monitored not only at the level of the bank's authorities, but also at the level of managerial positions. Currently, the share of women in the highest managerial positions other than the Management Board (managing director, executive director, tribe leader) is 36.0%.

Due to the fact that as at the date of publishing this report on the application of the WSE Best Practices the share of women in the Bank's Management Board has not reached the target level of 30%, the bank prudently reports that it does not apply the above rule.

In the case of several new rules that mainly relate to recurrent processes that have not yet occurred after the implementation date of DPSN 2021, i.e. after July 1, 2021, the Bank's approach is to declare their application and carry out appropriate actions ensuring compliance. This mainly applies to the rules:

- **Principle 1.4.: "To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:"**

Principle 1.4.2.: „present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.”

One of the four pillars of the current CSR and sustainable development strategy is responsibility in the workplace, where the main obligations are to promote openness and diversity and to create a friendly and responsible workplace. By implementing the best market practices, BNP Paribas Bank Polska S.A. measured the wage gap for the first time in 2020. After analysing the results, systemic and dedicated actions and recommendations (included in the annual remuneration review process) were undertaken to reduce the level of the wage gap. The wage gap ratio is measured according to the Bank's internal methodology, taking into account the total remuneration based on the homogeneous groups of employees (created based on the employment area and the grade).

The GPGR calculated as at December 31, 2020 (and the methodology for its calculation) is published on the Bank's website describing the CSR and sustainable development strategy.

The ratio as at December 31, 2021 was disclosed in the Annual Report 2021. The Bank includes the assumed reduction of the GPGR ratio in the new strategy of the Bank, the publication of which is scheduled for the first quarter of 2022.

- **Principle 2.11.:** “In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:”

Principle 2.11.1: „information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;”

The Bank declares the application of this principle. Information on which Supervisory Board members have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company is included in the section on independence of Supervisory Board members. Information on the diversity of the SB will be included in the next SB annual report (currently this information is presented in the Management Board's Report on the activity).

Principle 2.11.4.: „assessment of the company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;”

The bank declares to apply this principle. The annual report on the SB's activities includes an overall assessment of the application of the corporate governance principles. Information on the manner of fulfilling disclosure obligations is a newly introduced rule - it will be included in the annual report of the SB for 2021.

Principle 2.11.5.: „assessment of rationality of expenses referred to in principle 1.5” (expenditures spent on sponsorships and charitable activities);

Principle 2.11.6.: „information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.”

This are a newly introduced rules - information will be included in the annual report of the SB for 2021.

Until January 4, 2022, due to formal reasons (no possibility of early adoption of DPSN 2021 for application by the General Meeting of Shareholders), the Bank reported non-application of rules 4.8 and 4.9.1.

- **Principle 4.8.:** „Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.”
- **Principle 4.9.1.:** „candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;”

These rules apply to shareholders. After the adoption of DPSN 2021 for application by the EGM of BNP Paribas Bank Polska S.A. on January 4, 2022 (Resolution No. 3), the Bank reports compliance with the above principles.

The Management Board of the Bank hereby declares that the Bank and its governing bodies complied in 2021 with the corporate governance principles determined in the "Principles of Corporate Governance for supervised institutions" and determined in the "Best Practice for WSE Listed Companies 2021" in the scope adopted and reported by the Bank. In the reporting period, the corporate governance principles adopted and reported by the Bank were not violated.

10.2. Shares and shareholders

As at 31 December 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, was as follows:

Table 61. Shareholder structure as at 31.12.2021

Shareholder	number of shares	% interest in share capital	number of votes at the General Shareholders' Meeting	% share in the number of votes at the General Shareholders' Meeting
BNP Paribas, in total:	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 at 31 December 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 F series shares,
- 8,000,000 G series shares,
- 5,002,000 H series shares,
- 28,099,554 I series shares,
- 2,500,000 J series shares,
- 10,800,000 K series shares,
- 49,880,600 L series shares,
- 99,864 M series shares.

The Bank's shares are ordinary bearer and registered shares (as at 31 December 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 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.

After 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 Management Board and Supervisory Board as at the date of publishing the report for the third quarter of 2021 (9 November 2021) and this report for the 2021 (3 March 2022) is presented below.

The shareholding structure of the individual members of the Management Board in the Bank's shares and rights to share have not changed since the publication of the previous report, i.e. 9 November 2021.

Table 62. Number of shares/subscription warrants held by members of the Bank's Management Board

Bank's Management Board member	Shares* 9.11.2021	Subscription warrants 9.11.2021	Shares* 3.03.2022	Subscription warrants** 3.03.2022
Przemysław Gdański	7,989	9,148	7,989	9,148
Jean-Charles Aranda	0	2,338	0	2,338
André Boulanger	0	3,129	0	3,129
Przemysław Furlepa	0	2,722	0	2,722
Wojciech Kemblowski	0	3,195	0	3,195
Kazimierz Łabno	0	1,862	0	1,862
Magdalena Nowicka	0	0	0	0
Volodymyr Radin	0	895	0	895
Agnieszka Wolska	0	0	0	0

* 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 Gdański, 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 members of the Bank's Supervisory Board did not declare holding any shares/rights in BNP Paribas Bank Polska S.A. as at 31 December 2021 and as at the publication date of this annual report, i.e. 3 March 2022, which has not changed since the date of submitting the quarterly report for the third quarter of 2021, i.e. 9 November 2021.

10.3. Statutory bodies of the Bank

General Shareholders' Meeting

Procedures of the General Shareholders' Meeting and its key powers

The General Shareholders' Meeting of BNP Paribas Bank Polska SA is held in compliance with regulations of:

- Commercial Companies Code,
- Banking law,
- Act on public offerings and conditions governing the introduction of financial instruments to organized trading and on public companies,
- Bank's Statute,
- Regulation of the General Meeting of BNP Paribas Bank Polska S.A, including the "Best Practice for WSE Listed Companies" and "Principles of Corporate Governance for supervised institutions".

General Meetings of Shareholders may be ordinary or extraordinary. They are convened by the Bank's Management Board or, in cases specified in the Statutes, by the Supervisory Board or by a shareholder or shareholders representing jointly at least 5% of the share capital. General Meeting is convened by an announcement published on the Bank's website <https://www.bnpparibas.pl/en/investor-relations/general-meeting>. From the date on which the General Meeting is convened, the Bank shall post the draft resolutions and the required information on the Bank's website in accordance with the provisions of the Commercial Companies Code.

The General Meetings are broadcast in real time over the Internet and the recordings are available on the Bank's website: <https://www.bnpparibas.pl/en/investor-relations/general-meeting>.

The Bank allows the shareholders to participate in the General Meeting via electronic means of communication, including real-time bilateral communication (enabling the shareholders to speak during the General Meeting) and exercise their voting rights during the General Meeting either in person or through an attorney. Detailed rules of participation in the General Meeting via electronic communication means are set out in the "Rules of Participation in the General Meeting of BNP Paribas Bank Polska SA via Electronic Communication".

The General Meeting decides on matters which, under the law and internal regulations of the Bank, are reserved for the competence of the General Meeting. Draft resolutions are submitted to the members of the General Meeting by the Bank's Management Board, after they have been approved by the Supervisory Board.

Voting are held via an electronic system for casting and calculating votes, which ensures that votes are cast in the number corresponding to the number of shares held. Each share entitles to one vote. In the case of secret voting, the system ensures the confidentiality of information.

General Shareholders' Meeting

In 2021 two General Meetings of BNP Paribas Bank Polska S.A. were held:

- **The 24 March 2021** - The Annual General Meeting of the Bank (AGM), approved the financial statements, the management report and the report on non-financial information of the Bank for 2020. The AGM resolved to distribute the net profit for 2020 - to transfer the entire profit to reserve capital. It granted discharge to the members of the Management Board and the Supervisory Board for the performance of their duties in 2020 and, having previously approved the individual and collective adequacy assessments of the Supervisory Board, appointed the members of the Supervisory Board for a new term of office. In addition, information was presented on the current situation regarding the CHF mortgage portfolio, including a preliminary analysis of the assumptions of the voluntary settlement program.
- **The 17 June 2021** - The Extraordinary General Meeting of the Bank (EGM), set the target number of members of the Supervisory Board for the new term of office. The EGM approved the assessment of the individual and collective adequacy of the Supervisory Board, then appointed its new members: Małgorzata Chruściak, Géraldine Conti and Khatleen Pauwels. The EGM adopted a resolution on determination of remuneration for the Supervisory Board members, a resolution on approval of "Remuneration Policy for the Supervisory Board Members of BNP Paribas Bank Polska SA" and "Remuneration policy for persons with significant influence on the risk profile of BNP Paribas Bank Polska S.A. (including the members of the Bank's Management Board)". The EGM gave a positive opinion on the report on remuneration of the Bank's Supervisory Board and Management Board for the years 2019 and 2020 and amended the Bank's Statute and the Regulations of the General Meeting. In addition, the CEO presented the current situation regarding the portfolio of mortgage loans in CHF.

Shareholders' rights and the method of their execution

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

- each shareholder has access to the list of shareholders and may review the list at the Bank's registered office, request a copy of the list or request that the list of shareholders be sent to him by e-mail,
- a shareholder may demand that copy of motions regarding matters being on the agenda of the General Meeting should be released to him within one week prior to the date of the General Meeting and request information from the Bank's Management Board regarding matters being on the agenda of the General Meeting in cases and with exceptions set forth in the Code of Commercial Companies,
- a shareholder may review the book of minutes from the General Meeting and also demand that copies of resolutions certified by the Management Board be released to him,
- shareholder may demand secret voting and appeal against resolutions of the General Meeting in cases set forth in the Code of Commercial Companies,
- a shareholder shall have the right to attend the General Meeting and exercise voting rights in person or by a proxy. The Regulation of the General Meeting also provide the possibility to participate in the General Meeting by means of electronic communication. Detailed rules of participation in the Bank's General Meeting by electronic means of communication are set out in the "Rules of Participation in the General Meeting of BNP Paribas Bank Polska SA by Electronic Means".

A shareholder or shareholders representing jointly at least 5% of the Bank's share capital may request that Extraordinary General Meeting be convened, as well as that certain matters be put on the agenda of this General Meeting.

Introduction of amendments to the Statute

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

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

Resolutions of the General Shareholders' Meeting to amend the Statute, in particular, change the Bank's name, registered office, business profile as referred to in § 5 par. 2 of the Statute, increase or reduction of the Bank's share capital, issue of convertible bond or bond with priority right to acquire shares of the Bank, as well as subscribe warrants, liquidation or dissolution of the Bank, and the sale of all or part of the bank, require the majority of 3/4 (75%) of votes cast. A resolution regarding a merger of the Bank with another bank or another credit institution requires 2/3 (66%) of votes cast at the General Shareholders' Meeting (§ 13 par. 2 of the Statute).

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

Amendments to the Bank's Statute in 2021

Based on Resolution No. 11 of the EGM of 17 June 2021, the Bank's Articles of Association were amended as follows:

- in § 5, section 2, item 8), another subsection marked (d) with the following wording is added:
(d) enabling the acceptance of payment instruments and the execution of payment transactions initiated with a payer's payment instrument by or through a merchant, consisting in particular of an authorisation service, the sending to the issuer of a payment instrument or payment systems of payment orders from a payer or a merchant to transfer funds due to the merchant, except for acts of clearing and settlement of these transactions within a payment system within the meaning of the Act on Settlement Finality (acquiring),
- in § 5 section 2 a new point 17) is added with the following wording:
„17) advice with respect to structured deposits”,
- in § 12 section 2 a new point 10) with the following wording is added:
"Item 10) approval of the procedure for appointing and dismissing members of the Supervisory Board."
- the existing § 12 section 2 point 10) shall be renumbered to 11)
- § 20 section 1 point 1 subsection i of the Statutes in its current wording:
"(i) to approve the Bank's development strategy developed by the Board of Directors."
is replaced with the following:
"(i) to approve the Bank's management strategy as developed by the Management Board."
- § 22 section 2 point 1 of the Statutes in its current wording:
"(1) preparing a draft strategy for the development of the Bank and submitting it to the Supervisory Board for approval,
is replaced with the following:
"(1) preparing a draft management strategy for the Bank and submitting it to the Board for approval,
- § 27 section 1 of the Bank's Statute in the current wording:
"Sec. 1) The organizational units of the Bank are:
1) the Bank's Head Office, which includes: areas, divisions, departments, offices, teams and other organizational units specified in the regulations referred to in section 2,
2) branches,
3) brokerage office
4) other organisational units specified in the regulations mentioned in section 2,
5) representative offices and foreign branches.
is replaced with the following:
"Sec. 1) The Bank's goals and objectives are carried out by:
1) branches, representative offices, brokerage office and other organizational units,
2) areas, divisions, departments, offices and other organizational units,
3) other organizational forms than those specified in items 1 and 2",
- § 27 section 2 of the Bank's Statute in the current wording:
"Sec. 2) The organizational structure of the Bank and the Bank Head Office is determined by the organizational regulations established by the Bank Board of Directors."
is replaced with the following:

"Sec. 2) The detailed organization of the Bank shall be determined by appropriate organizational regulations established in accordance with the system of internal regulations adopted by the Bank."

The aforementioned amendments became effective upon the Bank's approval by the PFSA and registration by the relevant registry court from 5 October 2021, 15 October 2021 and 19 November 2021.

Supervisory Board

The Bank Supervisory Board shall be composed of five to twelve members appointed for a joint five-year term of office by the General Meeting. At least half of the members of the Bank Supervisory Board should have good knowledge of the banking market in Poland, i.e. have a good command of Polish language and experience on the Polish market.

According to the Bank's Statute, at least two members of the Supervisory Board should be independent members. As at 31 December 2021, five members of the Supervisory Board met the independence criteria (the criteria for independence of a member of the Supervisory Board are set out in § 16, par. 4 of the Bank's Statute). The status of independent member of the Supervisory Board was held by the following persons: Lucyna Stańczak-Wuczyńska, Jarosław Bauc, Małgorzata Chruściak, Magdalena Dzewguć i Mariusz Warych.

Table 63. Composition of the Supervisory Board as at 31.12.2021 and 31.12.2020 with information on the independence of members

Office held in the Supervisory Board	Composition of the Supervisory Board as at 31.12.2021	Composition of the Supervisory Board as at 31.12.2020
1. Chairperson	Lucyna Stańczak-Wuczyńska* <i>independent member</i>	Józef Wancer
2. Vice-Chairman	Jean-Paul Sabet	Jean-Paul Sabet
3. Vice-Chairman	Francois Benaroya	Lucyna Stańczak-Wuczyńska* <i>independent member</i>
4. Member	Jarosław Bauc <i>independent member</i>	Jarosław Bauc <i>independent member</i>
5. Member	Małgorzata Chruściak <i>independent member</i>	Francois Benaroya
6. Member	Géraldine Conti	Sofia Merlo
7. Member	Stefaan Decraene	Stefaan Decraene
8. Member	Magdalena Dzewguć <i>independent member</i>	Magdalena Dzewguć <i>independent member</i>
9. Member	Vincent Metz	Vincent Metz
10. Member	Piotr Mietkowski	Piotr Mietkowski
11. Member	Khatleen Pauwels	Stéphane Vermeire
12. Member	Mariusz Warych <i>independent member</i>	Mariusz Warych <i>independent member</i>

* Lucyna Stańczak-Wuczyńska has been elected as Chairman of the Supervisory Board with effect from 1 July 2021.

Changes in the Supervisory Board of the Bank in 2021:

- On 24 March 2021 The Annual General Meeting of the Bank appointed: Józef Wancer, Lucyna Stańczak-Wuczyńska, Jean-Paul Sabet, Francois Benaroya, Jarosław Bauc, Stefaan Decraene, Magdalena Dzewguć, Vincent Metz, Piotr Mietkowski, Stéphane Vermeire and Mariusz Warych as members of the Supervisory Board for the next five-year term. Sofia Merlo did not run for the Supervisory Board of the new term.
- On 21 March 2021 Stéphane Vermeire resigned from the Supervisory Board with effect from 31 May 2021.
- On 2 June 2021 Józef Wancer resigned as a member of the Supervisory Board and Chairman of the Supervisory Board with effect from 30 June 2021.
- On 17 June 2021 the EGM appointed the following persons to the Supervisory Board - from 1 July 2021 until the end of the current five-year joint term of office of the Supervisory Board members:
 - Małgorzata Chruściak (independent member),
 - Géraldine Conti,
 - Khatleen Pauwels.

In 2021 the Bank's Supervisory Board held 20 meetings (including 14 in writing). It adopted 139 resolutions. The attendance rate of the Board members was 85%.

