

2022

MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF BNP PARIBAS BANK POLSKA S.A. GROUP IN THE FIRST HALF OF 2022



BNP PARIBAS

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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:

- Individual 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.

The Group employs 8,600 people (FTE).

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

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

The Bank operates within the leading international banking group BNP Paribas (hereinafter referred to as 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 in first half of 2022

PLN
142,320 million
assets

PLN
535 million
net profits

PLN
3,035 million
result on banking operations

PLN
1,626 million
costs

15.2 %
total capital ratio

9.6 %
ROE

84.3 %
loans/deposits

53.6 %
cost/income

4.2 mln
Customers

1.6 million
Customers using remote channels

418
branches

8.6 thousand
FTEs

Market shares

At the end of June 2022, BNP Paribas Polska Group maintained its 6th position regarding assets in the banking sector in Poland.

Table 1. Market shares of BNP Paribas Bank Polska

	30.06.2022	31.12.2021
Loans to non-bank customers	6.2%	6.0%
Loans to individuals	5.6%	5.4%
Non-financial businesses	9.3%	9.1%
Non-bank customer deposits	5.9%	5.6%
Deposits of individual customers	4.9%	4.7%
Non-financial businesses	9.8%	9.1%

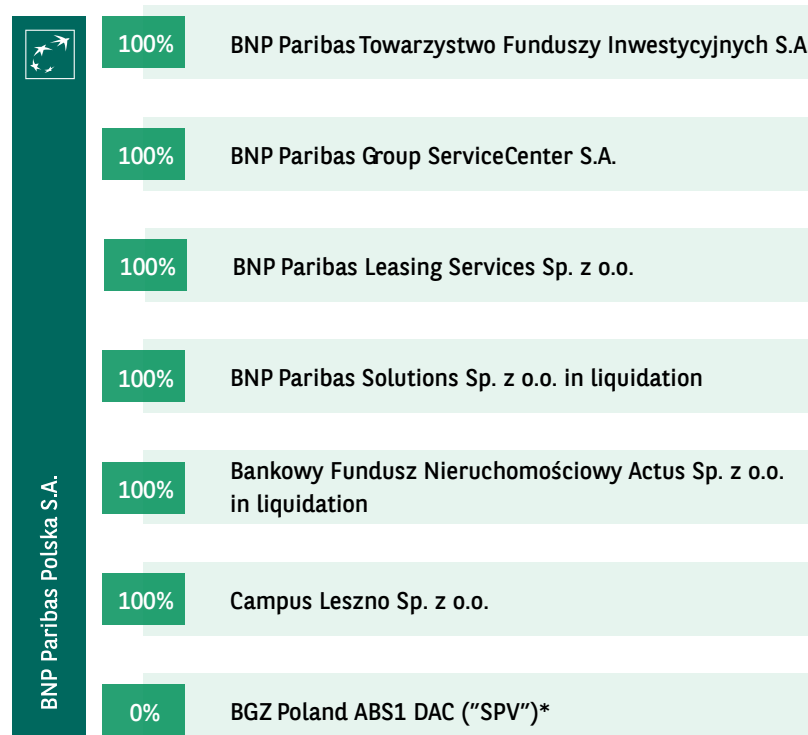
In the „Loans to non-bank customers” category, the Bank’s share of the sector amounted at the end of first half of 2022 to 6.2%, increase from 6.0% at the end of 2021. The increase was mainly due to continued strong growth in loans to corporates and non-commercial institutions, as well as PLN mortgage loans and consumer loans to individuals.

The Bank’s share of deposits of non-bank customers increased to 5.9% compared to 5.6% at the end of 2021. Growth in shares was recorded in both the individual customer term deposit segment and in the deposits of institutional entities (mainly non-bank financial institutions, corporate, farmers and non-commercial institutions).

1.2. Structure of the Group and consolidated entities

BNP Paribas Bank Polska S.A. (hereinafter: the Bank) is a parent entity of BNP Paribas Bank Polska S.A. Capital Group (hereinafter: the Group). Subsidiaries that are part of the Group as of the end of June 2022 (fully consolidated) are listed below. The Bank’s share in the equity of each subsidiary has been presented in percentages:

Structure of the Group



* BGZ Poland ABS1 DAC („SPV”) – an SPV company with which 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 International Financial Reporting Standards (IFRS) 10.

Changes to the structure of the BNP Paribas Bank Polska Group that took place in the first half of 2022:

- On 28 January 2022, the Extraordinary Meeting of Shareholders of Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. adopted a resolution to dissolve the company through its liquidation. Since 1 February 2022, the company changed its name to “Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. in liquidation”.
- On 1 March 2022, the Extraordinary Meeting of Shareholders of BNP Paribas Solutions Sp. z o.o. adopted a resolution to open the liquidation of the company. The name of the company was changed to “BNP Paribas Solutions Sp. z o.o. in liquidation”.

All transactions between the Bank and its related parties resulted from day-to-day operations and mainly included loans, deposits, derivative transactions and income and expenses from advisory services and financial intermediation. Detailed information on transactions with related parties can be found in Note 45 of the Interim consolidated report of the BNP Paribas S.A. Group. Bank Polska S.A. for the period of 6 months ended 30 June 2022.

In addition to the companies listed above (which are part of the Capital Group), the Bank held equity investments in infrastructure companies at the end of June 2022 (including 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 contains mainly shares, stocks or bonds convertible into shares issued by companies based in Poland, classified as medium-sized companies. The value of investments in shares and minority interests is not material in terms of the scale of the Bank's and the Group's operations and financial performance. These investments are financed from own funds.

1.3.HR management

Headcount

At the end of June 2022, the Capital Group of BNP Paribas Bank Polska S.A. had 8,587 FTEs (including employees on maternity leave, childcare leave and longer sick leave) as compared to 8,702 FTEs at the end of June 2021 (decrease by 115 FTEs). The decrease in employment y/y was mainly due to the adaptation of the business model to the changed business environment and inherent employee turnover.

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

Table 2. Headcount in the Capital Group of the Bank

in FTE's	30.06.2022	30.06.2021
Capital Group of the Bank	8,587	8,702
Total Bank, including:	8,450	8,540
Head Office	4,761	4,611
Branches	3,553	3,796
Mobile Relationship Managers	95	83
Brokerage Office	36	45
Trade Unions	5	5
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	38	39
BNP Paribas Group Service Center S.A.	81	70
Campus Leszno Sp. z o.o.	7	9
BNP Paribas Leasing Services Sp. z o.o.	8	7
BNP Paribas Solutions Sp. z o.o. in liquidation	3	37

Employment restructuring

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

To mitigate the social impact of the collective redundancies, the Bank agreed with the Trade Unions to pay additional compensation and other elements of social protection, independently of the statutory severance payments that the Bank is obliged to pay to the redundant employees.

Since the beginning of 2021, employment contracts have been terminated with 253 employees as part of collective redundancy program (167 employees in the first half of 2022).

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 compliant with the applicable statutory and implementing provisions of laws and regulations.

The Bank has adopted a Remuneration Policy for persons having material impact on the risk profile of BNP Paribas Bank Polska S.A. which was developed in line with guidelines included in Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks and the Banking Law. On 9 December 2021, a revision of the policy took place following 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 Remuneration Committee and Nomination Committee, which support the Supervisory Board in the fulfilment of its supervisory duties in the area of human resource management, by monitoring and overseeing the key processes, in particular succession plans, professional development of employees and remuneration policies. The Committees prepare for the Supervisory Board opinions and recommendations, regarding i.e. evaluation of candidates for members of the Bank's Management Board and candidates for members of the Supervisory Board, terms of employment of Members of the Bank's Management Board, including the variable remuneration determined and paid 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 concern for acting in the best 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.