Table 64. Individual Board member activity in 2021

Józef Wancer	Lucyna Stańczak-Wuczyńska	Francois Benaroya	Jean-Paul Sabet	Jarosław Bauc	Małgorzata Chruściak	Géraldine Conti	Stefaan Decraene
13/13	17/20	20/20	19/20	15/20	6/7	6/7	19/20
Magdalena Dzięwguć	Sofia Merlo	Vincent Metz	Piotr Mietkowski	Khatleen Pauwels	Stéphane Vermeire	Mariusz Warych	
10/20	6/7	20/20	20/20	6/7	9/10	20/20	

* attendance at meetings and participation in written votes / number of meetings and written votes during the mandate

In 2021 the Supervisory Board fulfilled its duties that arise from the law and the Bank's Articles of Association. These duties are set out in the "Framework Work Plan of the Supervisory Board and Committees operating at the Supervisory Board for 2021." In addition, the Supervisory Board received current information on the most important events and decisions of the Board of Management, which provided it with adequate knowledge of the Bank's position, the macroeconomic situation and the market environment. It was thus able to assess how these factors affected the achievement of the assumed results and the Bank's development plans.

The composition of the Supervisory Board of BNP Paribas Bank Polska S.A. guaranteed a high level of qualifications, competence and extensive professional experience, ensuring an appropriate level of collegial supervision over all areas of the Bank's activity and guarantee a broad and comprehensive representation of opinions with respect to the assessment of the Management Board's work and the Bank's functioning.

Profiles of the members of the Supervisory Board:

1. Lucyna Stańczak-Wuczyńska – Chairperson of the Supervisory Board (independent member)

A graduate of Economics at the Warsaw School of Economics and post-graduate Advanced European Studies at the College of Europe in Bruges. Since the beginning of her nearly 30-year professional career, Ms Lucyna Stańczak-Wuczyńska has been involved in banking. In 1992-1996 she worked at IBP Bank S.A. in corporate banking, then in 1996-1997 in Credit Lyonnais Bank Polska, in corporate finance. In 1997 she became Vice President of the Structured Finance Department at ABN Amro Bank Polska. Since 2000, Ms Lucyna Stańczak-Wuczyńska has been associated with the European Bank for Reconstruction and Development ("EBRD"), initially as a Senior Banker responsible for investments in the energy and infrastructure sector, and since 2008 as EBRD Country Director in Poland. Since 2014, she has been Regional Director of EUBanks, Financial Institution, Central and Southern Europe region. In her professional career, Ms. Lucyna Stańczak-Wuczyńska has held a number of corporate governance positions, has been a member (or observer) of Supervisory Boards and a member of Audit and Risk Committees at Polkomtel Sp. z o.o., Alior Bank S.A., Polskie Inwestycje Rozwojowe, among others, currently at Erste Bank, Hungary and is a member of the Advisory Board of Concordia 21 Private Equity Fund. Since December 2020, she has been a member, then Vice-Chairman and now Chairman of the Supervisory Board of BNP Paribas Bank Polska S.A.

2. Jean-Paul Sabet – Vice-Chairman of the Supervisory Board

A graduate of the French business school Hautes Etudes Commerciale in Paris. He started his career in the companies of the Paribas Group, including Commerce Department at Paribas S.A. and Private Equity Department. He sat on the bodies of the companies, in 1996-1998 he held the position of Executive Director and member of the Management Board in Société Centrale d'Investissements, then he was a member of the Management Board of Klépierre S.A. (a company specialising in commercial real estate investments). Between 2004 and 2006 he was a member of the Executive Committee of Retail Banking of the BNP Paribas Group in France, where he was responsible for finance and strategy. Since 2006 he worked in Banca Nazionale del Lavoro in Italy where he supervised the process of integration of this company into the BNP Paribas Group and then in the years 2008-2009 he held the position of COO in this company. Since 2010 he has been working in the area of International Retail Banking (IRB), covering the retail banking of the BNP Paribas Group outside the Eurozone. In 2013-2021 he has been the Deputy Head of IRB, controlling the strategy and development of this segment. Among other things, he oversaw retail banking in Central and Eastern Europe and Asia. In addition, since 2017 he serves as a member of the Supervisory Board of BMCI in Morocco, since 1998 - a member of the Supervisory Board of L.D.C. in France and since 2010 – a member of TEB Holding A.S. in Turkey. Mr Jean-Paul Sabet was Chairman of the Supervisory

Board of BNP Paribas Bank Polska from 2013 to 2015. In 2014-2015, he was Chairman of the Supervisory Board of BNP Paribas Bank Polska S.A. (then BGŻ S.A.), then Deputy Chairman of the Supervisory Board.

3. **Francois Benaroya** –Vice-Chairman of the Supervisory Board

He graduated from the École Polytechnique and the École Nationale de la Statistique et de l'Administration Economique in Paris. He also holds a Master's degree in Economics from Tilburg University in the Netherlands. He is also a graduate of the Kennedy School of Government at Harvard University. He started his career in 1994 at the French Ministry of Finance as Deputy Director of the Emerging Markets Department. He then served as Economic Advisor for Russia and the Commonwealth of Independent States at the French Embassy in Moscow. Between 1999 and 2001 he worked as Director of the International Trade Analysis Department at the French Ministry of Economy, Finance and Industry, then as Deputy Director of the Cabinet of the Minister for European Affairs. He has been with the BNP Paribas Group since 2004 when he took the position of Deputy Head of Corporate Banking Development. In the years 2007-2011 he worked for the Ukrainian bank in the BNP Paribas Group - UkrSibbank as the Deputy Head of Retail Banking and then as the Head of Retail Banking and Vice-President of the Bank's Board of Executives. He then held the position of Director of Retail Banking of the International Retail Banking business line of BNP Paribas Group. In 2014, he became Managing Director for the Integration of BNP Paribas Bank Polska and Bank BGŻ. Then, from April 2015, he was Vice President of the Management Board of BNP Paribas Bank Polska S.A. responsible for the Integration Area, and from September 2015 for the Retail and Business Banking Area. Since September 2017, he has taken up a position in the IRB management of the BNP Paribas Group, where he is responsible for the Central and Eastern Europe and Turkey area. In addition, he serves as Chairman of the Supervisory Board of UkrSibbank and as a member of the Supervisory Board of TEB AS. Since 2018, he has been a member of the Supervisory Board of BNP Paribas Bank Polska S.A. and currently the Vice-Chairman.

4. **Jarosław Bauc** –Independent Member of the Supervisory Board

A graduate of the University of Łódź and the University of Windsor in Ontario, Canada. He completed internships at the London School of Economics and Wirtschafts-Universität Wien. He holds a PhD in economics from the University of Łódź. In 1982-1991, he was a researcher at the University of Łódź. In 1992-1997, he was an advisor and project manager at the Centre for Social and Economic Research (CASE). In 1995, he was a consultant to the National Bank of Estonia, in 1996 - USAID advisor to the Ministry of Finance of Mongolia, in 1997 - in Romania and in 2000 – in Georgia. In 1998-2000 he served as Secretary of State and First Deputy Minister of Finance of the Republic of Poland. In 1998-2000, member of the Monetary Policy Council. From 2000 to 2001, held the post of Poland's Minister of Finance. He sat on the management and supervisory boards of a number of companies. In particular, he served as chairman of the boards of Powszechnie Towarzystwo Emerytalne Skarbiec-Emerytura (in 2002-2003), Skarbiec Investment Management (in 2004-2005), Skarbiec Asset Management Holding (in 2004-2006) and Skarbiec Towarzystwo Funduszy Inwestycyjnych (in 2004-2006). In addition, in the years 2006-2007 and 2008-2011, he served as President of the Management Board and CEO of Polkomtel, then as a member of the Management Board of that company. In 2013, he was Vice-President of the Management Board of HAWE. Then (in 2013-2015), he served as Vice President of the Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA. He is associated with BNP Paribas Group since 2010. In September 2014, he was appointed to the Supervisory Board of BNP Paribas Bank Polska (former BGŻ S.A.). Until December 2020, he held the position of Vice-Chairman of the Supervisory Board of BNP Paribas Bank Polska S.A. and is currently a member of the Supervisory Board.

5. **Małgorzata Chruściak** - Member of the Supervisory Board

A graduate of the Faculty of Law and Administration at the University of Warsaw and postgraduate studies in coaching and mentoring at SWPS and the Psychoeducation Laboratory. She is a lawyer with over 20 years of experience in supporting business, which she gained, among others, as a partner and head of the banking practice while working for the largest international law firms in Warsaw: White & Case, CMS Cameron McKenna and EY Law. Since 2017, she has been working at EY Law Poland, specializing in advising on banking and finance and restructuring processes. She is recognized as a leading legal expert and recommended in the most prestigious legal rankings: Chambers Europe, IFRL and Legal 500 and works with the European Financial Congress (EFC). She is a practicing business coach and mentor and a member of the European Mentoring and Coaching Council and a member of the Association of Restructuring Practitioners. In 2020 she founded her own company "Mentoring for lawyers" combining legal practice and coaching/mentoring.

6. **Géraldine Conti** – Member of the Supervisory Board

Graduate of Sapienza University in Rome and postgraduate studies at Bocconi University and London Business School. She was a participant of the Women on Board training program at the European Business School. She started her professional career in 1996-1997 at the Italian Association for International Organizations working with the Organization for Security and Cooperation in Europe (OSCE). From 1997 to 1998 she worked at the Italian Ministry of Foreign Affairs in the area of project financing. From 1998 to 2000 she worked at Abbott - Diagnostic Division as a Controlling Specialist responsible for Italy. From 2000 to 2009 she worked at Banca Nazionale del Lavoro, first as HR Business Partner in the area of "e-services", Budget Manager and HR Manager for Talent Development, then as Payroll and Benefits Specialist and Head of International Mobility in the process of integration with BNP Paribas. Since November 2009, she has been the Managing Director of the HR Compensation and

Finance System for the IRB Area. She is responsible for HR issues across the US and the Asia Pacific Region of the IRB Area.

7. **Stefaan Decraene** –Member of the Supervisory Board

Graduated in Applied Economics from the Catholic University of Leuven, Belgium. He started his career in 1988 at Bacob Bank, then became Head of Investment Banking at Artesia Banking Corporation in 1998, later being appointed CEO of Artesia Securities. He was then involved in Wholesale Banking at Dexia Bank Belgium, after which he served as CEO of Artesia Bank Netherlands, then from 2002 he was a member of the Executive Board of Dexia Bank Netherlands and Dexia Bank Belgium. From 2006 to 2011, he held the position of President of the Management Board of Dexia Bank Belgium, being also a member of the Management Board of Dexia S.A. He has extensive knowledge in retail and commercial banking as well as in the area of asset management, insurance and investment services. He served as Chairman of the Belgian Federation of the Financial Sector (Febelfin) from 2008 to 2011. Since September 2015, a member of the Supervisory Board of BNP Paribas Bank Polska S.A.

8. **Magdalena Dziejguć** – Independent Member of the Supervisory Board

A graduate of the Faculty of Law and Administration at Adam Mickiewicz University in Poznań and the European School of Law and Administration in Warsaw. A graduate of the University of Minnesota/ Warsaw School of Economics. She also completed postgraduate studies at SWPS University of Humanities and Harvard Business School. She started her professional career in 1997-1999 in sales at Scala Polska, a global leader in ERP software. Next, she worked for Orange Polska, responsible for business development, and later the Orange B2B Corporate Market Office. In the years 2007-2012, she worked for Plus GSM, holding the position of Director of the Strategic Customer Department, Director of the Business Sales Department, Director of the Key Customers Department and then B2B Managing Director, where she was responsible for the management of the entire B2B sales processes and sales support processes. In the years 2011-2012, she was an investment advisor at MCI Management (VC and Private Equity). From 2012 to 2014, her professional activity was associated with Exatel, where she was Marketing Director and Vice President of the Board, responsible for Sales, Marketing, PR, Product Development and HR. Since September 2014 until now, she has been working at Google and has been the director of Google Cloud business development in the region of Central and Eastern Europe (Poland, Czech Republic, Slovakia and Hungary). Ms Magdalena Dziejguć, was a member of the Supervisory Board of PGE Dystrybucja SA and Chairperson of the Supervisory Board of NOM (Independent Interzone Operator) (2012-2014), a Chairperson of the Audit Committee of the LiderShe Association (2012-2018), a member of the Supervisory Board of the Humanites Foundation (2014-2018) and a member of the Board of Trustees of SWPS University of Humanities and Social Sciences (2016-2019). She has been a member of the Supervisory Board of BNP Paribas Bank Polska S.A. since June 2019.

9. **Vincent Metz** – Member of Supervisory Board

He holds a Master's degree in Economics from the University of Paris - École Polytechnique and a Master's degree from the École Normale Supérieure de Lyon. He started his professional career in 1993 at Compagnie Bancaire (since 1997 Paribas), where he held the position of Director of Financial Models in the Planning and Development Department. Since 1999, he has been associated with the CETELEM Group where he has held various positions (External Development Director, CRM and Global B2C Analysis Director in the Sales Department, Planning and Development Director in the Finance Department). In 2009 he took the position of Director of Product Marketing in the Sales and Marketing Department in BNP Paribas Personal Finance. He continued his career with BNP Paribas Personal Finance as Director of Marketing Analysis and Controlling in the Sales and Marketing Department, Deputy Head of the Key Partner Department and Deputy CEO of the PF Inside Area. Currently, Mr Vincent Metz holds the position of Managing Director of the Latin America Area and PF Inside Area and is a member of the Executive Committee of BNP Paribas Personal Finance. His responsibilities also include overseeing BNP Paribas Personal Finance in six countries. Mr. Vincent Metz is a versatile expert in managing development projects (external development, partner relations). He specialises in financial services, and has extensive experience in sales and marketing, including finance and risk.

10. **Piotr Mietkowski** –Member of Supervisory Board

Graduate in economics from Paris Dauphine University. He completed postgraduate studies in "International Economic Relations" at the Institute of Political Science in Paris. He started his professional career as an economist, focusing on emerging markets and European issues. Afterwards he worked in the Business Development Department of BNP Paribas and in Corporate Finance Department where he was responsible for CEE region. Mr. Piotr Mietkowski is currently the Managing Director of Investment Banking for Central and Eastern Europe, CIS, Greece and Turkey at BNP Paribas Group and a member of the Supervisory Board at BNP Paribas Bank Polska S.A. (since September 2015).

11. **Khatleen Pauwels** - Member of Supervisory Board

She received her degree in commercial engineering from the EHSAL Business School in Brussels in 2000. She started her career at Siemens IT Services, where she was responsible for creating an e-commerce portfolio. Then she continued work at Siemens Business Services, where she was a project manager, sales portfolio manager and director of Bidding and Tendering. She also managed the IT team for Outsourcing and Pre-Sales. Since 2007, she

has been working for Fortis Bank. Then she worked for BNP Paribas Fortis where she held many positions. Since 2010 she was the Head of IT Resource Management and Strategic Sourcing Team. Since 2013, she led more than a dozen process improvement initiatives in Distribution Channels and CRM before becoming Director of Distribution Channels and CRM in the E2E Operations Area in 2015. In 2018, she assumed the leadership of the Operations Department which leads Consumer and Business Customer Service. Since January 2020, she is Managing Director of the E2E Operations Area (called: Customer Service Center) and member of the Executive Committee of BNP Paribas Fortis.

12. Mariusz Warych – Member of Supervisory Board

Graduated in economics from the Faculty of Economics and Foreign Trade at the University of Łódź. Received a diploma in Finance and Accounting from Hogeschool van Utrecht in the Netherlands. Participated in the ACCA (Association of Chartered Certified Accountants) programme (1997-1998). He also obtained the CIA (Certified Internal Auditor) diploma. In his professional career to date, he has held the following positions: external auditor at Ernst & Young (New York, London, Toronto, Vancouver, Warsaw) (1996-2002), finance director at Citileasing sp. z o.o. and Handlowy-Leasing S.A. (2003-2004), Regional Coordinator for Central Europe at KBC GROUP N.V. (2004-2008), Internal Audit Director for Central and Eastern Europe and Russia at AVIVA (2008-2011), member of the Supervisory Board and Audit Committee at Jastrzębska Spółka Węglowa S.A. (2011-2012), Director of Enterprise Risk Management at Deloitte Advisory (2011-2012). In addition, he was a financial advisor to the Canadian-Polish Congress (British Columbia Branch) in Vancouver, Canada, where he also hosted a radio show on NOFA Polish Radio in Vancouver, Canada. Since 2009, he has chaired the Club of Audit Managers in Poland. He serves as a member of the Supervisory Board and Chairman of the Audit Committee of Selena FM S.A. His areas of expertise include: management, supervision and evaluation of business performance, identification and resolution of financial and operational weaknesses, management of risks associated with achieving business objectives, internal audit, business training and independent membership of supervisory boards and audit committees. Since June 2013 he has been a member of the Supervisory Board of BNP Paribas Bank Polska S.A.

Principles of functioning of the Supervisory Board

The Supervisory Board of BNP Paribas Bank Polska S.A. acts according to the provisions of the Banking Law, Code of Commercial Companies, Bank's Statute and By-Laws of the Supervisory Board, text available on the - Bank's website: <https://www.bnpparibas.pl/en/investor-relations/corporate-governance/legal-documents> .

The Supervisory Board exercises constant supervision over all aspects of the Bank's operations, in particular by evaluating the Management Board's reports on the activities of the Bank and Bank's Group as well as the financial statements of the Bank and Bank's Group for the previous financial year, as regards their compliance with accounting books and documents as well as facts, and evaluation of the Management Board's motions to distribute profits or cover losses. Additionally, the Supervisory Board is responsible for oversight of internal control system implementation as well as assessment of the appropriateness and effectiveness of the internal control system in place at the Bank.

In order to make the resolution of the Supervisory Board effective, it is required that all of the members of the Supervisory Board are notified about the meeting and at least a half of the Supervisory Board members is present at the meeting, including the Chairman or Vice-Chairman. The Supervisory Board adopts resolutions by simple majority of votes in the open voting. Secret voting is applied to resolutions on matters specified by law or regarding personnel decisions. The Supervisory Board may adopt resolutions in writing, without convening a meeting or using means of direct remote communication, in particular through the telephone, audiovisual and electronic means of communication.

Supervisory Board Committees

The Supervisory Board appoints internal committees composed of members of the Supervisory Board. The Committees have a consultative and advisory function for the Supervisory Board. The Committees activity is aimed at supporting the Supervisory Board through preparation in a working mode of opinions, recommendations and draft decisions concerning motions submitted for the Supervisory Board decision. The scope and mode of operation of the committees are determined by their regulations, which the Supervisory Board introduces in the form of a resolution.

The AGM approves the annual reports on the activities of the Supervisory Board and its Committees.

BNP Paribas Bank Polska S.A. established the following Supervisory Board Committees:

- Audit Committee
- Risk Committee
- Remuneration Committee
- Nominations Committee

Table 65. Composition of the Supervisory Board and Supervisory Board Committees as at 31.12.2021

Name	Supervisory Board Committees			
	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Lucyna Stańczak-Wuczyńska	Member	Member	Member	Member
Jean-Paul Sabet			Chairman	Chairman
Francois Benaroya	Member	Chairman	Member	Member
Jarosław Bauc	Member			
Małgorzata Chruściak		Member		
Géraldine Conti			Member	Member
Mariusz Warych	Chairman	Member		

Audit Committee

The Bank's Audit Committee is responsible for supporting the Supervisory Board in monitoring of financial information reliability, monitoring of internal control system effectiveness, monitoring of external audit function as well as ensuring effectiveness of the Bank's internal audit function by supervising activities of the Internal Audit Line, ensuring flow of information and efficient cooperation between external auditor (certified auditor), internal audit and the Supervisory Board and preparing annual reports on activities of the Committee, including assessment of risk in areas being subject to Committee's supervision, undertaken actions and their results. In addition, the Audit Committee supervises the activities of the statutory auditor and periodically evaluates its work. The Audit Committee was established by the Supervisory Board in accordance with the provisions of law regarding the appointment, composition and operation of the Audit Committee, as well as the independence of its members and their appropriate knowledge and skills, knowledge of accounting principles and auditing.

Composition of the Audit Committee

The Audit Committee is composed of four members, three of whom are independent members of the Supervisory Board who meet the independence criteria set out in the Ordinance of the Minister of Finance on the Audit Committee and § 16 par. 4 of the Bank's Statute, as well as the provisions of the Act on Statutory Auditors, Audit Firms and Public Supervision.

Composition of the Audit Committee as at 31 December 2021:

- Mariusz Warych – Chairman of the Committee (independent member)
- Lucyna Stańczak-Wuczyńska – Member of the Committee (independent member)
- Jarosław Bauc – Member of the Committee (independent member)
- Francois Benaroya – Member of the Committee

All members of the Audit Committee have adequate knowledge, competence and many years of experience in the financial and accounting sphere:

- **Mariusz Warych** – competence in accounting, auditing and internal audit, confirmed by a CIA diploma. Participant of the ACCA Coursework programme. Many years of experience as an independent member of supervisory boards and audit committees (JSW, Selena FM, Ukrsibbank Ukraine). External auditor at Ernst & Young - auditing banks in Poland, UK, Canada and USA. He assessed the functioning of Audit Committees. Chairman of the Heads of Audit Club in Poland. He gained his knowledge and skills as a Citi Group CFO in leasing companies and as a KBC regional coordinator supervising KBC's operations in Poland.
- **Lucyna Stańczak-Wuczyńska** – economic education and experience in the field of banking and finance gained during her 30-year work experience in the banking sector, in commercial banking and EBRD. During her professional career, Ms Lucyna Stańczak-Wuczyńska held a number of corporate governance positions, was a member (or an observer) of supervisory boards and a member of audit and risk committees (e.g. Alior Bank). She gained her industry knowledge and skills through many years of managing (as Director of EU Banks Team at EBRD in London) the portfolio (debt and equity) of a significant group of banks in 12 countries of the European Union, in Central and Southern Europe.

- **Mr Jarosław Bauc** – holds a PhD in economics. He gained his experience serving on the management and supervisory boards of a number of companies (Powszechne Towarzystwo Emerytalne SkarbiecEmerytura, Skarbiec Investment Management, Skarbiec Asset Management Holding and Skarbiec Towarzystwo Funduszy Inwestycyjnych, Polkomtel, HAWE, PGNiG). He has a comprehensive knowledge of finance and banking in Poland and abroad.
- **Mr Francois Benaroya** – with a degree in economics, he gained knowledge and experience in banking during his long-term employment in the banking sector on senior positions within the BNP Group. He was a member of the Management Board of BNP Paribas Bank Polska S.A. responsible for Integration Area, then for Retail and Business Banking. He serves on Supervisory Boards (Ukrsibbank Ukraine, TEB AS) and in the IRB management of the BNP Paribas Group where he is responsible for CEE and Turkey.

Detailed information on the education and professional experience of the Committee members is presented in the Supervisory Board section and on the website <https://www.bnpparibas.pl/en/english-info/bank-authorities>.

Regular members of the Audit Committee meetings also attend the meetings:

- Chairman of the Board
- Board member who supervises the Finance Area,
- Board Member who supervises the Risk Area,
- Managing Director of the Internal Audit Division,
- Managing Director of the Compliance Division.

Audit Committee Meetings

The Audit Committee meets at least four times a year or more frequently, depending on the needs arising from its tasks, including each time before the publication of the Bank's results and financial reports.

In 2021 the Audit Committee held 9 meetings, including 2 written meetings, to discuss, among other things:

- financial statements for 2020,
- the report on operations of the Bank's Capital Group for 2020,
- report containing non-financial information for 2020,
- quarterly and semi-annual reports on financial performance in 2021,
- the provision of additional services by the audit firm
- action plans of the Internal Audit Division and Compliance Division,
- periodical reports on the activities of the Audit and Compliance Divisions,
- annual report on evaluation of effectiveness of internal control mechanisms and processes,
- periodical reports on the status of monitored audit recommendations and the implementation of the PFSA's recommendations,
- the issue of the Bank's compliance with the "Best Practice for WSE Listed Companies 2021",
- recommendation to renew the contract with the auditing firm,
- the results of the Bank's BION assessment in 2021.

In addition, the Committee periodically evaluated the performance of the external auditor. It discussed and reviewed updated regulations in the areas of accounting, auditing and compliance, and recommended to the board of directors to adopt them.

In 2021 all members of the Audit Committee actively participated in Committee meetings and demonstrated a high level of commitment to the proper performance of their duties. The number and duration of meetings, as well as access to resources, were sufficient to enable the Audit Committee to fully discharge its responsibilities.

Audit Committee oversight of selection of audit firm

The Audit Committee supervises the activities of the statutory auditor. It issues recommendations to the Supervisory Board on the selection or resignation from the services of the entity authorised to audit financial statements, monitors compliance with the auditor's independence and objectivity principles, as well as rules of information exchange, supervises the auditor's work and performs a periodic evaluation of the external auditor's performance.

In September 2017, the Supervisory Board approved the following prepared by the Audit Committee:

- "Policy on the selection of the audit firm at BNP Paribas Bank Polska S.A."

- "Procedure for the selection of the audit firm at BNP Paribas Bank Polska S.A."
- "Policy on the provision of permitted non-audit services by the audit firm, by affiliates of the audit firm and members of the audit firm's network at BNP Paribas Bank Polska S.A."

The main objective of the Policy and Procedure for the selection of the audit firm is to ensure the correctness and compliance with the applicable legal provisions, including those related to:

- the maintenance of the independence of the audit firm and the key statutory auditor,
- applying transparent and non-discriminatory evaluation criteria when selecting an audit firm during the tender process,
- ensuring that principles for the appropriate rotation of audit firms and the key statutory auditor are followed, including cooling-off periods.

The fundamental assumption of the Policy on rendering permissible non-audit services by the audit firm, by entities related to the audit firm and members of the audit firm's network at BNP Paribas Bank Polska S.A. is to analyse compliance of the additional service with legal regulations as well as to control and monitor independence of the key statutory auditor and the audit firm. The policy allows for the provision of permitted services, to the extent not related to the Bank's tax policy, following an independence analysis and authorization to their provision.

On 12 December 2019, the Bank's Supervisory Board adopted a resolution appointing Mazars Audyt Sp. z o.o. as the audit firm authorised to audit and review the stand-alone financial statements of BNP Paribas Bank Polska S.A. and the consolidated financial statements of the BNP Paribas Bank Polska S.A. Group together with the reporting packages, for the years 2020-2021.

On 9 December 2021 the Board decided to extend the agreement with the existing audit firm for 2022-2023.

The Audit Committee's recommendation on the selection of the audit firm to audit the financial statements was made following an organised selection procedure that meets the applicable criteria.

In addition, in accordance with the requirements set forth in the Selection Policy (§ 4) and Audit Firm Selection Procedure (§ 8), taking into account the rotation rules for the audit firm and the key statutory auditor (§ 6 and 7 of the Policy), the Audit Committee recommended, and the Supervisory Board decided, to re-appoint the existing audit firm and to renew the audit contract with this firm for the financial statements of the Bank and the Bank's Group.

In 2021, the audit firm provided permitted non-audit services to the Bank in respect of the review of the Bank's and the Bank Group's half-yearly financial reports and consolidation packages. In assessing the independence of the audit firm and agreeing to provide the service, the Bank used the approval e-path for the key auditor and the audit firm to conduct the statutory audit of the Bank's and the Bank Group's financial statements as set out in the Certified Auditor Selection Policy.

Risk Committee

The Risk Committee's responsibility is to support the Supervisory Board in its fulfilment of supervisory duties in the risk management area, particularly including: providing opinion on the Bank's current and future ability to take risk, providing opinion on the risk management strategy in the Bank's operations prepared by the Management Board and on information from the Management Board concerning execution of this strategy, supporting the Supervisory Board in supervision over implementation of risk management strategy in the Bank by executive employees, verifying whether prices of liabilities and assets offered to clients reflect in full the business model of the Bank and its risk strategy, and where these prices do not adequately reflect the risks in accordance with the model and strategy - presenting to the Management Board recommendations on how to ensure the adequacy of prices of liabilities and assets with these risk categories.

Composition of the Risk Committee

The Committee is composed of at least three members of the Supervisory Board.

Composition of the Risk Committee as at 31 December 2021:

- Francois Benaroya – Chairman of the Committee
- Małgorzata Chruściak* – Member of the Committee (independent member)
- Lucyna Stańczak-Wuczyńska – Member of the Committee (independent member)
- Mariusz Warych – Member of the Committee (independent member)

** Małgorzata Chruściak has been a member of the Risk Committee since 29 September 2021. Previously, the Risk Committee consisted of three members.*

Risk Committee Meetings

The Risk Committee meets at least once every six months or more frequently if necessary. Meeting dates are set by the Committee Chairman. In 2021 the Risk Committee held four meetings.

During the meetings, the Risk Committee discussed periodic reports on:

- credit risk,
- market and liquidity risk,
- operational risk and fraud prevention,
- ALMT risk,
- legal risk,

In addition, the Committee provided opinions and recommended resolutions to the Supervisory Board, which included:

- operational risk strategy for 2021,
- operational risk strategy for 2022,
- investment strategy of BNP Paribas Bank Polska S.A.,
- methodology of stress testing analysis of sensitivity of interest rate, foreign exchange, liquidity and capital positions,
- policy on internal capital estimation at BNP Paribas Bank Polska S.A.,
- Risk appetite of BNP Paribas Bank Polska S.A.,
- risk management strategy,
- approval of risk tolerance level for models,
- recovery plan of BNP Paribas Bank Polska SA,
- information policy of BNP Paribas Bank Polska S.A. regarding capital adequacy.

In 2021 the Committee paid particular attention to the issue of legal risks related to litigation on foreign currency/CHF-denominated loans.

The number of Committee members attending each Risk Committee meeting allowed for the proper conduct of all Committee meetings in 2021.

Remuneration Committee

The Remuneration Committee supports the Supervisory Board in the fulfilment of its supervisory duties in the respect of human resource management by monitoring and overseeing key processes, in particular: HR policy, professional development of employees and remuneration policy. The competences of the Committee include, among others: analysing the performance of the members of the Management Board and proposing recommendations to the Supervisory Board in this respect as well as recommending to the Supervisory Board key performance indicators for the members of the Management Board, giving its opinion and monitoring succession plans for key positions in the Bank, monitoring the level and structure of remuneration for key positions in the Bank and submitting to the Supervisory Board annual information on the employment and remuneration structure in the Bank.

Composition of the Remuneration Committee

The Committee is composed of at least three members of the Supervisory Board.

Composition of the Remuneration Committee as at 31 December 2021:

- Jean-Paul Sabet – Chairman of the Committee
- Géraldine Conti* – Member of the Committee
- Francois Benaroya – Member of the Committee
- Lucyna Stańczyk-Wuczyńska – Member of the Committee (independent member)

* Géraldine Conti has been a member of the Remuneration Committee since 29 September 2021. Until 30 June 2021, Józef Wancer was a member of the Committee.

Remuneration Committee Meetings

The Remuneration Committee meets at least once every six months or more frequently as needed. In 2021, the Remuneration Committee held four meetings - including one in writing form. During the meetings, the Committee discussed:

- an evaluation report on the functioning of the remuneration policy in 2020, including the remuneration policy for persons with a material impact on the Bank's risk profile,
- the annual objectives of the members of the Bank's Management Board and the achievement of these objectives,
- remuneration principles and variable remuneration of members of the Management Board and managers of the audit and compliance area,
- report on employment and remuneration at the Bank in 2020,
- system of granting incentive awards,
- a change in the employee remuneration policy, remuneration policy for persons with a material impact on the Bank's risk profile and remuneration policy for the Supervisory Board members,
- changes to the Remuneration Committee Regulations.

Nominations Committee

The Nominations Committee supports the Supervisory Board in evaluating the qualifications of candidates for members of the Bank's Management Board and Supervisory Board. Together with the Supervisory Board, the Nominations Committee determines the criteria to be used in the selection of the members of the Management Board and the Supervisory Board. The criteria take into account: knowledge, competence and expected commitment in terms of time required to perform the function. In addition, the Committee determines the responsibilities of a candidate for the Bank's Management Board. The Nominations Committee periodically assesses, at least once a year, the knowledge, competence and experience of the Bank's Management Board as a whole as well as individual members of the Management Board. It also evaluates the structure, size, composition and effectiveness of the activities of the Bank's Management Board and then makes recommendations to the Supervisory Board for any changes in this respect.

The Nominations Committee creates and updates the "Suitability Assessment Policy for Supervisory Board Members, Management Board Members and Key Function Holders at BNP Paribas Bank Polska SA" applied by the Bank. It monitors its effectiveness. The assessment policy verifies the adequacy of the Supervisory Board members, Management Board members and persons who perform the most important functions at the Bank. The Nominations Committee periodically reviews the policy and makes recommendations for changes to the Supervisory Board. In addition, the Nominations Committee provides oversight of key processes such as succession plans and employee professional development. It makes recommendations to the Board regarding the nomination and succession process for individuals in key positions and recommendations to reduce or increase the number of members of the Bank's Management Board.