Key achievements under the TOGETHER pillar of the GOBeyond strategy in the first half of 2022

INITIATIVE	
	People first: we focus on people
DESCRIPTION OF INITIATIVE	Employee involvement is a foundation of customer satisfaction. Caring for employees results in increased quality, which translates into growth of business and its results. Listening to the voice of employees, encouraging their involvement and paying attention to the sense of achievement based on the new corporate culture and values
ACHIEVEMENTS	<ul style="list-style-type: none"> • Events organized for employees: Development Festival (2-week series of meetings on employees development opportunities in the organisation), Stronger Together (2-day meeting for senior managers) • New training offer for employees, updated monthly (prepared on the basis of needs reported by employees) • Implementation and harmonisation of new values and the related behaviours, which contributes to a unified organizational culture (through the preparation and planning of workshops for the different business areas of the Bank)

KEY FIGURES	<ul style="list-style-type: none"> • 16.6 hours - average number of training hours completed by a Bank employee in the first half of 2022 • 900 employees took part in the #MamToDamTo campaign, 95 training sessions were conducted
INITIATIVE	Great place to grow: good to be here
DESCRIPTION OF INITIATIVE	<ul style="list-style-type: none"> • Better employees' experience (integrated self-service tools). Creation of a new working model. Automation and digitalisation of HR processes ("back office").
ACHIEVEMENTS	<ul style="list-style-type: none"> • Completed architecture of current HR processes • Analysis of positions in the Bank's structure • New employee onboarding process - implementation of improvement i.e. integrated IT handover process, new agenda for full-day onboarding meeting
KEY FIGURES	<ul style="list-style-type: none"> • eNPS - Q1 '22 -> 4 vs Q4 '21 -> -9 • Engagement index - Q1 '22 -> 70% vs Q4 '21 -> 63%

Diversity management activities

Diversity management activities (Diversity & Inclusion, D&I) are a foundation of organisational culture. In the EVP (Employee Value Proposition) evaluation, they constitute one of the 4 pillars building BNP Paribas' brand as an employer. Actions to strengthen D&I are carried out through commitments, partnerships, engagement inside and outside the organisation, cooperation with NGOs (non-governmental organisation) in support of the Sustainable Development Goals on the part of the Bank's Management Board, as well as active support for employee initiatives. Dimensions of diversity particularly supported by the Bank are: gender equality, parental equality, disability, ethnic diversity, nationality, age, LGBT+, work-life balance, talents. The women's network "Women changing BNP Paribas", the fathers' network "Dads, you've got it", the LGBT+ community network "BNP Paribas Pride Poland" and the project groups "Inclusion of people with disabilities", "Agave Age" are active in the Bank. We work in partnership with the Responsible Business Forum, Integracja, Integralia, Share the Care, Future Collars, Vital Voices, Success Written in Lipstick foundations.

Key initiatives conducted in the first half of 2022:

- 'Health starts at the head' webinar series (depression among women, men, children, how to talk with children about war, diet and mental health),
- The second edition of Women Up programme – a year-long development programme for women, based on the implementation of 10 'diamond' original ideas, selected through a competition, involving more than 100 women,
- Future Up – an original mentoring programme targeting areas of technology transformation, involving outstanding mentors and mentees from various industries,
- Continuation of the wellbeing programme "Dobrze" (bank-wide educational activities around mental health and wellbeing, physical activity, as well as the possibility of individual consultations with a psychologist, dietitian, physiotherapist),
- Parenting Week – "Festiwal Radości" - animations, educational games for more than 100 children of employees, webinars with experts on well-being of parents, non-violent communication, cyber-safety for children, digital hygiene,
- Partnership of the publications related to the EU Work-life balance directive and the promotion of the use of parental leave by fathers "Facet na 100 pro" (Share the Care),
- Supporting the LGBT+ community and celebrating #Pride month (themed webinars on gender-neutral language, a meeting with the father of a transgender daughter Piotr Jacon, the "Dialogue Bench" – a rainbow bench set up on the patio of the headquarters in Warsaw - an invitation to dialogue on difficult topics in the area of diversity, participation in the Warsaw Pride Parade).

Training and development

The programme of development activities offered by the Bank supports the implementation of the business strategy. Activities include programmes for all employees, including specialised programmes designed for managers. In addition, projects are conducted to support the development needs of individual units of the Bank.

Training activities in the first half of 2022 were conducted in close cooperation with the Bank's business lines. The total number of training participants amounted to more than 58,000, of which: more than 47,000 employees

took part in e-learning trainings, 348 people participated in external trainings, and more than 10,000 participated in internal trainings conducted in the online formula (Skype, Webex).

Table 1. Average number of training hours per employee at the Bank in the first half of 2022 by gender and employment structure

structure of employment	BNP Paribas Bank Polska S.A.		
	Women	Men	Total
Management Board	8.6	9.4	9.2
Managers	15.2	11.2	13.3
Other employees	17.9	15.2	17.0
Total	17.6	14.6	16.6

The table above includes: e-learning, modular trainings, external and internal trainings.
The numbers of training hours aggregated for this calculation is rounded to one decimal place.

Major training initiatives in the first half of 2022

Onboarding

- Training for new employees supporting: core general banking scope - Nice to see you (Miło Cię widzieć) and induction trainings profiled in the business line onboarding process (new product offering and operating systems).

Development and training activities conducted for dedicated organisational units

- In the area of product, process knowledge, system knowledge and the development of sales and personal, specialised competences (EFPA EFA) of employees in the Retail and Business Banking Area.
- Supportive development paths in Retail Banking - Premium Academy, Business Academy, Leadership Academy, Mortgage Academy.
- Development of leadership competencies in the Retail and Business Banking Area - completion of Development Centre sessions with individual discussion of results for Regional Directors and Heads of Retail and Business Centres.
- Product and process-related, strengthening cooperation in teams, improving sales competences for employees in SME and Corporate Banking.
- Developing soft skills: activities in the areas of team building, communication, remote working, specialist, personal and managerial competences (organised at the request of individual organisational units).
- Training to support the Agile@Scale transformation, providing the knowledge and shaping the skills necessary for agile working.
- Supporting the implementation of the Organisational Culture through the implementation of Bank-wide workshops and training activities called "Valuable Meetings".
- Conducting cyclical Stronger Together meetings for top management to provide business inspiration, exchange experiences between participants and update the status of the Bank's strategic objectives.

E-learning trainings

- Providing knowledge, building awareness and proactive attitude as well as behaviours of employees in the topics of compliance, financial security, insurance, Agile approach, IT and cyber risk, knowledge of national client groups, sustainability and social responsibility, risk management, capital markets, regulations, knowledge of risk factors and risk awareness, data quality and security, operational risk.
- Language studies through the eTutor language platform, free of charge for Bank employees supporting learning of English.

Training available to all employees or dedicated to participants of development programmes .

- **Central Development Offer** - a catalogue of various forms of development for every employee of the organisation regardless of the form of employment: workshops, training games, webinars. Up to 10 thematic categories including leadership, banking, communication, personal effectiveness, diverse work environment, UniversITy, flexible organisation as well as a wide range of formats for personal development: videos, pdf documents, podcasts, e-learning. The trainings are provided by both internal and external trainers.
- **#MamToDamTo** – a programme within in the concept of a learning organisation. It is based on the idea of voluntary knowledge sharing, providing employees with opportunities to exchange knowledge and support each other's development. It is implemented in the form of online training in, among other things, knowledge and skills in using MS Office tools, SQL and banking applications. The MamToDamTo

programme offers more than thirty training topics in several areas and at different levels. In 2022, there are new training topics in the areas of: Lean Management and Agile. A total of 95 training courses were delivered between January and June, attended by 900 employees.