Composition of the Nominations Committee

The Committee is composed of at least three members of the Supervisory Board. The members of the Nominations Committee must have appropriate knowledge, competence and experience to properly assess the composition of the Management and Supervisory Boards and the recommended candidates for the Management and Supervisory Boards.

Composition of the Nominations Committee as at 31 December 2021:

- Jean-Paul Sabet – Chairman of the Committee
- Géraldine Conti* – Member of the Committee
- Francois Benaroya – Member of the Committee
- Lucyna Stańczak-Wuczyńska – Member of the Committee (independent member)

** Géraldine Conti has been a member of the Nominations Committee since 29 September 2021. Józef Wancer was a member of the Committee until 30 June 2021.*

Nominations Committee Meetings

The Committee's meetings are held with the frequency necessary to effectively fulfil its mission, on dates determined beforehand by the Chairman. In 2021, the Committee held five meetings - including two in written form.

In 2021, the Committee periodically assessed the individual and collective adequacy of members of the Supervisory Board and members of the Bank's Management Board. With the five-year term of the Supervisory Board ending in 2021, the Committee performed and confirmed a positive assessment of the suitability of the members of the Supervisory Board prior to their appointment for a new term. The Committee also evaluated the suitability of new Supervisory Board and Management Board candidates and assessed the individual suitability of Supervisory Board members prior to their appointment to the Committees. Moreover, the Committee discussed amendments to the Policy of assessing the suitability of the Supervisory Board members, Management Board members and persons performing the most important functions at BNP Paribas Bank Polska SA. At the same time the Committee discussed the Policy on Appointment and Dismissal of Supervisory Board Members and Management Board Members and the Policy on Succession Planning. The Committee recommended that the Supervisory Board approves the above regulations.

Management Board of the Bank

The Bank's Management Board is the management and executive body that operates on the basis of applicable laws, the Bank's Statute and the Regulations of the Management Board. As of 1 January 2020, the Bank's Management Board consists of nine members and this is pursuant to the Bank's Statutes. The members of the Management Board - president and vice-presidents - are appointed by the Supervisory Board for a joint term of office which lasts three years. The mandates of the members of the Management Board expire upon expiry of their terms of office on the date of the General Meeting which approves the financial statements for the last full financial year in which they performed their functions. In addition, the Supervisory Board, acting on the basis of the "Policy for appointing and dismissing members of the Management Board", may at any time dismiss or suspend a member of the Management Board. The President of the Management Board and at least one other member of the Bank's Management Board must have the knowledge and experience to manage the Bank in a stable and cautious manner. At least half of the members of the Bank Management Board should have good knowledge of the banking market in Poland, i.e., they should permanently reside in Poland, have a good command of Polish and have gained the required experience on the Polish market.

Table 66. Composition of the Bank's Management Board as at 31.12.2021 and division of functional responsibilities of particular Board members

Name	Office held in the Management Board of the Bank	Supervised areas
Przemysław Gdański	president	Bank Management, Strategy and Agro Markets Area, Human Resources Area, Transformation Area. He oversees the Internal Audit Division, Compliance Division, Marketing, Communications and Community Engagement Division, the Legal Division, Strategy and Market Analysis Division, and Agribusiness Division.
Jean-Charles Aranda	vice-president	Finance area , including the Financial Accounting Division, Capital Management Department, Management Accounting and Investor Relations Division, Tax Department, Asset and Liability Management Division, Data Governance Department.
André Boulanger	vice-president	CIB Banking Area , including the Financial Markets Division, CIB Strategic Clients Department, CIB Support and Business Development Department and Custody Services Department
Przemysław Furlepa	vice-president	Brokerage Office, Retail and Business Banking Area , including Sales Division, Internet Banking Division, Retail and Business Products Division, Credit Decision Department, Retail Banking Budgeting and Analysis Office, Wealth Management Department, Customer Relationship Development Department, Customer Transformation and Experience Development Department
Wojciech Kemblowski	vice-president	Risk Area , including the Corporate Restructuring and Debt Collection Division, SME and Agro Clients Risk Division, Individual and Micro Clients Risk Division, Financial and Counterparty Risk Division, CIB and Corporate Clients Risk Division, Systemic Risk Management Division, Operational Risk, Credit Control and Fraud Prevention Division.
Kazimierz Łabno	vice-president	Operations and Business Support area , including the Operations Division, Central Purchasing Department, Real Estate and Administration Department, Operations Control Department.
Magdalena Nowicka	vice-president	New Technologies and Cyber Security Area , including the New Technologies, Architecture and IT Support Division, Central Functions IT Division, Corporate Banking and Capital Markets IT Development Division, Retail IT Systems Development Division, IT Project Portfolio

Name	Office held in the Management Board of the Bank	Supervised areas
Volodymyr Radin	vice-president	Management and Organization Department, Security and Business Continuity Management Division, GCS Team (SPV). Personal Finance (PF) Banking Area , including Automotive Sales Division - Personal Finance, Consumer Finance Sales Division, B2C Sales Department, New Business Models and Innovation Department PF, Product Development and Customer Relationships Department PF, Partner Services and Insurance Banking Department PF, Operations Division PF, Planning and Finance Department PF.
Agnieszka Wolska	vice-president	*SME and Corporate Banking Area , including the Corporate Banking Sales Network Division, International Enterprises, Public Sector and Institutions Division, Corporate Banking Credit Decisions Department, Business and Organization Development Division, Specialized Finance Division, Cash Management Division, SME Sales Network Management Division, SME Product Development, Strategy and Credit Decisions Division, Leasing Department, Trade Finance Department, Factoring Management Department, Transaction Advisory Department, and Large Corporations Office.

* From 8 March to 31 August 2021 André Boulanger oversaw the SME and Corporate Banking Area - until Agnieszka Wolska took over.

Changes in the composition of the Bank's Management Board in 2021:

- 8 March 2021 - The Bank's Supervisory Board appointed: Przemysław Gdański, Jean-Charles Aranda, André Boulanger, Przemysław Furlepa, Wojciech Kembłowski, Kazimierz Łabno, Magdalena Nowicka and Volodymyr Radin as members of the Management Board for a new three-year term of office starting after the Annual General Meeting of the Bank approving the financial statements for 2020 (i.e. 24 March 2021). Jerzy Śledziwski, who supervised the SME and Corporate Banking Area, 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 until 8 March 2021).
- 12 May 2021 - The Bank's Supervisory Board appointed Agnieszka Wolska as Vice-President of the Management Board, overseeing the SME and Corporate Banking Area from 1 September 2021 until the end of the current term of the Management Board.

Members of the Bank's Management Board

1. Przemysław Gdański – President of the Management Board

Przemysław Gdański graduated from the University of Gdansk (faculty: International Trade) and completed a one-year program in international banking and finance at the Loughborough University in the UK. He completed the Advanced Management Program (AMP) at IESE Business School and a number of professional and managerial development programmes at, a.o., Harvard Business School, London Business School, University of California, Berkeley - Haas School of Business, Ashridge - Hult International Business School and HEC. He has been working in corporate banking for over 25 years. From 1993 to 1995 he worked for IBP Bank SA (BRE Bank was one of its shareholders), then for ABN AMRO Bank in Poland, Romania, and in the head office in Amsterdam. From 2002 to 2006, he was Managing Director of Large Corporates Division in BPH Bank SA. From May to November 2006 he was Chief Executive Officer and General Director of Calyon Bank Polska and Calyon Branch in Poland. In November 2006, he took the position of Vice-President of the Management Board of BPH Bank, responsible for corporate banking and real estate financing. As a result of the merger of a part of BPH Bank and Pekao SA, Mr Gdański was appointed as Vice-President of the Management Board, responsible for Corporate Banking, Markets and Investment Banking of Pekao SA. From 2008 to 2017, he was a member of the Board of Directors and Vice-President of mBank, where he was responsible for the Corporate and Investment Banking Division. Since November 2017, he has been the CEO of BNP Paribas Bank Polska S.A and a Territory Head for BNP Paribas, supervising BNP Paribas Group's enterprises in Poland. For many years she has been a patron of initiatives to promote diversity, gender equality and to support activities and promote professional development of women.

2. Jean-Charles Aranda – Vice-President of the Management Board

Jean Charles Aranda graduated with distinction from the University of Bordeaux in France, where he received an MA in Internal Audit and Management Controlling. He is a chartered accountant. Jean-Charles Aranda started his career in 1998 at the Paris office of KPMG, where he was the manager responsible for banking financial audit. Between 2004 and 2009 he acted as Head of Mission at the BNP Paribas Inspection Generale's central accounting team. He was charged with, among others, the creation of a new audit team dedicated to financial audits. In 2009 he was appointed CFO of BNP Paribas El Djazaïr in Algeria. In January 2013 he was promoted to the post of CEO of that bank. Between August 2016 and April 2017, he held the post of Managing Director of the Management

Accounting and Capital Management Line of BNP Paribas Bank Polska S.A. Since April 2017 he has been a member of the Management Board, then Vice President of the Management Board of BNP Paribas Bank Polska S.A., supervising the Finance Area.

3. **André Boulanger – Vice President of the Management Board**

Graduated with magna cum laude distinction from Université Libre de Bruxelles. After graduating in 1986, he joined Crédit Communal de Belgique (now Belfius Bank) and worked there until joining Banque Paribas Belgium in 1989, where he became Branch Manager in Brussels. Subsequently, André Boulanger became Deputy Head of Risk Department for Banque Paribas Belgium. In 1994, he moved to Banque Paribas France where he was Vice President in charge of European subsidiaries' commercial banking activities. He moved back to Belgium in 1998 to become Head of Corporate Banking. After the BNP and Paribas merger, in 2000, he became Head of the Corporate and Investment Banking activities. From 2002 André Boulanger continued his career in BNP Paribas France Structured Finance division as Head of Acquisition Finance and Loan Structuring Continental Europe. In 2005 he became Head of Corporate Coverage for Central and Eastern Europe and in 2007 André Boulanger was appointed as Global Head of Corporate and Transaction Banking. Then he was named the CEO and Chief Country Officer of BNP Paribas Netherlands (2010-2014). In 2014 he was nominated as Chief Operating Officer Corporate Banking Europe and in 2015 he became Chief Operating Officer EMEA Region. Since 2017 André Boulanger has served as Chairman of the Management Board of BNP Paribas JSC and Chief Country Officer in Russia. Since 2018 he has been Vice President of the Management Board of BNP Paribas Bank Polska S.A. supervising the CIB Banking Area.

4. **Przemysław Furlepa – Vice President of the Management Board**

A graduate of the Academy of Economics (now the University of Economics) in Katowice. He completed post-graduate studies at the Gdansk Bank Academy, Warsaw School of Economics and Jagiellonian University. He participated in numerous national and international managerial courses and workshops. He started his professional career with BPS Consultants Poland (now Nielsen Marketing Research). Then in the years 1994-1996 he worked as the Analyses Team Manager in the Wydawnictwo Papierów Wartościowych (securities publishing house). From 1996 to 2002 he worked for ING Bank Śląski, where initially he was employed in the Controlling Department and in the following years he was the Head of the Small and Medium-sized Enterprises Department, Corporate Customer Market Manager and Deputy Director of the Corporate Customer Department. In the years 2002-2004 he was the Financial Director and Board member in Alpinus SA (now HiMountain). In 2005 (until 2017) he started working for ING Bank Śląski on the position of the Regional Retail Sales Director, then he was Retail Sales Department Director and Sales and Quality Development Department Director. Since 2013, as the Executive Director of Retail Banking he was responsible for the management of customer relations, segments and internet banking as well as digital banking and enterprises segment. He was a member of international projects focused on building added value for customers through an omni-channel approach, increase in quality of digital services offering and cooperation with fin-techs. Since October 2017 he has been Vice President of the Management Board of Bank BNP Paribas Bank Polska S.A., responsible for Retail and Business Banking Area.

5. **Wojciech Kembłowski – Vice President of the Management Board**

He is a graduate from the Warsaw School of Economics (Faculty of Finance and Statistics). He completed several management courses organised by Harvard Business School and Raiffeisen Bank International AG. At the beginning of his professional career (1993-1997), he worked for CSBI S.A., a company of the Sygnyty S.A. group, where he held the position of head of Analysis in the Financial Department. Then he worked for Raiffeisen Bank Polska S.A., first as a financial analyst and an account manager (1997-2000), and then as a risk manager (2000-2003). In the years 2003-2008, he was the Head of the Credit Risk Management Department of Raiffeisen Bank Polska S.A. responsible for corporate, SME and financial institutions. In the years 2008-2011, he held the position of director and subsequently of managing director of the Risk Area of Raiffeisen Bank Polska S.A. Since May 2011, he was working for BNP Paribas Bank Polska S.A. as a member of the Management Board and the Chief Risk Officer. Since May 2015 he has been a Vice President of the Management Board of BNP Paribas Bank Polska S.A. supervising the Risk Area

6. **Kazimierz Łabno – Vice President of the Management Board**

Kazimierz Łabno holds a degree in sociology from the Jagiellonian University in Kraków and post-graduate degree in banking studies from the Cracow University of Economics. He has nearly 30 years of professional experience in universal banking projects as well as in the area of nearshoring and operations. He started his banking career in 1990 at BPH Bank and worked there until 2010. He was responsible for the project of merging Bank Przemysłowo-Handlowy with Powszechny Bank Kredytowy. In 2005, he managed the BPH Bank's demerger process. In 2007, he became the vice-president of the management board responsible for IT, operations, services and integration. In 2010, he left BPH Bank to manage the Strategic Projects Department at Alior Bank. In 2012 he interrupted his career in the banking sector and established a cardboard packaging factory - TriPack Ltd. In 2013, he was the vice-president of the management board of IT BPS company, part of Bank Polskiej Spółdzielczości S.A. Group. Then he had held the position of operations director and transformation manager at Raiffeisen Bank Polska SA. Since November 2018 he has been a Vice President of the Management Board of BNP Paribas Bank Polska S.A. supervising the Operations & Business Support Area.

7. Volodymyr Radin –Vice President of the Management Board

Graduate of the Ukrainian Academy of Banking (National Bank of Ukraine). He also completed a graduate course in marketing at the HEC in Paris and a course on running Boards of directors at the Ukrainian Corporate Governance Academy. He has over 15 years of banking experience. From 2002 to 2003 he worked for Bank Aval (Raiffeisen Bank Aval) as the Head of the Consumer Finance unit. From 2003 to 2007 he held the position of Head of Retail Business Line in Universal Bank of Development and Partnership (Foxtrot Group), then, from 2007 to 2008, he was the Deputy Head of the Retail Business Line and Head of Product Management in Kreditprombank. In 2008 he joined the BNP Paribas Group as Head of Sales and Marketing and Deputy Head of Personal Finance Business Line at Ukrsibbank (BNP Paribas Group). In 2014 he was nominated Head of Personal Finance Business Line, member of the Management Board of Ukrsibbank and later, Deputy CEO of the Bank. During his over 15 year career at financial institutions, he participated in numerous projects consisting in the creation, deep transformation or comprehensive modernization of retail banking operations: consumer finance, credit cards, automotive financing, mortgage loans, payment services, savings products, debt collection, contact centers. Based on his solid financial background he has built strong competences in various areas of the banking industry such as sales & marketing, financial planning and budgeting, operational and credit risk management, commercial analytics, client satisfaction management. Since October 2019 he has been Vice President of the Management Board of BNP Paribas Bank Polska S.A., supervising the Personal Finance Banking Area.

8. Magdalena Nowicka –Vice President of the Management Board

Magdalena Nowicka is a graduate of the Faculty of Mathematics at the Maria Curie Skłodowska University in Lublin and holds an MBA degree from the Warsaw University of Technology. She also completed a post-graduate course in management and IT in business at the Warsaw School of Economics. She worked for ING Group for 20 years. She began her career at ING Barings in 1997, then she worked in the IT Division at ING Bank Śląski where she was holding the position of Head of IT Support Department. From 2006 to 2016 she was CEO of ING Group's technological center rendering IT services, including cybersecurity and cloud solutions for clients located in more than 20 countries. In 2017 she took the position of Head of IT Poland at Nordea. Among other projects, she participated in building the Nordea Horizon Center – a modern IT monitoring and operational center. As the Global Head of Technology Sourcing at Nordea, she was also responsible for executing its strategy in terms of utilizing global IT services centers. Since January 2021 she has been a Vice President of the Management Board of BNP Paribas Bank Polska S.A. supervising the New Technologies and Cybersecurity Area. Magdalena Nowicka is active in projects supporting the development of women in the world of new technologies. She is a mentor of the programme "Technology in a skirt".