- **Akademia Rozwoju Lidera Dobre Przywództwo - Well Leading New Born Leaders** – a programme for newly promoted team managers developing in the participants the leadership attitude desired in the Bank (e.g. orientation towards the customer or supporting innovation), developing managerial competences necessary in our organisation (e.g. delegating, motivating, remote management), supporting the building of Agile culture and attitude (direct communication, transparency, responsibility, involvement). Activities in the programme are carried out, among others, in the form of online training, webinars.
- **Women UP** – a self-developed training programme, delivered as part of BNP Paribas' Women of Change. The annual development programme is focused on expanding competences in various training and implementation activities. We invite female participants to take part in project teams so that they can implement real changes in our bank. They also participate in a range of activities - webinars, workshops, sessions and inspirational meetings - that strengthen knowledge and skills, both in terms of awareness of their own potential and the implementation of innovative initiatives.
- **Program Wo-mentoring Future UP** – prepared as part of BNP Paribas' Women of Change development initiatives. It is a development proposal for leaders in a mentoring process, with Mentors - female executives and managers from technology companies and those implementing technology transformation. Participants in the programme focus on strengthening knowledge and skills in change implementation, with the incorporation of innovative technology solutions. Mentees learn about tools, 'best practice' from the market, and learn to deal with so-called 'mental bias', i.e. fear of the unknown.
- **Bank BNP Paribas ESG Academy** – inauguration of the e-learning training programme for Sustainability Ambassadors. Strengthening the knowledge and competences of the Sustainability Community to effectively advocate for sustainable finance and sustainability in all areas of the Bank's activities.
- **Themed webinars** – initiated and co-organised by employee networks: 'Women Changing BNP Paribas', 'Dad, you've got', 'BNP Paribas Pride Poland' e.g.: a series of mental health webinars 'Health starts with A head' (depression IN women and men, children depression, how to talk to children about war), How to take care of children's cyber security and digital hygiene, wellbeing of parents, as well as webinars on transgender issues.
- **Webinars following the employee life cycle** - webinars on annual appraisal, mid-year appraisal, quarterly feedback, profile completion and development plans (Personal Development Plan).

Internship and partnership programmes - cooperation with universities

- **Summer Internship Program** – a summer internship program addressed to students of at least the second year of studies. The programme aims to promote the Bank and break stereotypes about working in the banking industry. During the internship, trainees gain knowledge of banking, customer service, new technologies, marketing through active participation in the tasks and projects of the selected department. Internships take place onsite, remotely or in a hybrid format. The programme includes a series of webinars and workshops that will allow interns to expand their knowledge of developing their image in the media, building creditworthiness, and managing cash. There are currently 42 participants in the summer internship.
- **Internship programmes** – addressed to 3rd and 4th year students. The aim of the programmes is to prepare students to join the organisation. The possibility to participate in projects which achieve a result defined at the beginning gives an opportunity to gain business experience. It also helps to understand the relationships, structures and principles of functioning in a large organisation. In July 2022, 50 programmes were launched across the organisation. Interns joined for a period of six months and work together with mentors on business projects, expanding their professional competences. Participants of these programmes also have the opportunity to take part in webinars led by Bank experts.

2. Major events

2.1. Major corporate events

January 2022

- **Extraordinary General Shareholders Meeting, resolutions on, e.g.:**
 - adoption for application by the Bank of the principles contained in the "Code of Best Practice for WSE Listed Companies 2021"
 - adoption of the Policy for Appointment and Dismissal of Members of the Bank's Supervisory Board and the Policy for Assessment of the Suitability of Members of the Bank's Supervisory Board
- **Rating of the Bank by Fitch Rating Agency:**
 - 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 subsidiary BFN ACTUS Sp. z o.o.**
On 28 January 2022, the Extraordinary Meeting of Shareholders of BFN ACTUS Sp. z o.o. adopted a resolution to dissolve the company through liquidation. Since 1 February 2022, the company changed its name to Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. in liquidation.

March 2022

- **Liquidation of subsidiary BNP Paribas Solutions Sp. z o.o.** On 1 March 2022, the Extraordinary Meeting of Shareholders of BNP Paribas Solutions Sp. z o.o. adopted a resolution to open liquidation of the Company
- **Announcement of the new Strategy of BNP Paribas Bank Polska S.A. for years 2022-2025**

April 2022

- Issuance of series M shares under **conditional share capital increase** and change in the value of share capital of BNP Paribas Bank Polska S.A. - the Bank's share capital was increased from **PLN 147,518,782 to PLN 147,593,150**
- Determination by the BFG for BNP Paribas Bank Polska S.A. of **the annual contribution to the banks' compulsory restructuring fund for the year 2022 (PLN 125,919 thousand)**



May 2022

- Decisions of the Polish Financial Supervision Authority **to approve the inclusion to Tier 1 capital of net profit from 2021**, at stand-alone (PLN 184,526 thousand) and consolidated (PLN 176,298 thousand) levels



June 2022

- Setting the **minimum level of own funds and eligible liabilities (MREL)** for the Bank at the individual level by the BFG at 15.99% of the total risk exposure (TREA) and 5.91% of the total exposure measure (TEM). This requirement should be fulfilled by 31 December 2023. MREL interim targets: ratio to TREA is: 11.99% as of receipt of the BFG letter and 13.99% at the end of 2022, and in relation to TEM are: 3.00% as of receipt of the BFG letter and 4.46% at the end of 2022.
- Authorisation to participate in the establishment of the security system referred to in Article 4(1)(9a) of the Act of 29 August 1997. - Banking Law
- **Annual General Meeting of Shareholders**

2.2. Awards and distinctions

January 2022

- The Bank is awarded the **Top Employer Poland** title and the **Top Employer Europe** certificate for the best standards in human resources management

March 2022

- The Bank wins the **Ethical Company 2021** title in the Large Company category for its efforts to build and strengthen an organisational culture based on ethics and principles of corporate social responsibility, standing out from other companies in Poland
- The Bank is awarded in the seventh edition of the Institution of the Year competition. In the annual summary, the Bank is ranked 5th. Experts of the MojeBankowanie.pl portal award the bank in 4 categories: best service in remote channels, best service in a branch, best bank for companies, best remote account opening process. As many as 21 branches of the bank receive the title of the best banking branch in Poland

May 2022

- For the fourth consecutive year, the Bank is included among the employers that stand out for their maturity in managing diversity and building an inclusive work environment. This year's list includes 38 organisations that have successfully passed the **Diversity IN Check** survey conducted by the Responsible Business Forum. For the first time, the organisers identified the leaders - the six companies with the highest scores, above 80%. Among them is BNP Paribas Bank Polska S.A.

February 2022

- BNP Paribas Foundation is recognised by the Association of Actively Against Depression for its support in reaching out to people experiencing mental health difficulties. The Foundation was recognised for its one-year partnership under the "Support all year round" programme

April 2022

- Bank and PCK's **'Human First Aid'** campaign is honoured as 'Ad of the day' by Campaign Live portal
- **Przemek Gdański**, President of the Bank is ranked second in the Forbes biweekly Banker of the Year 2022 ranking

May 2022 cont.

- The Bank is honoured with **POLITYKA's Golden CSR Leaf** - the highest award in the list published by the editors of the Polityka weekly, and also awarded in a new category related to climate transformation, winning **POLITYKA's Green Leaf**. This year's edition also recognised the Bank's sustainable products and services, which are among the best practices awarded in connection with the implementation of the Sustainable Development Goals

June 2022

- Bank wins the second prize in the "Social media" category and an distinction in the "**Safe bank - best practices**" category in the "Golden Banker 2022" ranking
- The bank reaches the podium three times in the ranking **Gwiazdy Bankowości 2022**, organised by Dziennik Gazeta Prawna and the consulting firm PwC. The independent jury awards it third place in the growth, stability and ESG categories.
- **Magdalena Nowicka**, Vice President of the Bank's Management Board is a laureate of the Digital Shaper 2021 list in the digital transformation category
- Bank scores first place in the Internal Campaign category of the 2022 **Employer Branding Excellence Awards**
- The Bank is awarded in the 6th edition of the PARP "**Employer of Tomorrow**" competition. The competition's Sectoral Competence Council awards the bank first place in the Finance Sector
- The Bank is awarded in the **Employer Branding Excellence Awards**. The top prize in the Internal Campaign category and an honorable mention in the Employer Branding Innovation category for the I Can campaign - communicating a new organisational culture at the Bank
- The Bank scores the maximum number of points as the only participant in **Cashless.co.uk's** ranking of financial institutions that care about professional and social equality for LGBT+ individuals
- The Bank, for the fourth consecutive year, is at the top of the **Responsible Companies Ranking**. It takes second place overall and in the banking, financial and insurance sector category