9. Agnieszka Wolska – Vice President of the Management Board

Agnieszka Wolska graduated in Finance and Banking from the Warsaw School of Economics. She has over 17 years of experience in stock-listed international banks. She started her professional career in 2003 at Bank BPH in the Structured Finance Department. In 2006, she took the position of Deputy Head of the Structured Finance Department. She became the Deputy Head of Corporate Solutions at Bank Pekao in 2007, and the Head of the TMT Bureau at this bank in 2010. In 2014, she took the position of the Head of Large Corporate Department at Santander Bank Polska, and in 2016 she was nominated for the position of the director, Head of Corporate Banking Area at this bank. In the same year, she joined the group of 10+ top-level executives at Santander Bank Polska, forming executive management team of Polish operations. In 2018, she was appointed director, Head of Business and Corporate Banking Area at Santander Bank Polska. During her career, she also participated in numerous courses in finance, management and leadership. Since September 2021, she is Vice President of the Management Board of BNP Paribas Bank Polska S.A. and oversees the SME and Corporate Banking Area.

Principles of functioning of the Management Board

The Management Board handles all matters of the Bank which are not reserved by law and which do not fall within the competence of other bodies of the Bank. A detailed description of the operation, including the scope of competence of the Management Board, is set out in § 22(2) of the Bank's Statutes and in the Regulations of the Bank's Management Board

A list of the most important matters handled by the Board:

- 1) Preparing a draft strategy for the development of the Bank and submitting it to the Supervisory Board for approval.
- 2) Preparation of the financial plan and acceptance of the report on its implementation.
- 3) Adoption of the report on the Bank's activities, the Bank's financial statements and the report on the activities and consolidated financial statements of the Capital Group.
- 4) Determination of the human resources policy, including in particular the principles of remuneration, the structure and profile of employment, the principles of the social policy.
- 5) Determination of the Bank's product offer.

- 6) Determination of the organisational structure of the Bank.
- 7) Creation and cancellation of the Bank's committees and determination of their competencies.
- 8) The establishment of commercial proxies.
- 9) Determination of the management areas supervised by the particular members of the Management Board.
- 10) Determination of the principles of control and internal audit functioning.
- 11) Making decisions on the purchase or sale of real estate, a share in real estate, or the right of perpetual usufruct, if their value is lower than PLN 10,000,000 (ten million) but higher than PLN 5,000,000 (five million); however, it is stipulated that the resolution of the Management Board is not required in the case where the purchase or sale of real estate, a share in real estate, or the right of perpetual usufruct is related to the satisfaction of the Bank's claims against its debtor securing the Bank's receivables or a lease agreement in which the Bank acts as a financing party, including in particular in the case of purchase in the performance of a lease agreement, sale after the expiry of a lease term or during a lease term and sale after termination of a lease agreement concerning a given real property, a share in real property or the right of perpetual.
- 12) Deciding on contracting an obligation or disposing of a right the total value of which in relation to one entity exceeds 5% of own funds.

The manner of representation of the Bank is determined by the Statute, according to which declarations of will on behalf of the Bank are submitted by:

- two members of the Management Board acting jointly or one member of the Management Board together with the commercial representative,
- proxies acting within the power of attorney granted, commercial representatives – acting within the competencies resulting from the provisions on commercial representation, and in the case of the establishment of a joint commercial representation, two commercial representatives acting jointly.

Representatives may also be appointed to make declarations of will on behalf of the Bank, acting alone or with another authorised person (attorney, proxy or member of the Bank's Management Board) within the limits of the powers of attorney granted to them.

The Bank's Statute did not grant any special rights to the Management Board with respect to the issue or redemption of shares. However, the Extraordinary General Meeting of the Bank on 31 January 2020 decided to grant conditional authorisation to the Management Board (subject to the approval of the PFSA) for the Bank to purchase the Company's own shares from persons covered by the incentive programme and to create a reserve capital allocated entirely to the purchase of own shares. The EGM's decision came into effect after the approval of the PFSA for the above actions.

Decisions of the Management Board shall take the form of resolutions and shall be adopted by an absolute majority of votes cast in the presence of at least half the members of the Management Board. Meetings of the Management Board shall be held whenever necessary. The members of the Management Board may meet in one place or communicate by means of direct remote communication.

Due to the ongoing COVID-19 pandemic, Board meetings in 2021 were held under a hybrid model. In 2021, 72 meetings of the Bank's Management Board were held, of which 17 were held by written procedure. The Board members passed 155 resolutions.

10.4. Remuneration of the Management Board and Supervisory Board

Individual data on remuneration paid in during the year for individual Management Board Members are as follows:

Table 67. Remuneration paid to Management Board members in 2021¹

PLN'000	Period of service		Basic remuneration	Variable remuneration paid during the year	Phantom shares	Shared issues ²	Additional benefits	Total	
Name and surname	from	to							
	Przemysław Gdański	01.01.2021	31.12.2021	2,132	886	81	345	147	3,591
	Jean-Charles Aranda	01.01.2021	31.12.2021	985	294	36	171	260	1,746
	André Boulanger	01.01.2021	31.12.2021	1,068	242	6	176	129	1,621
	Przemysław Furlepa	01.01.2021	31.12.2021	1,080	286	36	206	214	1,822
	Wojciech Kemblowski	01.01.2021	31.12.2021	1,045	392	76	236	107	1,856
	Kazimierz Łabno	01.01.2021	31.12.2021	890	128	-	117	106	1,241
	Magdalena Nowicka	01.01.2021	31.12.2021	960	-	-	-	83	1,043
	Volodymyr Radin	01.01.2021	31.12.2021	682	88	-	28	647	1,445
	Jerzy Śledziwski ³	01.01.2021	24.03.2021	852	336	61	234	476 ⁴	1,959
	Agnieszka Wolska	01.09.2021	31.12.2021	340	-	-	-	80	420
Total				10,034	2,652	296	1,513	2,249	16,744

¹ remuneration paid to the Management Board Members for the period of performing duties in the Management Board

² value of shares issued according to the valuation in the actuarial report

³ the remuneration given until the date of termination of the employment relationship

⁴ includes severance pay already paid on termination of the employment contract and compensation for unused annual leave

Table 68. Remuneration paid to Management Board members in 2020¹

PLN'000	Period of service		Basic remuneration	Variable remuneration paid during the year	Phantom shares	Additional benefits	Total	
Name and surname	from	to						
	Przemysław Gdański	01.01.2020	31.12.2020	2,020	592	467	135	3,214
	Jean-Charles Aranda	01.01.2020	31.12.2020	902	376	155	250	1,683
	André Boulanger	01.01.2020	31.12.2020	1,022	263	40	126	1,451
	Przemysław Furlepa	01.01.2020	31.12.2020	1,067	339	191	294	1,891
	Wojciech Kemblowski	01.01.2020	31.12.2020	1,020	538	297	111	1,966
	Kazimierz Łabno	01.01.2020	31.12.2020	830	171	-	94	1,095
	Jaromir Pelczarski	01.01.2020	31.12.2020	1,037	441	227	107	1,812
	Volodymyr Radin	01.01.2020	31.12.2020	679	50	-	590	1,319
	Jerzy Śledziwski	01.01.2020	31.12.2020	1,135	425	260	113	1,933
Total				9,712	3,195	1,637	1,820	16,364

¹ remuneration paid to the Management Board Members for the period of performing duties in the Management Board

Members of the Management Board concluded with BNP Paribas Bank Polska S.A. employment contract for an indefinite period. Terms of contracts were prepared in accordance with the currently applicable laws and internal regulations. Members of the Management Board signed non-competition agreements while working with BNP Paribas Bank Polska S.A. Additionally, 2 members of the Management Board are bound by non-competition agreements for 9 months after termination of work. Members of the Management Board of BNP Paribas Bank Polska S.A. do not receive remuneration for acting as governing bodies of subsidiaries of the BNP Paribas Bank Polska S.A. Group.

According to individual employment contracts, Management Board members have the right to life insurance and a medical care package as well as compensation bonuses. In addition, the additional benefits due to members of the Management Board (based on individual employment contracts) include, among others:

- housing allowance specified in the employment contract,
- covering or reimbursement of costs incurred in connection with posting to work in Poland,
- covering the costs of private travel to the posting country for a Member of the Management Board and members of the family living in Poland (at a specific frequency),

- covering the costs of attending children to schools in Poland,
- one-time allowance related to a change of place of work.

BNP Paribas Bank Polska S.A. does not have any liabilities arising from pensions and benefits of a similar nature, towards the former management and supervisory staff.

Individual data on remuneration paid in during the year for individual Management Board members are as follows:

Table 69. Remuneration paid to Supervisory Board members in 2021

PLN'000	Period of service		Remuneration due to the office held in the Supervisory Board ¹	Remuneration due to the office previously held in the Management Board		
	Name and surname	from		to	Variable remunerations	Phantom shares
	Lucyna Stańczak-Wuczyńska	01.01.2021	31.12.2021	365	-	-
	Józef Wancer	01.01.2021	30.06.2021	350	-	-
	Jean-Paul Sabet	01.01.2021	31.12.2021	21	-	-
	Francois Benaroya	01.01.2021	31.12.2021	-	34	26
	Jarosław Bauc	01.01.2021	31.12.2021	190	-	-
	Małgorzata Chruściak	01.07.2021	31.12.2021	73	-	-
	Géraldine Conti	01.07.2021	31.12.2021	-	-	-
	Stefaan Decraene	01.01.2021	31.12.2021	-	-	-
	Magdalena Dziewguć	01.01.2021	31.12.2021	153	-	-
	Sofia Merlo	01.01.2021	24.03.2021	-	-	-
	Vincent Metz	01.01.2021	31.12.2021	-	-	-
	Piotr Mietkowski	01.01.2021	31.12.2021	-	-	-
	Khatleen Pauwels	01.07.2021	31.12.2021	-	-	-
	Stephane Vermeire	01.01.2021	31.05.2021	-	-	-
	Mariusz Warych	01.01.2021	31.12.2021	305	-	-
	Total			1,457	34	26

¹ includes only remuneration for work in the Supervisory Board

Table 70. Remuneration paid to Supervisory Board members in 2020

PLN'000	Period of service		Remuneration due to the office held in the Supervisory Board ¹	Remuneration due to the office previously held in the Management Board		
	Name and surname	from		to	Variable remuneration	Phantom shares
	Józef Wancer	01.01.2020	31.12.2020	600	-	-
	Jarosław Bauc	01.01.2020	31.12.2020	180	-	-
	Jean-Paul Sabet	01.01.2020	31.12.2020	-	-	-
	Francois Benaroya	01.01.2020	31.12.2020	-	154	90
	Stefaan Decraene	01.01.2020	31.12.2020	-	-	-
	Magdalena Dziewguć	01.01.2020	31.12.2020	150	-	-
	Michel Falvert	01.01.2020	19.03.2020	-	-	-
	Sofia Merlo	01.01.2020	31.12.2020	-	-	-
	Vincent Metz	29.06.2020	31.12.2020	-	-	-
	Piotr Mietkowski	01.01.2020	31.12.2020	-	-	-
	Monika Nachyła	01.01.2020	30.11.2020	150	-	-
	Lucyna Stańczak-Wuczyńska	01.12.2020	31.12.2020	-	-	-
	Stephane Vermeire	01.01.2020	31.12.2020	-	-	-
	Mariusz Warych	01.01.2020	31.12.2020	300	-	-
	Total			1,380	154	90

¹ includes only remuneration for work in the Supervisory Board

Information on the remuneration of the Management Board and the Supervisory Board members can be found also in note 52 Related party transactions in the Stand-alone Financial Statements of BNP Paribas Bank Polska S.A. for the year ended 31 December 2021.

On 24 August 2018, at the Extraordinary General Meeting, a resolution was adopted as a result of which a member of the Supervisory Board who is simultaneously employed in any entity within the BNP Paribas SA Capital Group or in any subsidiary of any entity being part of the BNP Paribas SA Capital Group, will not be entitled to remuneration for performing the function of a member of the Supervisory Board of BNP Paribas Bank Polska S.A.

10.5. Diversity policy

Promoting diversity is an integral part of the Bank's management model and BNP Paribas Group management principles. The management of this area is regulated in the Policy on the assessment of the suitability of members of the Supervisory Board, Management Board and key function holders in BNP Paribas Bank Polska S.A. and Diversity Management Policy in BNP Paribas Bank Polska S.A.

Diversity Management Policy in BNP Paribas Bank Polska S.A.

The Policy sets out the rules of conduct at BNP Paribas Bank Polska S.A. as regards counteracting discrimination in terms of respect for diversity, taking into account the BNP Paribas Group principles. It applies to all employees in the aspect of every process in the area of human resources management, including the process of recruitment, career planning and development and training of employees. In the Bank the discrimination in employment is unacceptable, whether direct or indirect, in particular due to gender, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnicity, religion, sexual orientation, gender identity and also due to employment type (definite/indefinite period, full-time/part-time).

The Bank promotes diversity aspects through such initiatives as: Diversity Days, Development Festival, Parental Week, talent and development programmes, an inclusive benefits package, "Dobrze" wellbeing process as well as adequate rules and tools supporting work organisation. The Bank also places great emphasis on measures to prevent discrimination, mobbing and harassment. The Bank encourages and actively supports grassroots initiatives of employee networks e.g. "Women Changing BNP Paribas", "Dad, you've got it like in the bank"; it also engages in projects of the non-governmental sector that promote diversity and prevent exclusion of particularly vulnerable social groups.

The Bank has again externally verified and evaluated its diversity activities and was included in the second edition of Diversity In Check (previously Diversity & Inclusion Rating) among leaders in managing diversity and promoting an inclusive organizational culture. The rating developed by the Responsible Business Forum and Deloitte was based on the assessment of four areas of an organisation's maturity in terms of D&I: management basics, programmes and activities, commitment building and performance indicators.

The Bank has also ordered an external evaluation of its efforts to include the LGBT+ community. In the 2021 "Cashless for Equality" ranking of financial institutions in Poland implementing D&I towards LGBT+ people, the Bank were ranked fourth (first among banks).

The Bank is also a signatory to two important documents regulating diversity management:

- The Diversity Charter - an international initiative supported by the European Commission, which concerns i.a. the prohibition of discrimination in the workplace and the involvement of all employees and business and social partners in these activities, and
- The BNP Paribas Agreement on Fundamental Rights and Global Social Solutions together with the ILO (International Labour Organization) Global Business and Disability Network Charter, the agreement is a commitment to achieving business results with respect for human rights by, inter alia, promoting diversity and tolerance, ensuring health protection and quality of life at work, gender equality, employment management and change, with a particular focus on principles relating to the employment and working conditions of people with disabilities.

The Bank also pays particular attention to promoting diversity as a service provider. It works with the Integration Foundation to eliminate barriers for its customers with disabilities.

The Bank in its activities is guided by the principles of universal design and implements a policy that puts the customer and his needs - regardless of age and disability - at the centre, rather than procedures.

Diversity policy with regard to supervisory, governing and administrative bodies

Detailed principles are stipulated in the document "Policy on the assessment of the suitability of members of the Supervisory Board, Management Board and key function holders in BNP Paribas Bank Polska S.A."

Diversity policy with regard to members of the Management Board, Supervisory Board and key function holders in BNP Paribas Polska S.A. aims to reach out to a wide range of characteristics and competences when appointing the members of the Supervisory Board and the Management Board, in order to acquire different points of view and experiences and to enable independent opinions and sound decisions to be issued within the body, thus ensuring the high quality of performance of the tasks of the management and supervisory bodies.

As far as the substantive criteria are concerned, the diversity strategy ensures the selection of persons with diverse knowledge, skills and experience, appropriate to their functions and responsibilities, which are complementary at the level of the entire Management Board and Supervisory Board. The criteria are verified in the suitability assessment process described in the Policy on the assessment of the suitability of members of the Supervisory Board, Management Board and key function holders in BNP Paribas Bank Polska S.A. Moreover, the Diversity Policy covers and uses to achieve the best results differences that, apart from knowledge, competence and professional experience, result from gender, age and geographical origin.

The Bank sets a quantitative target to the real implementation of diversity, including ensuring adequate participation of women in the Bank's bodies. The Bank has taken a strategic decision reflected in its Diversity Policy that by 2025 it will ensure the participation of 30% women in the Management Board and Supervisory Board, separately in each body.

The table below presents the current diversity with respect to gender, age and experience of the Supervisory Board and Management Board members and key managers.

Table 71. Bank's employment structure by gender, age and experience*

Gender	Women	Men	Total
Supervisory Board	5	7	12
Management Board	2	7	9
Key managers	40	75	115

Age	30-40	40-50	50-60	>60	Total
Supervisory Board	0	3	7	2	12
Management Board	0	3	6	0	9
Key managers	10	80	23	2	115

Experience (years in the Bank)	<5	5-10	10-15	15-20	20-25	>25	Total
Management Board	6	2	1	0	0	0	9
Key managers	26	15	27	23	20	4	115

* data was prepared based on the full employment status at the Bank (including employees on maternity leave, childcare leave and longer sick leave)

10.6. System of control and risk management in the process of financial statements preparation

The Bank adopted an Accounting Policy consistent with the International Financial Reporting Standards approved by the European Union and other specific internal acts regarding the recording of events and the processes for preparing accounting and reporting data. The Financial Accounting Division and the Management Accounting and Investor Relations Division, supervised by the Vice-President of the Management Board responsible for Finance are responsible for the preparation of financial statements, periodic financial reporting and providing management information. The financial statements are adopted by resolution and approved for publication by the Bank's Management Board.

The Bank's financial reporting process is based on accounting data, the preparation of which in source systems and in reporting databases is subject to formal operational and acceptance procedures. The reporting data are subject to control mechanisms, such as reconciliation of the reporting data with the accounting books, analytical data and relevant documentation. The process of month-end closing and preparation of accounting and reporting data is carried out and monitored on the basis of a schedule that defines the various stages of the process along with their owners, who are responsible for the correct and timely completion of the various activities.

As part of risk management in the process of preparing financial statements, the Bank monitors, on an ongoing basis, changes in laws and regulations relating to financial reporting of banks and updates the accounting principles applied and the scope and form of disclosures in the financial statements accordingly, as well as making the required changes to the IT systems.

The Bank's consolidated financial statements are prepared on the basis of the Bank's separate data and information received from its subsidiaries, in the form of consolidation packages. The Financial Accounting Division verifies the information received and also maintains ongoing communication with the financial services of the subsidiaries to ensure the best possible quality and consistency of the data received.

A key role in the process of evaluating the Bank's financial statements is played by the Audit Committee, which monitors the financial reporting process and the independence of the auditor and the entity authorised to audit financial statements and recommends to the Supervisory Board the approval or rejection of the annual financial statements. The annual financial statements, following a positive recommendation from the Audit Committee and the Supervisory Board, are presented to the General Meeting of Shareholders for approval.

10.7. Information on certified auditor

Pursuant to the provisions of the Statute of BNP Paribas Bank Polska SA, the entity authorised to audit the financial statements of the Bank and the Bank's Group is selected by the Bank's Supervisory Board based on a recommendation of the Audit Committee.

On 12 December 2019 the Supervisory Board adopted a resolution appointing Mazars Audyt Sp. z o.o. as the audit firm have concluded an agreement for the period necessary to perform the audit and review of the Bank's standalone financial statements and the Group's consolidated financial statements together with the reporting packages for the years 2020-2021.

On 9 December 2021 the Bank's Supervisory Board selected the existing audit firm to audit and review the financial statements of the Bank and the Group together with the reporting packages for the years 2022-2023. The extension of the contract with the auditing company was entrusted to the Management Board of the Bank.

Mazars Audyt Sp. z o.o., with its registered office in Warsaw at ul. Piękna 18, is entered in the list of audit firms maintained by the National Council of Statutory Auditors under No. 186.

Table 72. Auditor's fee by service type

PLN '000 (including VAT)	12 months ended 31.12.2021			12 months ended 31.12.2020		
	Bank	Subsidiaries	Total	Bank	Subsidiaries	Total
Statutory audit of financial statements	975	181	1,156	931	179	1,110
Other assurance services*	989	439	1,428	875	434	1,309
Total	1,964	620	2,584	1,806	613	2,419

* The fees related to other assurance services include remuneration of the auditor for reviewing of the interim financial statements as well as reviewing and auditing of the reporting packages for consolidation purposes of BNP Paribas Group, review and audit of funds managed by a subsidiary TFI and assurance services related to the verification of the ESEF for year 2020.

In 2020, the Auditor's fee was increased by PLN 48 thousand (PLN 43 thousand - statutory audit, PLN 5 thousand other assurance services for BNP Paribas Solution Sp.z o.o.).

11. Other information

11.1. ESG management (E-environmental impact, S-social impact, G-governance)

BNP Paribas Bank Polska S.A. (hereinafter: the Bank) simultaneously with the publication of this report, publishes the ESG Report for 2021, which comprehensively presents non-financial information about the Bank and the Group. The ESG Report meets the requirements of the Accounting Act and, as a separate document, constitutes a statement on non-financial information.

Selected non-financial indicators

NON-FINANCIAL EFFECTIVENESS INDICATOR	DATA FOR THE BANK FOR 2021
E - environmental impact	
Volume of loans granted under green financing	PLN 3.8bn growth (+284% y/y)
Number of household photovoltaic installations set up using the Bank's offering	16,065 growth (+61% y/y)
Index of electricity consumed by the Bank from renewable energy sources	100% no change y/y
Number of documents signed electronically using the Autenti system	613,350 growth (+110% y/y)
Reduction of CO ₂ emissions from operations	decrease by 47% vs 2019
S - social impact	
Number of customers of all business lines	4,117 thousand growth y/y
Number of active customers online	1,527 thousand - number of customers using remote channels growth y/y
Number of retail and business banking branches	427 retail and business banking branches, including 15 partner branches
Number of ATMs and cash deposit machines	at branches - 514 dual purpose machines, 58 ATMs outside Bank branches - 2 dual purpose machines and 2 ATMs
Value of the first Sustainability Linked Loan for Raben Group	EUR 225 million
Number of branches with "Barrier-free branch" certificate	77 growth y/y
Number of Bank employees (persons and per FTE)	8 809 persons 8,504 FTEs
Average number of training hours per employee	24.32 hours growth y/y
Number of hours worked by employees as part of social engagement	24,767 hours
G - governance	
% of women in managerial positions	56.2%
Number of CSR analyses of clients from sensitive sectors	174
% of new suppliers who have signed the CSR Declaration	95%

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: E-Environmental, S-Social, G-Governance) 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 **CSR and Sustainable Development Strategy of BNP Paribas Bank Polska S.A.** is an integral part of the "Fast Forward" strategy implemented in the reported period, as well as of the strategy outlined for the following years. The strategy is aligned with the strategy of BNP Paribas Group and takes into consideration local conditions. The Strategy's implementation activities reinforce the Bank's contribution to the UN Sustainable Development Goals, recognised as the global plan to remedy the world.

For more information on the CSR and Sustainability Strategy, please refer to the CSR and Sustainability Report 2021, which presents non-financial information on the activities of BNP Paribas Bank Polska S.A. and the BNP Paribas Bank Polska S.A. Group.

Supervision of ESG issues, including the implementation of strategic objectives in the area of CSR and sustainable development, is performed by the Management Board, headed by the CEO.

In 2020 BNP Paribas Bank Polska S.A. appointed a function - Chief Sustainability Officer, who heads the Sustainability Board composed of representatives of the Bank's key areas and business lines with regard to the implementation of the sustainability mission. The Chief Sustainability Officer reports directly to the President of the Management Board who oversees the implementation of the strategic integration of ESG aspects into the organisation's activities. **The main responsibilities of the Sustainability Council include:**

- defining and monitoring strategic actions in the area of ESG, which will be an integral part of the new Strategy of BNP Paribas Bank Polska S.A. for 2022-2025
- overseeing the development of sustainable banking products and services,
- combining ESG initiatives undertaken in different business areas.

By the end of 2021, the units responsible for sustainability and ESG activities were the **CSR and Sustainability Office and the Sustainability Programmes Office.**

From January 2022, the sustainability tasks previously divided between the Bank's various units have been brought together in a single competence centre - **the Sustainability Area**, established in December 2021. **The existing Chief Sustainability Officer was appointed Executive Director of the Area.**

E - Environmental responsibility

The Bank minimises its negative impact on the environment by: offering environmentally friendly products and services, supporting customers in the transition to a low-carbon economy that respects the environment, reducing the negative impact of operational activities on the environment, raising awareness and sharing good environmental practices.

Environmentally friendly products and services

The Bank's key commitment to environmental responsibility is to **support customers in their energy transition.** The Bank continues to develop its range of products and services to help customers make the transition to a low-carbon economy and develop their sustainable and green investments.

The Bank offers a number of environmentally friendly products and services and sustainability financing programmes, including:

SEGMENT	PRODUCT OFFER
Individual customers	<ul style="list-style-type: none"> • Instalment loan for financing green energy sources • Loan for green changes • Green mortgage • Loan with a grant from the Clean Air priority programme • Long-term lease of telephones

SEGMENT	PRODUCT OFFER
Corporate clients	<ul style="list-style-type: none"> • Photovoltaics and other RES for entrepreneur (own consumption) • Financing of profit-making RES projects • Green Energy Investment Credit / UNIA+ Investment Credit • Technology loan • Loan with free guarantee BusinessMax • EKO-FIRMA programme with profit • Leasing of photovoltaic installations • Sustainability Linked Loan (SLL)
Food&Agro Clients	<ul style="list-style-type: none"> • Loans to finance photovoltaic and other RES projects for farmers (for own use) • Loans to finance profit-making RES projects for farmers and other F&A entities • Green energy investment loan / UNIA+ investment loan • Renewable energy insurance
Residential Communities	<ul style="list-style-type: none"> • Investment loan with renovation bonus from BGK • EKO-WSPOLNOTA programme with profit • Leasing for photovoltaics

Minimising the environmental impact of operations

BNP Paribas Bank Polska S.A. as the Bank of Green Change is committed to minimise the negative environmental impact of its operations. The Bank's priorities include: reduction of resource consumption and CO2 emissions, use of energy from renewable sources in total consumption, development of the bank's eco-fleet, implementation of new eco-efficiencies in the workplace. In 2021. Bank:

- continued its programme to minimise resource consumption,
- launched photovoltaic installations in 3 locations: Radom ul. Traugutta 29, Gizycko Pl. Grunwaldzki 9, Warsaw ul. Popularna 54,
- conducted an analysis of the possibility to start up photovoltaic installations in 16 Bank branches, on the basis of which installation plans will be prepared for another 3-5 locations in 2022,
- replaced boilers heating the branch from oil to gas in 3 locations,
- doubled the number of hybrid cars owned. The fleet currently consists of 373 hybrid cars and 3 fully electric cars.

Minimising paper consumption

The Bank pursued a policy of reducing paper consumption in 2021, bringing increasing environmental benefits. The Bank developed the paperless initiative by, among other things, digitalising further banking processes, facilitating paperless work (the use of the Autenti platform for electronic signing of contracts and digital document workflow has allowed, since the beginning of the cooperation, i.e. since September 2018, a total of over 1 million documents to be electronically signed, saving over 2.8 million sheets of paper from being printed).

100% electricity from renewable sources

The Bank signed a power purchase agreement with Respect Energy for the period 2021-2022. Under the agreement, 100% of the electricity purchased directly by the Bank in 2021 came from renewable sources. As a result, the Bank is making a significant contribution to reducing carbon dioxide emissions into the atmosphere, as well as reducing emissions of sulphur dioxide, nitrogen oxides and particulate matter.

Promoting eco-attitudes

Bank of Green Changes

In April 2021, the Bank launched the third edition of its educational campaign, under the Bank of Green Changes programme, on responsible consumption and sustainable lifestyles. The campaign was conducted under the motto: "Get inspired to act for the sake of our planet". The Bank is committed to promote environmental care not only among its employees but also among customers and partners. To this end, the Bank, among others, publishes eco-tips for customers, participated in industry events during which the Bank's experts promote environmental responsibility, continued a series of eco-podcasts BNP Paribas Talks, supported the Green Ribbon #forPlanet campaign and became the title sponsor of the fourth edition of BNP Paribas Green Film Festival.

Chapter Zero Poland

In 2021, the Bank became a supporting partner of Chapter Zero Poland, a competence development programme for management and supervisory bodies of companies that aims to increase business involvement in the fight against climate change. As the Supervisor of Chapter Zero Poland, the Bank will have the opportunity to participate in the meetings of the programme's governing bodies and be extensively involved in educational events. In May, Lucyna Stańczak-Wuczyńska, Chairwoman of the Bank's Supervisory Board, was appointed Chairman of the Council of Chapter Zero Poland. Jarosław Rot, Chief Sustainability Officer, participates in the Steering Committee of the programme. Chapter Zero Poland is part of the Climate Governance Initiative, run by the Centre for Climate Engagement, Hughes Hall, at Cambridge University in cooperation with the World Economic Forum. The launch of the initiative in Poland is a result of the efforts of the Responsible Business Forum. The programme's contents partner is Deloitte Polska.

Net-Zero Banking Alliance

Pursuing its commitment to fight climate change, BNP Paribas Group has joined the Net-zero Banking Alliance. The aim of the initiative, under the umbrella of the UNEP Finance Initiative, is to align the level of greenhouse gas emissions from lending and investment activities with the path necessary to achieve climate neutrality in 2050. One of the steps the Bank has taken to achieve this goal is to end its relationship with coal mining and coal-fired power generation customers in the EU and OECD countries by 2030.

S - Social and employee responsibility

The Bank's responsibility is expressed primarily in creating a working environment that supports the professional development and involvement of employees. It serves to promote openness, respect for diversity and readiness for professional mobility. Responsibility to society means actively contributing to the environment in which the Bank operates. It means focusing on areas where it is most relevant. The bank can contribute to positive social change, i.e. to preventing social exclusion and supporting education and culture, especially in small communities. The Bank is supported in the fulfilment of its social responsibility commitments by the BNP Paribas Foundation established in 2006 BNP Paribas Foundation.

Corporate culture

Our culture is built on values that enable us to grow as an organisation and as employees. They are the foundation of our actions, which enable us to achieve our goals and fulfil our promises to our clients.

In 2021, we updated the values that co-create the Bank's organisational culture. They are consistent with the values of the BNP Paribas Group, based on The BNP Paribas Way document. This document defines our strengths and the driving forces we need to continuously work on to meet the challenges and ensure a good future for the BNP Paribas Group.

Values of BNP Paribas Bank Polska S.A. defined within the organisational culture are: **transparency, courage, empowerment, simplicity and collaboration.**

Promoting diversity

Supporting diversity and preventing exclusion are also the Bank's commitments under the CSR Strategy and Sustainable Development Strategy and a foundation of the organisational culture.

In 2021, the Bank continued its efforts to promote diversity. The Bank launched the "**Different Opportunities, Common Goal**" campaign, raising awareness of differences between people and drawing attention to the power of diversity. As part of the campaign, a number of meetings with interesting persons were organised, including Tomasz Manikowski under the slogan "Not everything must have arms and legs", as well as with the a newly established employee group within the Bank's structures Pride Poland Group.

The Bank once again organised Diversity Days, which in the wake of the pandemic were held hybrid and online with the involvement of employee networks and Diveristy & Inclusion. project groups. In 2021, the initiative was divided into thematic days: women, 50+ employees and intergenerational cooperation, LGBT+, parental competence and disability.

The bank was the highest ranked bank in the Ranking of institutions caring for the professional and social equality of LGBT+ people published in the "Cashless for Equality" report. In a comparison of all financial institutions, it was ranked 4th. 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 guide entitled "Savor-vivre to the disabled" was produced in cooperation with the Integralia Foundation, as well as an internal counselling line for OzN.

The Bank has set up an employee network for fathers: Dad, you've got it like in the bank, which aims to promote the partnership family model. There is also a thriving women's initiative: "Women changing BNP Paribas". In 2021, based on the results of a survey and workshops on equal treatment carried out by the women's network, the **Decalogue on Equal Treatment** was developed.

The Bank also continued its external efforts to strengthen the role of women. It launched the **marketing campaign "Where are our Patronesses?"**, encouraging nameless schools to adopt the names of patronesses and to bring the lives of extraordinary women to the youth. 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 #JamaisSansElles works to promote equal opportunities and the visibility of women in public life. By signing the #JamaisSansElle card BNP Paribas Group board members and key managers from 14 countries, have pledged not to attend any public events over three people - debates, expert panels, discussions, etc - unless a woman is present.

Increasing the availability of products and services

The Bank complies with the requirements of the Act of 19 July 2019 on ensuring accessibility for persons with special needs. In January 2021, the "Principles for making bank documents available to customers in a form accessible to persons with special needs" established by the Bank came into force.

Considering customers with disabilities and groups at risk of exclusion, a number of improvements have been implemented:

- Polish Sign Language interpreter service - available free of charge in every branch and at the Infoline;
- Availability of templates of Bank documents in the form of 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 make signing easier;
- ATMs adapted to be used by people with visual disabilities;
- Branches are adjusted architecturally to the needs of persons with reduced mobility (77 with the "Facility without Barriers" certificate);
- Induction loops in Bank branches for the hearing disabled.