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

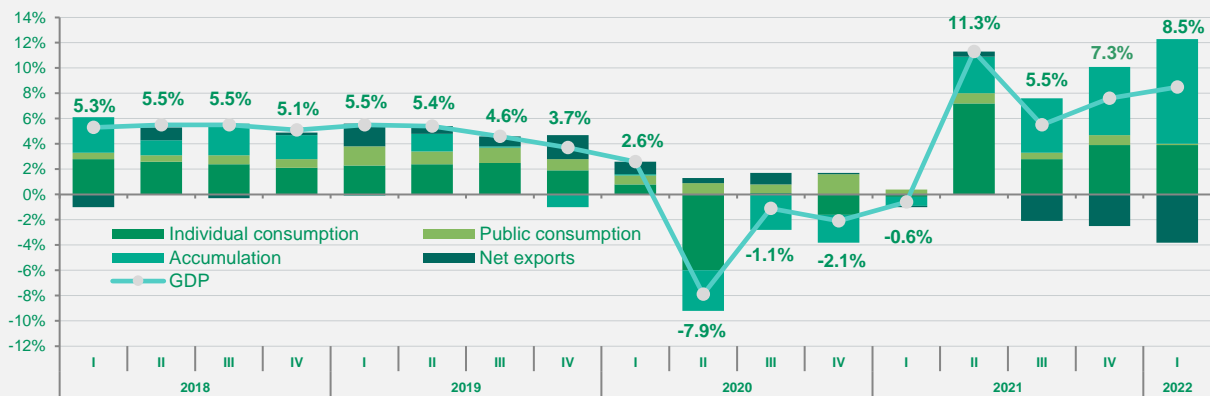
3. External environment

3.1. Macroeconomic conditions

GDP

In the first quarter 2022, Poland's GDP increased by 8.5 % y/y. Inventories remained the main driver of economic growth in the January-March period, adding 7.7 p.p. to overall GDP growth. Final domestic demand also grew, but showed signs of slowing. Private consumption increased by 6.6%, adding 3.9 p.p. to overall GDP growth. Public consumption grew significantly more slowly, increasing by just 0.6% in the first quarter. Gross fixed capital expenditures increased by 4.3% y/y. Net exports negatively impacted economic growth, subtracting 3.8 p.p. from GDP. Economic activity data so far point to reasonably solid annualised GDP growth in the second quarter. However, we expect the dynamics to slow down in subsequent quarters and to fall below zero on a quarterly basis. In the near term, the situation in Ukraine and in particular its macroeconomic consequences will have the greatest impact on economic activity. Concerns over gas and oil supply and prices have significantly worsened expectations for economic growth prospects in Europe. Worse economic conditions and weaker demand in Western European countries may impact negatively economic activity in Poland.

Chart 1. GDP growth (y/y)



Source: GUS

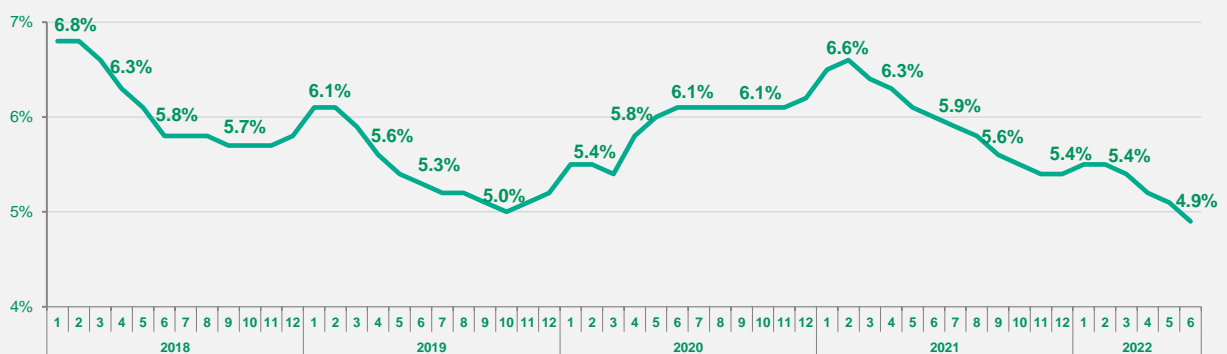
Business activity

In the first quarter of 2022, economic activity in Poland remained at a very high level. Industrial production increased by nearly 17% y/y. The drivers of Poland's industrial production growth continued to be very strong demand and inventory accumulation by companies. According to PMI data, manufacturers' purchases increased significantly in the first quarter. This was affected by, in particular, worsening problems in supply chains following the outbreak of war in Ukraine. In the second quarter, industrial production dynamics gradually declined as a result of weakening demand, high uncertainty and intensifying cost pressures. At the beginning of this year, construction and assembly production remained resilient to negative factors. In the first quarter, it increased by 23% y/y. Retail sales (in real terms) also grew rapidly. The lifting of almost all pandemic restrictions supported consumer demand, resulting in a 9.4% y/y increase in the first quarter. An additional factor supporting retail sales in Poland was the arrival of a large mass of refugees from Ukraine. However, available data indicate that both construction and assembly production and retail sales slowed noticeably in the second quarter, and business surveys point to a further weakening of activity in the third quarter.

Inflation

Since the beginning of 2022, inflation in Poland has been increasing significantly. In the first quarter, CPI inflation accelerated to 9.6% y/y, compared to 7.7% in the fourth quarter of the last year. In the second quarter, price dynamics were even higher at 14.0% y/y. The dynamic growth of inflation in Poland is largely due to the situation on global commodity markets. The increase in gas and oil prices results in the growth of fuel and energy prices. In addition, disruptions in supply chains persist, which, combined with the aforementioned increases in raw material prices, translated into higher production costs, which also increased CPI inflation in Poland. In addition to external factors, internal factors had a major impact on the acceleration of inflation. According to the National Bank of Poland (NBP), core inflation rose by around 8.4 % y/y in the second quarter. The internal factor that largely drove price growth was the historically high wage dynamics in the corporate sector. Wage demands increased costs in companies, which were then passed on to consumers, driving up prices in Poland. The inflation outlook in the coming months will be shaped by both global factors (commodity prices), domestic wage and demand pressures, decisions on regulated prices (energy and gas) and indirect taxes (timing of anti-inflationary targets)

Chart 2. Registered unemployment rate

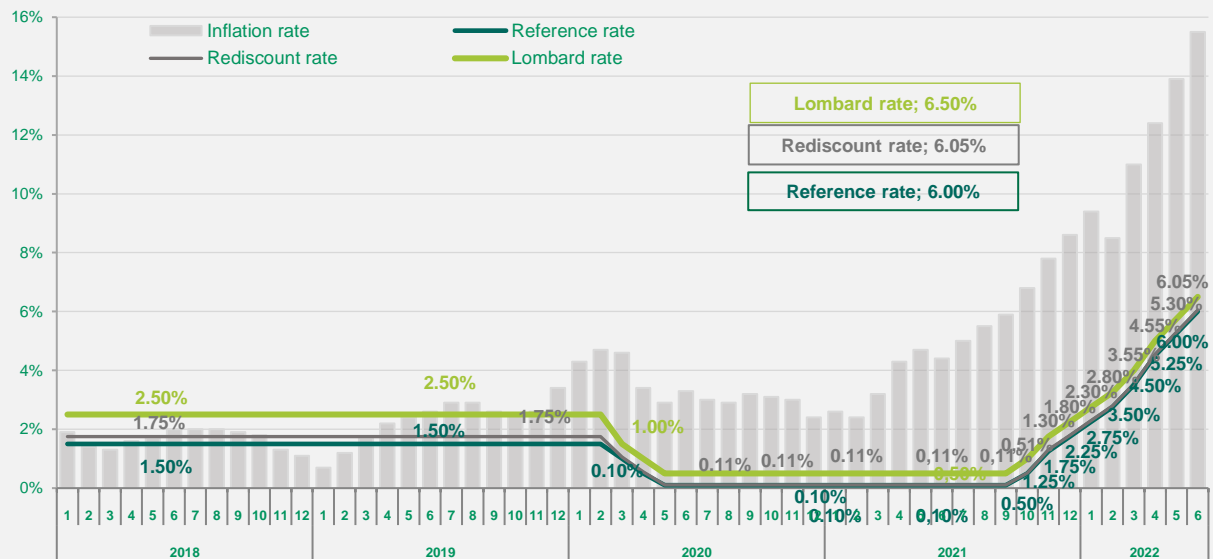


Source: GUS

Monetary policy

In October 2021, the Monetary Policy Council (MPC) decided to start a monetary tightening cycle in Poland. Since then, the Council has decided on ten increases with a total of 640 bps. The reference rate rose to 6.5% in July. Although the comments of the MPC members do not provide clear hints as to the prospects of monetary policy, we expect that the Council may continue raising interest rates the coming months. The scale of a possible further tightening of the monetary policy will be related to the incoming data on the condition of the economy, inflation, and the current zloty exchange rate.