Promoting responsible attitudes

"The world needs you!" campaign

The Bank is a partner of Agenda for sustainable development 2030, adopted by UN member states in 2015. Through the implementation of its CSR and Sustainability Strategy, the Bank supports the achievement of the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development. Within the various pillars of responsibility, the Bank has identified the goals to which it makes the most significant contribution. The Bank is guided by the belief that it is essential for the success of Agenda 2030 to achieve Goal 17 (Partnerships for the Goals), 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 22.04.2021.

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 population, and how the responsible choice of sustainable products and services affects the implementation of the 2030 Agenda.

CSR Days

Every year, as part of the European Sustainability Week, BNP Paribas Bank Polska SA organises CSR Days. During the event, employees get acquainted with activities under 4 key pillars of the Bank's responsibility and learn how to change their environment. During the Bank's CSR Days, held from 7 to 11 June 2021, Bank employees had the opportunity to participate in webinars and workshops designed to present how, in a simple way, every day you can contribute to the Agenda 2030 plan for the recovery of the world. Due to the ongoing pandemic, this year's meetings were held in a 100% remote format, 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 to the global Help2Help programme for each employee taking part in the training.

BNP Paribas Foundation

BNP Paribas Foundation has been operating for 15 years. It implements tasks resulting from the Bank's social responsibility. The Foundation prevents social exclusion, equalises educational opportunities and supports culture in smaller towns. Since the beginning of its activity, it has been running original scholarship programmes, managing social involvement of the Bank's employees and cooperating with social organisations - providing them with substantive and financial support. The BNP Paribas Foundation Board of Directors is chaired by the President of the Management Board of BNP Paribas Bank Polska SA. The BNP Paribas Foundation Board includes representatives of those areas of the Bank that are most important for the Foundation's activity.

Klasa (Class) scholarship programme

The "Class" is an original scholarship programme of the BNP Paribas Foundation addressed to talented primary school graduates from rural areas and small towns in a difficult financial situation. Since 2003, 839 scholarship beneficiaries from over 489 localities have benefited from the programme. In 2021/2022 school year, 83 scholarship beneficiaries participate in the programme.

Agrotalenty (Agritalents) scholarship programme

The comprehensive "Agritalents" programme is a system of scholarship programmes addressed to ambitious young people interested in development in the agricultural sector. BNP Paribas Foundation, together with partners: educational institutions, experts and the Bank's Customers, cooperates to reinforce agricultural education. So far, 430 people have received support under the scholarship programme for the winners of the Olympics of Agricultural Knowledge and Skills, while 103 students have received support under the Educational Enterprise Foundation's bridging scholarships programme for the most talented students of agricultural faculties.

Wiedza do potęgi (Knowledge to the power) tutorial-scholarship programme

In 2018, the BNP Paribas Foundation together with the Ocalenie Foundation launched the Knowledge to Power programme aimed at helping refugee youth to continue their education in a new place and to find their way in the Polish educational system. In December 2021, 92 students were included in the programme.

Dream Up educational programme – education through art

"Dream up" is an international programme of the BNP Paribas Group that currently is active in 29 countries. The programme was initiated and funded by BNP Paribas Foundation in Paris. Under the programme, BNP Paribas Foundation in Poland supports personal and social development of children and youth from social centres - it organises professional music classes for them. In June 2021, the 2nd edition of 'Dream up', which was co-organised by the Praga-Południe Centre for Cultural Promotion in Warsaw, ended. In September 2021, the 3rd edition of the programme was launched, which was co-organised by the Association of Creative Educators "Stara 4" and Fablab Pobite Gary! The participants are children who attend community centres in Warsaw. 57 children participated in the 3rd edition of the programme.

Encounters with music educational program

Since 2011 BNP Paribas Foundation is a partner of the "Encounters with Music" concert series. These are performances of philharmonic musicians for schoolchildren from small towns across Poland. In this way, the Foundation cares for the cultural development of the youngest students. In 2021, 1,212 programmes were held, attended by over 208,000 pupils.

Strategic partnership – Ocalenie (the Rescue) Foundation

BNP Paribas Foundation will cooperate even more closely with the Rescue Foundation, whose primary objective is to help migrants build a new life in Poland. The establishment of the strategic partnership is another step in the joint activities of both organisations. In 2021, BNP Paribas Foundation donated PLN 50,000 to the Ocalenie Foundation to help refugees on the Polish-Belarusian border.

Employee social engagement and employee volunteering programme

In 2021, BNP Paribas Foundation, as one of the first organisations in Poland, was thoroughly audited and received the **"High Quality Employee Volunteering" certificate**. The certificate was presented to the Foundation by the Academy for the Development of Philanthropy during the 9th Pro Bono Leaders Conference.

In 2021, Bank employees participated in a number of initiatives, including:

- **Competition for Volunteering Project** - for nine years now, the Bank's employees, in cooperation with non-governmental organisations, have been submitting ideas for volunteering activities through which they support local communities. Under the competition 55 projects were implemented in 2021, for which the Foundation donated over PLN 200 thousand.
- **Bankers for Youth Financial Education BAKCYL programme** - as part of a sectoral educational programme led by the Warsaw Banking Institute, since 2013 bank volunteers have been teaching young people the basics of finance and entrepreneurship. In 2021, Bank employees conducted 155 lessons.
- **Social action Good Kilometres** - the Bank also enables employees to help through physical activity. As part of the campaign, they try to cover as many kilometres as possible by practising sport. The result is converted into a donation for an organisation chosen by the employees. In 2021, 444 people reached almost 72,000 km, so the BNP Paribas Foundation donated PLN 25,000 to the Aktywnie Przeciwko Depresji Association, PLN 10,000 to the Otwarte Drzwi Association, PLN 6,000 to the SYNAPSIS Foundation and PLN 5,000 to the Otwarte Serca Association in Ruda Śląska.
- **Social action Krwinka (Blood Cell)** - since 2011 BNP Paribas Foundation in cooperation with Regional Blood Donation Centres has been organising a blood donation campaign called "Krwinka" ("Blood Cell") during which the Bank's employees in special ambulances donate blood. So far, they have donated 269 litres of blood. In 2021, 33 litres of blood were donated by 74 employees.

Individual Philanthropy Programme - Support All Year Round

The individual philanthropy programme enables a designated amount to be deducted from salary each month for a chosen cause. All bank employees can participate in the programme. In 2021, the employees' choice supported the Actively Against Depression Association and the SYNAPSIS Foundation, which helps people with autism and their families. Voluntary payroll deductions are a simple and convenient tool of individual philanthropy enabling employees to engage in supporting important social causes and respond to the needs of NGOs (systematic and predictable financial support). In 2021, 260 employees participated in the programme.

For more on financial donations and sponsorship activities as part of the Bank's social commitment, see section 11.2. Donations and sponsorship activities.

G - Responsible business practices and corporate governance

A sustainable approach is understood as long-term support for the sustainable development of the economy and building lasting relationships with customers and other stakeholders of the Bank in line with ethical principles.

Monitoring and policies for CSR in sensitive sectors

The Bank, according to the BNP Paribas Group Policies, distinguishes nine sectors particularly sensitive in terms of ESG risks: **coal power, mining, defence and security, forestry (wood pulp, palm oil), nuclear, agri-food, fuel for unconventional oil and gas resources and tobacco**. In each of these sectors, the Bank implements CSR Policies and principles with respect to Customers operating in them. All current and potential Customers of the Bank operating in these sectors are informed about the CSR Policies. In order to become a Customer of the Bank or to obtain financing, an entity must comply with a number of requirements regulated by the Policy for a given sector. In 2021 the Bank conducted 174 CSR sector analyses.

Exit from financing sectors deemed to be particularly damaging

Faced with the sectors, which are the most harmful for sustainable development, the Bank takes strategic decisions to withdraw from serving clients belonging to them. 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 power sector and entities significantly involved in coal infrastructure by 2030. Restrictions on cooperation with clients operating in the coal sector had already been in place since 2015. The Bank has gradually exited from financing entities not undertaking the energy transition towards renewables. Furthermore, continuing the restrictions already introduced since 2017, the Bank has completely stopped financing fur farming from 2020.

ESG risk assessment in the credit process

In addition to the cyclical analysis of risks in particularly sensitive sectors, an ESG risk assessment is performed as part of the lending process to corporate customers.

In accordance with the EBA/GL/2020/06 Guidelines on loan origination and Monitoring, as of 30 June 2021, ESG risk assessment has been included in the credit risk assessment process for Corporate Clients and SMEs. From 1 September 2021, ESG risk assessment has also been included for Micro Clients. If a high level of ESG risk is identified, there is the possibility of a downgrade of the Client's rating.

Responsible products and services

Responsible products and services are understood as those that meet customer needs, are accessible to all, including excluded groups, and have a positive impact on the environment.

In 2021, the Bank's products and services with positive social and environmental impact included: **Open Account for Non-Profit Business, Offer for Social Economy Enterprises, Offer for Ukrainian Citizens**. The Bank also offered a range of sustainable investment products and promoted investments based on ESG criteria. In addition, the development and promotion of the offer aimed at parents and the youngest, Konto Samodzielniaka (Self-Dependent Account), as well as the educational campaign "Misja Samodzielność" (Mission of Independence), which assists parents in building financial awareness and making the youngest independent, continued.

In 2021, the Bank acted as Sustainability Coordinator in a transaction with Raben Group for a five-year sustainability linked loan: Sustainability Linked Loan. The loan amounted to EUR 225 million. The margin of the SLL loan depends on whether and to what extent the company meets the conditions defined by five key performance indicators (KPIs). The set covers ESG issues relevant to Raben Group's business, including greenhouse gas emissions, gender diversity and corporate governance practices.

Products and services with a positive environmental impact are described in Part E - Environmental Responsibility under Green Products and Services.

Highest ethical standards

The BNP Paribas Group Code of Conduct is binding in the Bank. Ethical awareness of employees is promoted and developed through trainings and internal events. 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 prizes in the "Ethics in Finance" competition. For many years, the Bank has been supporting successive editions of the conference Not Irresponsible dedicated to responsibility in the financial industry. In 2019, together with its partners in the financial industry, the Bank inaugurated the **Declaration of Responsible Sales**, a self-regulatory initiative aimed at raising and promoting standards of responsibility in relations with customers and providing them with a sense of safety. The title of Signatory of the Declaration of Responsible Sales obliges the Bank to continuously improve its processes and service models.

Activities under the Simple Language programme also continued in 2021. The Bank aims to simplify the language it uses to communicate with customers as much as possible. In cooperation with linguists from the Prosta Polska Workshop at the University of Wrocław, it improves and redrafts bank letters, communications and promotional materials. In Q4 2021, 52 employees successfully completed certification as plain language consultants. Their task is to popularise the knowledge of simple writing style and edit outgoing texts. At the same time, the Bank trained more than 150 employees in simple communication.

Supporting customers in the Food & Agro sector

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, producers and agri-food processors. Its users can access, 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 educational section Green Change Agronomist and other useful information.

In 2021, the Bank launched on Agronomist.co.uk, among others:

- the free **greenhouse gas emissions calculator AgroEmission**, which allows agricultural producers and farmers to estimate greenhouse gas emissions from crop and dairy production. The tool is based on a calculation model from the scientific and business consortium Cool Farm Alliance and will help reduce emissions on farms. It is the first and only solution of its kind in the Polish language;

- the search engine for banking products - **Kredytomat**, in order to simplify the process of finding the right bank or insurance offer for the Customer's needs.

The Bank is also preparing farmers to respond effectively to the **European Green Deal**, a strategy to transform the European Union into a climate-neutral, modern, sustainable and competitive economy. It covers the 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, the Bank organised a series of videopodcasts based on a diagnosis of the situation on Polish farms.

In October 2021, the Bank, in cooperation with the Allegro Lokalnie sales platform, conducted a **pilot promotional action "Local flavours"**. During the campaign, customers were able to sell food products online without commission. The goal of the action was to popularise the idea of selling food products online among farmers, to present new distribution channels and to provide portal users with natural, sustainable, ecological and good quality food.

Innovation initiatives

Two further editions of **Office Hours** were held in 2021. These meetings, which are part of a simplified procurement and implementation process (no tender), the Bank's proprietary approach to working with young technology companies. During the 19th and 20th Office Hours, the Bank was looking for an innovative solution that would become an elite virtual communication zone for the Wealth Management client, as well as solutions for streamlining the process of remote conclusion of bank account agreements and related products by new business clients.

The Bank wants to support and stimulate responsibly the development of innovation in Poland and the expansion of domestic enterprises into foreign markets. It is convinced that the start-up community is one of those that best understand and most quickly translate knowledge into real action. The Bank also adopts a **Code of Cooperation with Startups**, which increases the Bank's chances of efficiently acquiring cutting-edge technology solutions.

The Bank continues to develop opportunities to establish business relationships with innovative young companies and is committed to partnerships and actively engages in cross-sector cooperation for sustainable development, thereby 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.

The strategic integration of sustainability into the organisation's activities has been recognised on several occasions. In 2021, the Bank was awarded first place in the general classification of the Ranking of Responsible Companies in Poland for the third consecutive year and in the banking, financial and insurance sector category. All awards and recognitions for commitment to sustainability and responsible management are described in Section 3.2 Awards and recognitions.

11.2. Donations and sponsorship

Financial donations

The purpose of spending within the donations budget is to support community development and involvement, to enhance the quality of life of local communities, to support the social commitment of employees through, among other things, the Local Grants Programme, to strengthen the activities of the Bank's Local Ambassadors, and to promote responsibility in health and environmental protection. Supporting a selected non-governmental organisation or institution is aimed at increasing the effectiveness of its socially useful activities.

FINANCIAL DONATIONS TO NON-GOVERNMENTAL ORGANISATIONS MADE IN 2021 (PLN'000)

BNP Paribas Foundation	2,738
Strategic partnership with Szlachetna Paczka	1,600
Beneficiaries of the Community Grants Programme	300
Organizations supporting education	410
Organizations supporting social integration and culture	350
Organizations promoting health and environmental protection	374
Trade unions	77

Sponsorship

The Bank's sponsorship policy is to build the brand and strengthen its awareness. The direction of sponsorship activities is set by the global sponsorship strategy of the BNP Paribas Group. The Bank sponsors numerous undertakings related to the development of tennis in Poland, both at professional and amateur level; film festivals, shows and premieres as well as cultural and economic events.

EXPENDITURE ON SPONSORSHIP ACTIVITIES IN 2021 (PLN'000)

Film events	2,273
Tennis events	2,979
Other sponsorship activities	4,485

Tennis events

BNP Paribas Bank Polska is part of the BNP Paribas Group which is the biggest sponsor of tennis in the world. Therefore, offers regarding sponsorship of tennis events in Poland are given utmost priority by the Bank. Tennis events did not take place in H1 2021 due to the pandemic and were moved to the second half of the year.

Tennis tournaments in Poland sponsored by the Bank in 2021:

- **BNP Paribas Poland Open** - the largest tennis tournament in Poland. The Bank was the title sponsor of this event. The courts of Arka Tennis Club in Gdynia hosted the first edition of tennis tournament of WTA 250 rank. It was attended by the best players of the world Women's Tennis Association ranking.
- **BNP Paribas Polish Cup** - tennis tournament of the ATP Challenger rank. Once again the Bank became the title sponsor of this event. The tournament takes place on the courts of Legia Tennis & Golf.
- **BNP Paribas Business Cup 2021** - a series of tournaments for managers and business owners. The Bank has become a title partner of this event for the third time. The tournament takes place in Warsaw, Poznan, Katowice and Gdynia.
- **XV Beskid Cup** - Polish Artists' Tennis Tournament for the Bank Cup. It took place in Jawor near Bielsko-Biala - on the courts of SPA Hotel Jawor.