Chart 3. Inflation and interest rates



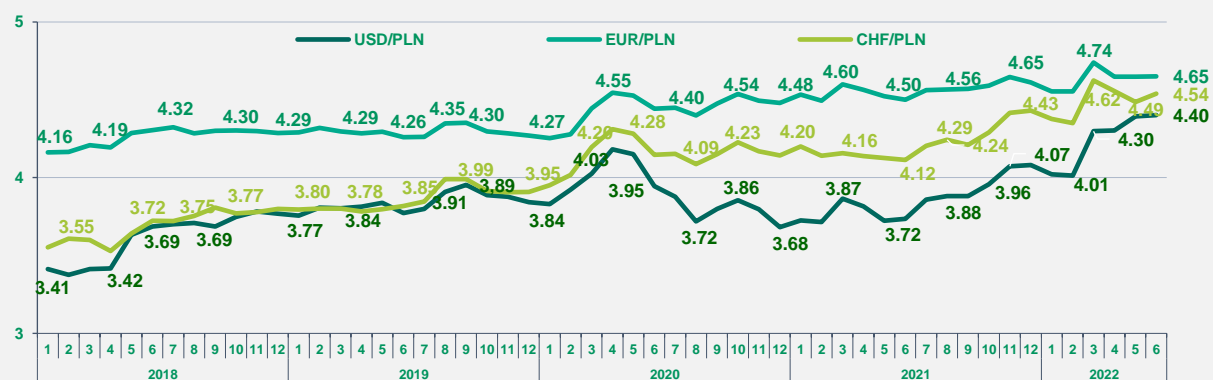
Source: GUS, NBP

Bonds market

The war in Ukraine resulted in a sharp decline in the price of Polish government bonds. Yields on 10-year bonds increased from 4.0% to over 7.0%. The risk premium for long-term Polish bonds (as measured by the spread over 10-year German bonds) increased to more than 550 bps at the end of the second quarter, compared to around 460 bps in the first quarter. Moreover, Polish government bond yields are influenced by the situation on the underlying markets (the United States and the euro area) and domestic data on inflation, public debt, as well as investors' expectations regarding the MPC's future monetary policy. The last factor in particular has significantly influenced the increase in yields and the widening of the spread to 10-year German bonds.

Currency market

Chart 4. PLN exchange (monthly average)



Source: Macrobond

At the beginning of 2022, the PLN remained relatively stable in relation to the major currencies. The situation changed dramatically after the outbreak of war in Ukraine. At the end of February and the beginning of March, the PLN exchange rate in relation to USD and EUR reached historic peaks. The EUR/PLN rate reached a level of almost 5.00 and the USD/PLN rate rose to 4.60. In the following months, the PLN strengthened. The EUR/PLN exchange rate was around the level of 4.60-4.70. At the same time the USD/PLN exchange rate decreased to the

level of 4.20-4.30. At the time, PLN was supported by positive sentiment on the stock market and a strong and clear communication from the NBP regarding the interest rate increase cycle. In June, the situation changed significantly. As a result of the increase in risk aversion in the market, the EUR/PLN exchange rate rose to the level of 4.80, followed by the USD/PLN rate, which moved around 4.70. The sharp decline in the value of PLN is also the result of the strong appreciation trend of the US currency. In July, the EUR/USD exchange rate reached parity, i.e. the pair was quoted at a ratio of 1:1. The CHF/PLN exchange rate has been moving in a similar trend since the beginning of the year. In the second quarter, the rate fell to 4.40, but has been in an upward trend since June.

3.2. Performance of the banking sector

Main categories of the profit and loss account of the banking sector

In the first half of 2022, the net profit of the banking sector in Poland, according to preliminary data from the National Bank of Poland (NBP), amounted to PLN 11.6 billion and increased by PLN 5.5 billion, i.e. by 90%, over the result achieved in the same period last year. The increase in net profit was mainly due to higher net interest income, supported by higher net fees and commissions income. In contrast, it was affected by a decrease in other income and an increase in operating expenses.

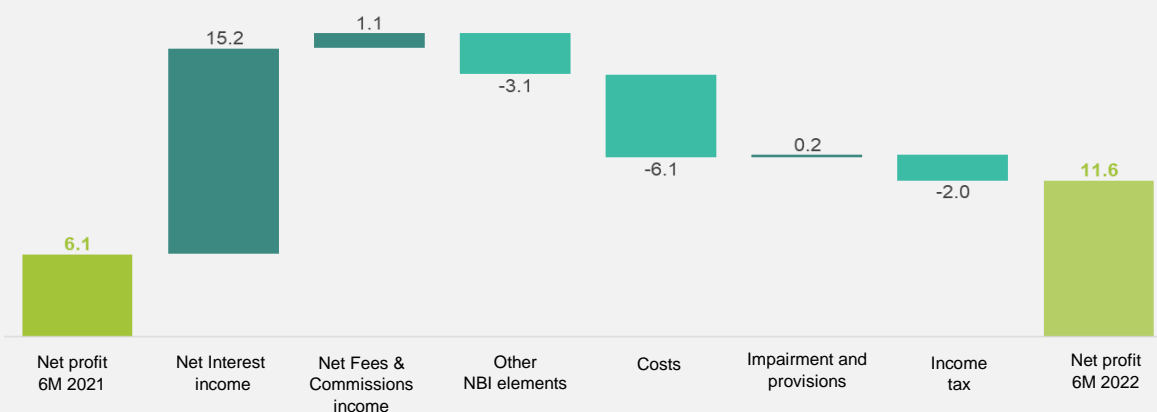
Net interest income increased by PLN 15.2 billion, or 69.8% y/y, as a result of the cycle of interest rate increases that began in October 2021, with the reference rate rising from 0.1% to 6.0% from September 2021 to June 2022. The interest rate increases are made mainly due to rising inflation, which amounted to 15.5% in June.

Net fees and commissions income rose by PLN 1.1 billion, or 13.6% y/y, despite the outflow of funds from investment funds - their assets fell by PLN 45.8 billion, or 14.9% y/y.

The increase in costs (including depreciation and amortisation and bank tax) by PLN 6.1 billion, i.e. 30.9% y/y, was mainly due to additional burden to several commercial banks related to contribution to Institutional Protection Scheme (IPS) aiming at support the liquidity and solvency of the scheme members as well as the restructuring and acquisition of other banks. In addition costs were higher due to higher contributions to the Bank Guarantee Fund (in 2022, the contribution to the Mandatory Restructuring Fund amounted to PLN 1.7 billion and to the Guarantee Fund to PLN 2.0 billion, while in 2021 these contributions amounted to PLN 1.2 billion and PLN 1.0 billion respectively) and high inflation.

The result on impairment losses and other provisions recorded a decrease of PLN 0.2 billion, i.e. 4.6% y/y, mainly as a result of a decrease in the result on other provisions (by PLN 0.1 billion, i.e. 14.5%) despite of the continuation of the increase in the legal risk of the portfolio of foreign-currency mortgage loans as a result of the growing number of lawsuits and the continuation of the line of jurisprudence in favour of borrowers. In the opposite direction, the impact of the result from impairment losses was recorded - an increase of 5.8% y/y.

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

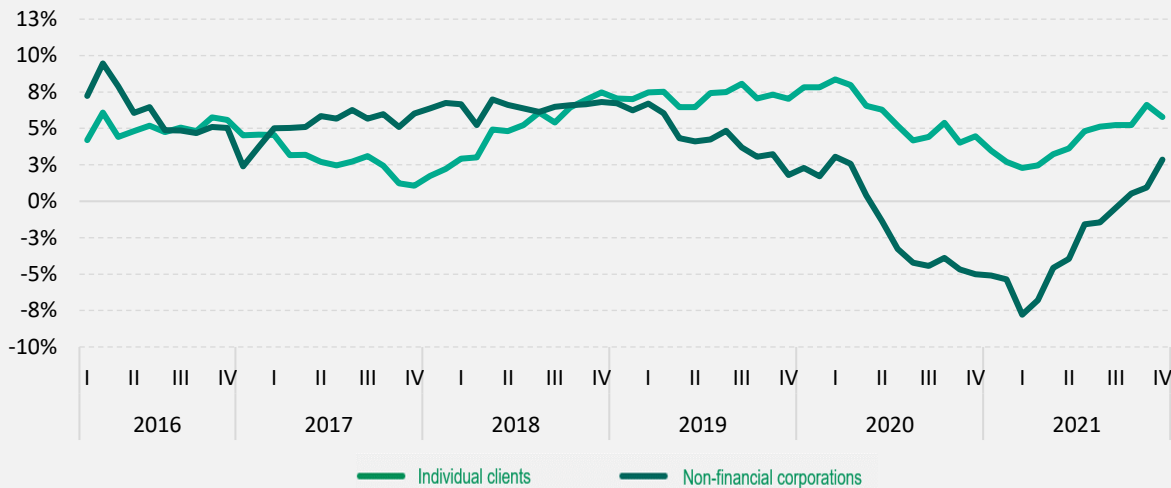


Source: PFSA

Main categories of the balance sheet of the banking sector

The level of loans to non-bank customers at the end of the first half of 2022 amounted to PLN 1,423 billion. The 7.4% y/y increase was higher than at the end of 2021 (5.1% y/y) mainly due to the dynamic lending recorded in the second half of 2021, continuing in the first months of 2022 (in the first half of 2021 the impact of the lockdown caused by the COVID-19 pandemic was noticeable). Growth was driven by corporate lending supported by an increase in PLN mortgage loans.

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

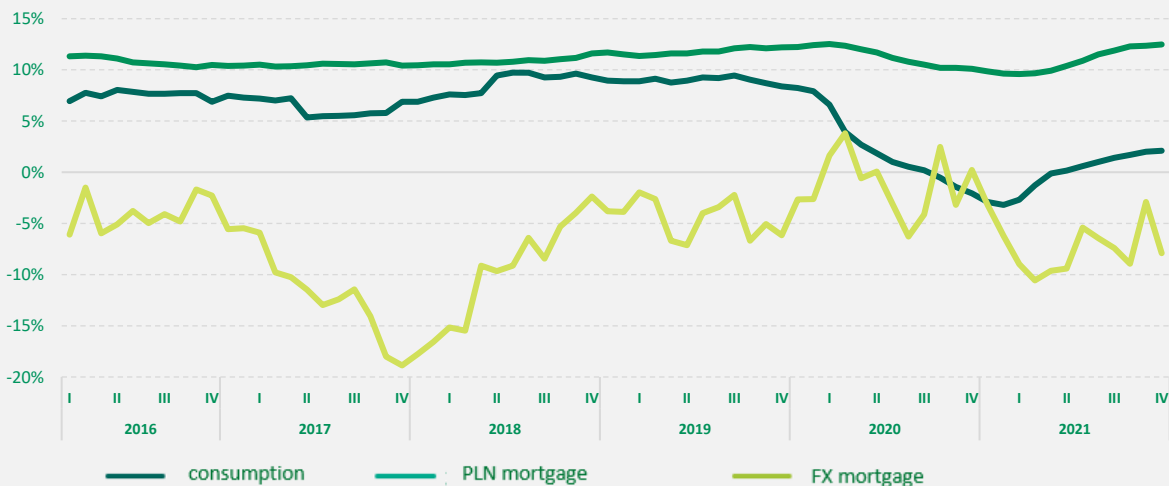


Source: NBP

Loans to non-financial businesses increased y/y to 9.3% at the end of the first half of 2022 (2.9% at the end of 2021), mainly as a result of strong growth in corporate loans (14.2% y/y). In contrast, the decline in loans to individual entrepreneurs (to 6.2% vs. a 1.7% y/y decline at the end of 2021) and individual farmers (to 6.2% vs. a 2.0% y/y decline at the end of 2021) deepened.

The dynamic growth in corporate loans was mainly driven by an increase in current loans (29.5% y/y vs. 14.2% y/y at the end of 2021). During this period, investment loans grew at a rate of 7.5% y/y (down 0.5% y/y in 2021). According to the NBP, the strong growth in corporate loans was supported by high-dollar loans to several large companies. The economic situation related to high inflation causing interest rate increases and Russia's invasion of Ukraine causing uncertainty about the future economic situation negatively affected investment loans of entrepreneurs and individual farmers. At the end of the first half of 2022, they recorded an annual decrease of 11% (-4.9% at the end of 2021) and 5.3% (-3.9% at the end of 2021) respectively.

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



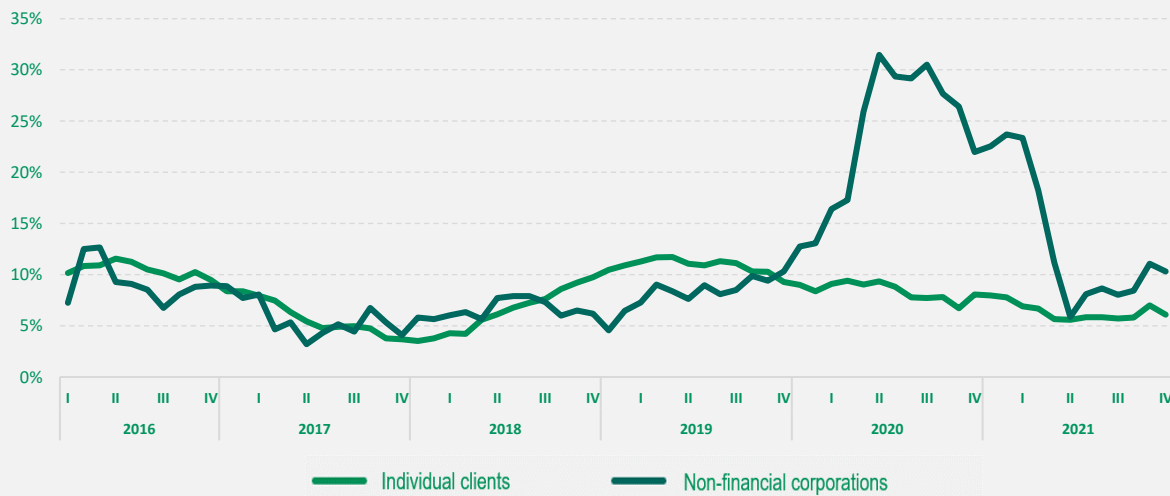
Source: NBP

Volume of loans to individuals increased by 3.2% y/y against an increase of 5.8% at the end of 2021. The slowdown in growth was due to both a lower annual increase in PLN mortgage loans to 7.1% against 12.5% at the end of 2021 and an annual decrease in consumer loans of 0.1% against an increase of 2.1% y/y at the end of 2021. The volume of foreign-currency mortgage loans fell by 3.5% y/y (-7.9% y/y at the end of 2021) in an environment of PLN depreciation against the CHF.