Film events

The cinema is one of the most important pillars of BNP Paribas Group's sponsorship strategy. The Bank is implementing this strategy under the slogan **#WeLoveCinema**. In 2021. The Bank is committed to the following initiatives:

- **BNP Paribas Kino Letnie Sopot-Zakopane** – The longest summer film festival in Poland. Film sessions were held free of charge every day after sunset. The Bank was the sponsor of Tuesdays, Thursdays and Sundays. The films played during these days referred to the UN Sustainable Development Goals.
- **BNP Paribas Green Film Festival** - a unique and exceptional international environmental film festival. The Bank was the title sponsor of the 4th edition of the festival. The organizers gathered the best productions from all over the world. The sessions were followed by discussions and other accompanying events,
- **BNP Paribas Dwa Brzegi Film and Art Festival** - the Bank is the main partner of this event,
- **BNP Paribas Dwa Brzegi - Film and Art Festival** - the Bank is the titular partner of this festival,
- **Mastercard OFF CAMERA International Festival of Independent Cinema** - Central Europe's largest festival of independent cinema. The Bank was the strategic partner of this event for the third time,
- **Wajda na Nowo** - a film festival from Suwałki, of which the Bank was a partner. During the festival, there was an exhibition of posters by Andrzej Pałowski, who created new posters for all 60 films by Andrzej Wajda. The exhibition was shown in Gdynia, Lodz and Inowrocław,
- cooperation with **Cinema City**, the largest multiplex chain in Poland. The bank has been cooperating with it since 2019. It is currently a partner of all IMAX cinemas in Poland and eight cinema halls in multiplexes in Poland's largest cities. It is also a partner of a series of film screenings for women - "Ladies Nights". The project takes place in 19 Cinema City cinemas in the country.

Cultural and economic events

The Bank is a strategic partner of the **Warsaw Garden of the Righteous**. The Italian foundation GARIWO inspired the creation of this garden during the first celebrations of the European Day of the Righteous. On 6 March 2013, the Committee for the Garden of the Righteous in Warsaw has accepted the proposal of the Wola district and has placed the Garden of the Righteous in the General Jan Jura-Gorzecowski square. Every year, its employees plant trees there dedicated to those who saved the lives of others or stood up for human dignity. It honours the memory of those who opposed Nazism, communism, genocide, mass murder and crimes against humanity in the 20th and 21st centuries.

In 2021, the Bank became a partner of many international economic events in Poland. Representatives of the Bank spoke at congresses - sharing knowledge and good practices in the areas of management, finance, agribusiness, energy transition and sustainable development. They took part, inter alia, in the following events:

- **XIII European Economic Congress** in Katowice. During the congress, 100 debates were held and 500 experts spoke. The Bank was the main partner of this event and sponsored the panels: "Renewable energy in Poland and in the world", "Digitalization and digitalization", "European Green Deal", "Global economic cooperation - distant markets with potential", "Labour market", "Cyber security in the face of progressive dependence on technology", "Financial market and the economy", "Leadership 5.0 - key competences of female leaders of the future", "Food exports in the shadow of pandemics and eco-crises",
- **European Forum for New Ideas** in Sopot - one of the largest conferences in Central and Eastern Europe. Participants of the event talked about global trends, new ideas and the future of Europe. The Bank was the main partner of the event and sponsored the panels: "Green Finance and Investment - a financial system for sustainable development" and "Economy of the Bagel - how to think about economics in the 21st century?",
- **The 11th European Financial Congress** in Sopot. Participants in the event discussed what should be done to make the future of finance and economy stable, modern and fair. The Bank was a partner of the event and hosted one debate,
- **Open Eyes Economy Summit** - International Congress on Value Based Economics in Krakow. The Bank sponsored the event which is devoted to economy based on social values,
- **Conference the Not-Irresponsible** - an event where participants discussed responsibility in the financial industry. The Bank was a strategic partner of the event.

11.3. Legal cases

Legal risk

As at 31 December 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 rulings regarding calculation of the interchange fee

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

The total fine levied on Bank BGŻ BNP Paribas (currently BNP Paribas Bank Polska S.A.) amounted to PLN 12,54 thousand and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9.65 million; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2.89 million. The penalty was paid by the Bank on 19 October 2015. The Bank brought a last resort appeal against the aforesaid court decision on 25 April 2016. By a ruling issued on 25 October 2017, the Supreme Court overturned the verdict of the Warsaw Court of Appeal and referred the case for reconsideration. Acquisition of the core business of RBPL did not change the situation of the Bank as RBPL was not a party to this claim.

On 23 November 2020, the The Court of Appeal annulled the judgment of the court of first instance and returned the case for a retrial.

Corporate claims against the Bank (interchange fee)

As at 31 December 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 entrepreneurs have applied twice, one has applied three times and one has applied twice for different payment systems). 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 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 created a provision for the aforementioned penalty in the full amount. As of the date of the report, a court date has not yet been set for the present case.

Court proceedings regarding CHF credit agreements in the banking sector

Following 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 at the end of 2021 reached almost 77,000 compared to almost 39,000 at the end of 2020. This resulted, inter alia, in a significant increase in provisions for these proceedings by banks with portfolios of mortgage loans in CHF. The amount of provisions created by listed banks in 2020 amounted to approximately PLN 10.0 billion, and in 2021 - based on data available at the time of publication of this Report - approx. PLN 7.6 billion. The total value of provisions for this purpose amounted to PLN 18.2 billion at the end of 2021.

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

The carrying amount of real estate loans granted to individual customers in CHF at 31 December 2021 was PLN 4.53 billion, compared to PLN 4.82 billion at the end of 2020.

As at 31 December 2021, the Bank was a defendant in 2,120 (1,502 new cases in 2021, including 350 new cases in the fourth quarter of 2021 and 20 cases with final judgment) pending court proceedings, (including cases that have been finally closed, customers have brought a total of 2,170 actions against the Bank), in which the Bank's customers demand either that the foreign currency or CHF-denominated mortgage loan agreement be declared void or that the agreement be declared permanently ineffective. The claims are based, in particular, on a conflict with Article 69 of the Banking Act or on the presence of prohibited provisions in the contract which do not allow the contract to be legally in force. The Bank is not a party to any collective action that would involve such loan agreements. As at 31 December 2021, the total value of claims pursued in currently pending cases was PLN 858.03 million (as at 31 December 2020 it amounted to PLN 217.82 million), and PLN 41.36 million in legitimately concluded and binding cases (PLN 34.96 million at 31 December 2020).

The following judgments have been made in the 50 finalised proceedings so far: in 16 the claims against the Bank were dismissed, in 6 the proceedings were dropped, including in 3 due to the parties concluding a settlement

agreement; in 1 the court rejected the claim; in 26 the court declared the agreement invalid, in 1 only the claim under the low own contribution insurance was awarded, in the rest the court dismissed the claim. 350 new lawsuits in Q4 2021, of which 214 related to denominated loans and 136 to foreign currency loans), updating the assumptions and parameters of the model used by the Bank, consisting in a more conservative estimation of them by, among other things, increasing the expected number of lawsuits the Bank may receive over the next 4 years. The total value of provisions created for proceedings involving CHF loans as at 31 December 2021 was PLN 1,290.5 million (as at 31 December 2020 it was PLN 200.3 million).

In Q4 2021, the balance of provisions made by the Bank for risks relating to CHF loans increased by PLN 613.8 million (by PLN 1,090.2 million in 2021 and by PLN 168.2 million in 2020). The increase in the provision in Q4 2021 was mainly due to an increase in the scale of legal uncertainty, an increase in the number of new lawsuits

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 addition, the Bank has included PLN 171.2 million in the provisioning model for settlements it expects to enter into with customers.

The Bank, in estimating the number of future cases and settlements with borrowers, assumed that approximately 39% of borrowers with active CHF loans have filed or will file a lawsuit against the Bank or will enter into a settlement with the Bank.

The Bank estimates the probability of losing a case based on historical judgments separately for the foreign currency and denominated loan portfolios. Due to the observed volatility in case law, the Bank, when estimating the probability of an adverse judgment, only takes into account judgments made after the CJEU judgment of 3 October 2019.

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

Should the assumed average loss change by +/- 5%, with all other significant assumptions unchanged, the amount of the provision would change by +/- PLN 60 million.

The Bank conducted a sensitivity analysis of the model on the estimate of the number of lost cases. A change in this estimate would have the following impact on the value of the estimated loss for legal risk on CHF loans.

parameter	scenario	impact on the Bank's loss on account of legal risk
Percentage of lost cases	+5 p.p.	+PLN 62 million
	-5 p.p.	-PLN 62 million

The Bank carried out 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 110 million
	-20%	-PLN 110 million

The Bank also estimated that if the estimated number of lawsuits against the Bank was increased by lawsuits filed by an additional 1% of clients holding CHF loans then the loss on legal risk would increase by about PLN 33 million.

When calculating the expected loss on legal risk related to CHF loans, the Bank used simplifications resulting from a short horizon of available historical data and a relatively small number of cases that ended with verdicts. The Bank will monitor the number of certificates collected and the change in the number of lawsuits and update the provision estimate accordingly.

The Bank also points to a significant discrepancy between the facts (in particular different terms of the agreements and the scope of information for the customer) and the rulings in Poland in matters relating to indexed, denominated and foreign currency loans, which significantly hinders precise estimation of the risk scale. The Bank monitors the published judgements on an ongoing basis and is going to adjust the level of provisions to the observed direction of the case-law.

Significant rulings of TSUE and the Supreme Court regarding CHF loans

In 2021, there have been a number of rulings both nationally and before the Court of Justice of the European Union (CJEU) concerning foreign currency credit agreements, denominated or indexed to a foreign currency. European case law has consistently indicated that it is necessary to uphold a contract where there are prohibited clauses in it and to seek other solutions to restore the balance to the parties. In contrast, national courts in their rulings have largely ignored this line of case law by ruling that the contract has fallen.

Before the CJEU in 2021, the following important judgments concerning the above issues were made:

- 1) W dniu 29 kwietnia 2021 r. w sprawie C-19/20 TSUE potwierdził, że m.in. że celem Dyrektywy 93/13 nie jest unieważnianie wszystkich umów, w których znajdują się postanowienia niedozwolone oraz że pierwszeństwo należy dać rozwiązaniom prawnym utrzymującym w mocy umowy.
- 2) 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*".
- 3) On 2 September 2021, the CJEU issued its judgment in Case C-932/19, in which it made it clear that national courts, when deciding on consumer claims based on challenges to certain contract terms, cannot rely solely on the potentially favourable annulment of the contract for the consumer. Indeed, it is not permissible for the situation of one of the parties to be regarded by the national courts as the decisive criterion as to the future fate of the contract. The Court once again emphasises that the fundamental objective of Directive 93/13 is to restore the balance of the parties, including by means of the national rules in force.

On 18 November 2021, the CJEU in its judgment in Case C-212/20 indicated that the content of an indexation clause in a credit agreement between a professional and a consumer must, on the basis of clear and comprehensible criteria, enable a sufficiently well-informed, reasonably observant and reasonable consumer to understand how the exchange rate applicable to the calculation of instalments is determined, in such a way that the consumer is able at any time to determine for himself the exchange rate applied by the professional.

There has not been a uniform approach in national courts to the most relevant issues related to the problem of foreign currency loans. On 7 May 2021 the Civil Chamber of the Supreme Court in the composition of 7 judges issued a resolution having the force of law in the case no. III CZP 6/21. In a ruling responding to a legal issue presented by the Financial Ombudsman, the Supreme Court indicated in its reasoning, 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 agreement,
- (2) in the event that the contract falls due to the unauthorised provisions contained therein, each party shall be entitled to claim reimbursement of the performance rendered by that party (the so-called two-condition theory),
- (3) the limitation period for the Bank's claims for repayment of the principal begins to run only from the moment when the contract has become definitively ineffective (the basis for the performance has ceased to exist),
- (4) the agreement becomes permanently ineffective from the moment when the borrower, having been informed of all the consequences of the failure of the agreement, including the possible specific negative consequences of such a failure, makes a declaration opposing the maintenance of the agreement. The borrower should in principle be informed of the consequences of the collapse of the contract by the court in the course of the proceedings.

The meeting of the all members 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 2 September 2021, was postponed with no time limit, in connection with the formulation of preliminary questions to the CJEU by the Supreme Court. The preliminary questions are intended to determine whether the current composition of the Civil Chamber can be regarded as an independent court and thus whether it has the capacity to pass a resolution on the legal questions posed at all.

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.

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.

The Bank's estimate of the cost of a potential conversion in line with the assumptions of the PFSA Chairman's proposal, is PLN 1.6 billion assuming that the proposal covers the entire CHF loan portfolio (denominated and foreign currency loans). The potential cost was estimated as the difference between the current carrying amount of foreign currency or CHF-denominated loans and the carrying amount of hypothetical loans in PLN.

At the time of publication of this Report, the Bank has not decided to propose settlements to clients in the form suggested by the Chairman of the PFSA.

Settlements with Clients

In 2021, the Bank conducted a survey among its customers that showed initial customer interest in settlements and ran a pilot campaign to offer settlements on terms individually agreed with borrowers.

In December 2021, the Bank completed a pilot action of offering settlements on terms individually offered and negotiated with borrowers, resulting in the conversion of a loan granted in a currency into a loan in Polish zloty and the cancellation of part of the loan balance or the complete cancellation of the loan. The Management Board positively evaluated the results of the pilot and decided to expand the scope of these individual negotiations.

As at 25 February 2022, the Bank made 1,917 Clients individual settlements offers and 373 Clients approved terms of these offers.

11.4. Significant events after the balance sheet date

January 2022

The Extraordinary General Meeting of Shareholders was held and adopted resolutions, among others, regarding

- adoption to apply by the Bank the rules contained in the Code of Best Practice for WSE Listed Companies 2021,
- adoption of the Policy for appointing and dismissing members of the Bank's Supervisory Board and the Policy for assessing the adequacy of the Bank's Supervisory Board members

Fitch Ratings has assigned ratings to the Bank:

- Long-Term Issuer Default Rating (IDR) of "A+" with a stable outlook
- Viability Rating (VR) of 'bbb-'
- Shareholder Support Rating (SSR) of "a+"

Liquidation of the subsidiary BFN ACTUS Sp. z o.o.

On 28 January 2022, the Extraordinary Shareholders' Meeting of BFN ACTUS Sp. z o.o. passed a resolution to dissolve the company by liquidation. As of 1 February 2022, the company changed its name to Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. in liquidation.

March 2022

Liquidation of the subsidiary BNP Paribas Solutions Sp. z o.o.

1 March 2022, the Extraordinary Shareholders' Meeting of BNP Paribas Solutions Sp. z o.o. has decided to liquidate the company.

Political and economic situation in Ukraine

Due to the political and economic situation in Ukraine, the Management Board of the Bank monitors the impact of the conflict on the Bank's operations and its financial results on an ongoing basis. In the Bank's opinion, this situation had no impact on the Bank's financial statements for the year ended December 31, 2021. The Bank is analysing the risk of further escalation of the conflict and the possible introduction of further economic sanctions. As at the date of this report publication, the scale of the impact of the situation in Ukraine on the global and Polish economy is unknown, therefore it is not possible to assess the potential impact on the Bank's operations and results in subsequent periods.

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

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

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 12 months ended 31 December 2021 and Consolidated financial statements of the Capital Group of BNP Paribas Bank Polska S.A. for the period of 12 months ended 31 December 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 2021 including the Management Board Report on the activities of BNP Paribas Bank Polska S.A. contains a true picture of the development and achievements and situation of the Bank's Capital Group, including a description of the basic risks and threats.

Information of the Management Board, prepared on the basis of a statement of the Supervisory Board or a supervising person, on the selection of the audit firm to audit the annual separate financial statements and the annual consolidated financial statements in accordance with the regulations.

The Management Board of BNP Paribas Bank Polska S.A. declares that Mazars Audyt Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw ("Mazars"), an entity authorised to audit financial statements, was selected by the Supervisory Board of the Bank in accordance with the law, as an entity authorised to audit the consolidated financial statements of the Capital Group of BNP Paribas Bank Polska S.A. for 2021 and the standalone financial statement of BNP Paribas Bank Polska S.A. for 2021. Mazars and the members of the audit team met the conditions for preparing an impartial and independent audit report on the annual financial statements and the audit report on the consolidated annual financial statements in accordance with applicable regulations, professional standards and professional ethics.

The Management Board of BNP Paribas Bank Polska S.A. declares that the binding law provisions related to the rotation of the audit firm and the key statutory auditor and the mandatory grace periods have been observed and that the company has in place the "Policy on the selection of the audit firm at BNP Paribas Bank Polska S.A." and the "Audit firm selection procedure at BNP Paribas Bank Polska S.A." and the "Policy on the provision of permitted non-audit services by the audit firm, by affiliates of the audit firm and members of the audit firm's network at BNP Paribas Bank Polska S.A."

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

The Bank did not publish financial forecasts for 2021.

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

2.03.2022	Przemysław Gdański President of the Management Board	<i>signed with a qualified electronic signature</i>
2.03.2022	Jean-Charles Aranda Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
2.03.2022	André Boulanger Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
2.03.2022	Przemysław Furlepa Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
2.03.2022	Wojciech Kembłowski Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
2.03.2022	Kazimierz Łabno Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
2.03.2022	Magdalena Nowicka Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
2.03.2022	Volodymyr Radin Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>