The slowdown in the growth rate of PLN mortgage loans occurred in an environment of lower demand for mortgage loans as a result of, among other things: higher interest rates, changes in households' consumer spending, a deterioration in their economic situation and tightening the conditions and criteria for granting these loans by banks. According to the Credit Information Bureau (BIK), approx. 60% fewer potential borrowers applied for a mortgage loan in June 2022 than in June 2021. The average value of an application for a mortgage loan was 0.5% lower y/y.

The decrease in consumer loans was caused, in particular, by: high interest rates as a result of the increase in interest rates and the worsening situation of households caused by the increase in the prices of goods and services. According to the BIK, the largest share in the number of sales of cash loans was accounted for by loans up to PLN 50,000.

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



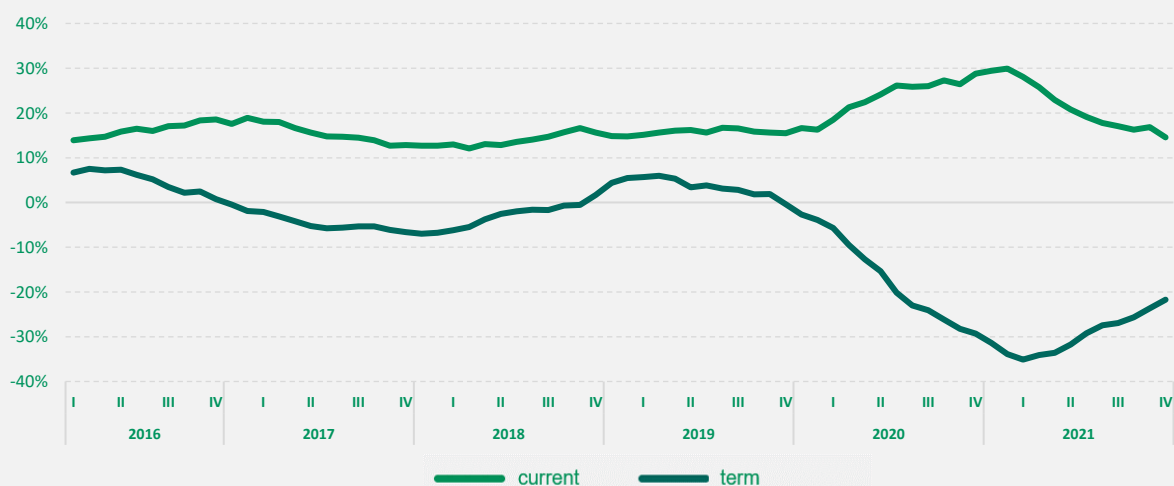
Source: NBP

At the end of the first half of 2022, non-bank customer deposits increased by 5.7% y/y, compared with an increase of 10.9% at the end of 2021. Both deposits from private individuals (to 1.9% y/y against 6.1% y/y at the end of 2021) and deposits from non-financial businesses (to 7.3% y/y against 10.3% y/y at the end of 2021) slowed down.

The weakened growth rate of retail deposits may be a result of a higher inflation and thus lower customer savings. High inflation and higher interest rates resulting in a gradual increase in interest rates on bank deposits reversed the trend in term deposits (up 26.8% y/y at the end of June 2022 compared with a decrease of 21.7% y/y at the end of 2021) and current deposits (down 3.9% y/y at the end of June 2022 compared with an increase of 14.6% y/y at the end of 2021). In addition, customer funds are invested to a greater extent in so-called savings bonds. Their average monthly sales in the first half of 2022 amounted to PLN 5.1 billion (against average monthly sales in 2021 of PLN 3.6 billion), mainly due to the 1-year floating rate bonds newly issued in June. Investment funds performed in the opposite direction - in the first half of the year, their balance (excluding PPK funds) fell by PLN 21.8 billion.

The slowdown in the growth rate of non-financial business occurred in an environment of the first decline in current deposits in several years (-3.1% y/y against an increase of 10% y/y at the end of 2021). At the same time, non-financial business entities' time deposits increased by 85.3% y/y (against an increase of 12.4% in 2021) - which could have been due to an increase in interest rates on time deposits influenced by the rise in interest rates. In addition, the decline in current deposits may have been influenced by the end of the financial support disbursement period under the anti-crisis shields.

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



Source: NBP

3.3. Stock market and investment situation

In the first half of 2022, the WIG stock index, which represents all listed companies on the Warsaw Stock Exchange (WSE), was in a downward trend recording its lowest level since the end of 2020. The first three months of 2022 were a period of increased volatility, which translated into several per cent changes in the index in the range of 55,000-73,000 points. The period from April to June, on the other hand, was a clear downward trend, which ultimately resulted in a negative return of 22.7% relative to levels at the end of 2021. The first six months of 2022 again saw diversified returns among company segments, although not on the same scale as in previous periods. In the period from 31 December 2021 to 30 June 2022, WIG, WIG20 and mWIG40 recorded negative returns exceeding 20.0%. The relatively best performing segment was the smallest companies, with the index also recording a loss, but it did not exceed 14.0%.

The indices of the Warsaw Stock Exchange were in line with the behaviour of foreign equity markets. For example, the US S&P500 index recorded a negative return of 20.6% over the six months of 2022, the French CAC40 lost 17.2%, while the German DAX was down 19.5%.

Table 2. The value of the main indices on the WSE

index	30.06.2022	31.12.2021	30.06.2021	change in 1H 2022	change y/y
WIG	53,573	69,296	66,067	(22.7%)	(18.9%)
WIG20	1,696	2,267	2,218	(25.2%)	(23.5%)
mWIG40	4,069	5,292	4,825	(23.1%)	(15.7%)
sWIG80	17,284	20,056	20,687	(13.8%)	(16.4%)

Source: Bloomberg

The picture of the first half of 2022 on the Warsaw Stock Exchange was influenced by the following factors, among others: (i) concerns about the impact of further waves of disease in the context of the COVID-19 outbreak on the global economy; (ii) concerns about policymakers' approach to prevent the pandemic, including the introduction of broad lockdowns; (iii) the outbreak of war in Ukraine and the sanctions imposed on Russia, which translated into further disruption of global supply chains; (iv) a visible deterioration in macroeconomic data, including in particular PMI leading indices, which translated into negative revisions of economic growth; (v) an increase in geopolitical risks in the Central and Eastern European region and thus an outflow of foreign capital; (vi) uncertainty about the direction of central banks in an environment of accelerating inflation and an expected economic slowdown; (vii) the restrictive monetary policy of the Monetary Policy Council, with cyclical interest rate increases at the top, which translated into an outflow of capital from the debt market; (viii) the expansionary fiscal policy pursued in the country and unexpected initiatives by those in power (e.g. the e.g. anti-inflation shields, credit moratoria); (ix) volatility of the PLN quotations. The first half of 2022 resulted in a clear upward trend in Polish government bond yields. Ultimately, yields on Polish 10-year treasury bonds were around 6.5% at the end of the half-year, when at the beginning of January it was around 3.7%. It is worth noting that in mid-June the aforementioned yields exceeded 8.0%. This was in line with global trends and was a consequence of rising inflation and expectations of monetary tightening by major central banks. In the first six months, the Monetary Policy Council maintained its hawkish rhetoric by systematically raising interest rates. At the end of the reported period, the reference rate amounted to 6.00%, which was the result of six consecutive increases from 1.75% in December 2021.

Table 3. Number of companies, capitalisation and turnover on WSE

	30.06.2022	31.12.2021	30.06.2021	change in 1H 2022	change y/y
Number of companies	421	430	426	(2.1%)	(1.2%)
Capitalization of domestic companies (PLN million)	554,544	701,152	637,272	(20.9%)	(13.0%)
Value of trading in shares (PLN million)	165,838	149,239*	181,757	11.1%	(8.8%)
Futures contracts trading volume (thousand)	7,311	5,952*	5,755	22.8%	27.0%

Source: WSE, *data for 2H 2021

In the first half of 2022, 2 new companies appeared on the WSE's main market, both as a result of the transfer of listings from NewConnect, and 11 entities left the trading floor.

On the NewConnect organised market, 9 issuers debuted in the first six months of 2022, with 7 entities delisting at the same time. On the Catalyst bond market, meanwhile, a total of 544 bond series were listed and the value of issues exceeded PLN 1.123 billion.

4. Strategy and outlook

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

The main objective of GOeyond's new strategy for 2022-25, adopted by the Bank's Management Board and Supervisory Board in March 2022, is to continue the dynamic growth of the Bank, which will be an institution that operates efficiently, with engaged employees and satisfied customers, while being a leader in the area of sustainability. GOeyond's strategy, following a multi-stage build-up of scale through acquisitions in previous years, focuses on organic growth, while maintaining a responsible approach to approach to risk management.

Although the volatile environment may affect the Group's financial performance in the future, our ambition is to achieve the following targets by 2025:

- Return on equity ratio (ROE): **~12%**
- Cost-to-income ratio: **max. 48%**
- Share of sustainable funding: **10%**

The strategic directions contained in GOeyond's new strategy are based on solid foundations and the Bank's sustainable and diversified business model. The directions set are valid despite the volatile environment we currently face. The new strategy was developed internally, by a broad group of Bank employees representing all key areas, and by representatives of the subsidiaries

- **Pillar POSITIVE**

The Bank aims to be a leader in sustainable finance by developing a range of dedicated products and services for all business lines. Their dynamic sales will allow the share of sustainable finance to increase from 4.5% at the end of 2021 to 10.0% in 2025. The Bank will implement the highest ESG risk management standards and consistently improve the ESG risk profile of its loan portfolio. In addition, the Bank will consistently measure and reduce the carbon footprint of its portfolio by supporting customers in their transformation. The Bank also aims to achieve its own climate neutrality by reducing resource consumption and implementing responsible purchasing practices. By 2025, the Bank plans to reduce CO2 emissions from operations by 55% (vs. 2019) and paper consumption by 80% (vs. 2021).

Responsibility, accessibility, transparency and ethics will guide the relationship with customers. The primary objective is that the customer buys what he or she needs consciously and is not surprised by hidden clauses in contracts. Our branches will continue to be modernised to meet the special needs of elderly and disabled people. We assume that 50% of the network will be certified as "Barrier-free facilities". The Bank does not plan to introduce solutions that would force customers to give up their visits to branches. Instead, it will actively support customers in their digital transformation.

Commitment to local communities through the development of employee volunteering or further support for the activities of the BNP Paribas Foundation will continue. The Bank will initiate public debate, carry out educational activities and enter into sectoral and non-sectoral partnerships, thus building a brand permanently associated with care for the environment and issues important to society.

- **Pillar TOGETHER**

The Bank is convinced that an engaged and satisfied employee guarantees a high level of customer satisfaction. Hence, it will be crucial to ensure an environment that supports the development of employees, their activity and creativity, but also accepts mistakes resulting from testing bold, non-standard solutions. To this end, since the middle of last year, the Bank has been promoting values (Transparency, Simplicity, Courage, Collaboration, Empowerment) among its employees, the application of which in our daily work will enable us to respond dynamically to changing market conditions and contribute to the effective realisation of our strategic ambitions.

For more flexibility in operations and to better match products and services to customers' expectations, since the beginning of 2022 the Bank started operating under a new working model, known as Agile@Scale. This is a modern, agile way of operating with a high level of employee autonomy and decision-making. The number of permanent employees working in this form will remain above 1,300.

It will remain important to ensure work-life balance and to take care of 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 promoting diversity at all levels of the organisation. We believe that such a constructive working environment will support the Bank's resilience to the volatility of the environment and allow it to grow faster.

- **Pillar STRONGER**

Dynamic and, above all, effective growth will not be achieved without the improvement of internal processes and a large-scale transformation of the IT area, using modern IT technologies such as cloud computing and open banking. The Bank plans to invest a total of around PLN 1.5 billion in technological improvements to support business development and double the pace of implementation of new solutions. A fundamental change in the technologies used by the Bank will enable the scaling of the business, as fast and cost-effective scalability is the foundation of a modern digital bank and enables it to go beyond traditional banking services.

The bank will introduce a new operating model focused on quality and optimise all 38 key end-to-end processes. As at the time of publication of the strategy, the optimisation of nine of these has already begun. For this purpose, process mining, robotic process automation (RPA) and artificial intelligence tools will be used.

The Bank will also increase the use of the potential of its data. Advanced analytical tools using modern technologies such as cloud computing, big data and artificial intelligence in decision-making processes will support business development, increase the quality of service and the efficiency of operations.

The basic assumption of the strategy is to maintain a safe and optimal capital and liquidity position and to meet minimum regulatory requirements. The Bank's intention is to start paying dividends during the current strategy, with the payout level reaching 50% of net profit in 2025.

- **Pillar UP**

GO beyond's strategy is a growth strategy. Our aim is to increase the number of clients served, strengthen our market position and increase revenues. The bank sees potential for growth in all customer segments.

Retail Banking and Personal Finance

The priority of retail banking and PF is to achieve high customer satisfaction (NPS Top 3 on the market), which translates into an increase in the number of active customers (by 0.5 million to 4.5 million) and increase their commitment to the relationship with the Bank. The bank, listening to the opinions of its customers and employees, will implement innovative products and services, often cooperating with internal (BNP Paribas Group companies) and external partners, and assumes even greater use of personalised communication based on advanced CRM and data analytics. Further digitalisation of customer processes is planned, with remote availability of the Bank's experts as part of the newly created omnichannel sales and customer service model (over 90% of key processes for individual customers are to be available through remote channels, and sales through digital channels are to exceed 50%). The bank will also offer customers services beyond traditional banking by using open banking solutions, contextualised e-commerce financing or offering products and services linked to the Sustainable Development Goals. Ultimately, the Bank aims for active but sustainable growth in its core retail business areas, i.e. achieving a 7% market share in new account sales, cash loans and mortgages.

SME, Corporate and CIB Banking

The Bank aims to be the number 1 bank for international clients (increase in active clients by more than 22% vs. 2021) benefiting from BNP Paribas Group's leadership position in Europe with a broad global presence and global solutions, products and expertise. The bank aims to be the bank of the first choice for large corporates with tailor-made solutions and an excellent service model. The bank will provide services to customers in the Polish corporate and SME segment using remote and digital solutions, while supporting the international expansion of our customers based on experience from 65 countries. The bank aims to increase the base of active clients served in the SME and corporate banking segment by more than 18% relative to 2021. It will also pursue operational excellence to build a positive customer experience. One of the key objectives in this area is to optimise and shorten the lending process. The bank will use its market leader position in the agricultural segment and its unique competence in this area to strengthen its market position among food processors.

4.2. Implementation of the strategy in the first half of 2022

The first half of 2022 was a transition period between the Fast Forward strategy and the new GOeyond strategy (for 2022-25) presented in March this year. Its announcement came shortly after the outbreak of war in Ukraine, which again, after two years of COVID-19 pandemic, tested the Bank's ability to quickly change plans and adapt to the new situation. From the beginning of the conflict, the Bank and its employees were involved in helping those seeking refuge in Poland. The support provided was financial, material, and was also in the form of providing accommodation. More than a thousand people found shelter in locations provided by the Bank. The Bank immediately, just 4 days after the outbreak of war, adapted its offer and processes to the needs of refugees. Although the strategy was created in radically different circumstances, the Bank considered that its provisions remain valid. The strength of the plan for the coming years is the way it was created. More than 200 key people from the organisation were involved, whose visions for development were deeply confronted and compiled into coherent directions that respond to the needs of the Bank and its customers. The result of this approach has been a smooth transition to the implementation of the plans, where some of these materialised even before the official announcement of the new strategy. An example of this is the transition of 1,300 employees to work within Agile@Scale since 1 January 2022. The aim of the new work organisation is to accelerate the Bank's transformation while improving cost efficiency and higher employee satisfaction.

In the first half of 2022 the Bank developed its fixed-rate loan product offering. For retail customers, the first mortgage offer on the market was introduced, with a fixed-rate period of 10 years. Fixed-rate loans were also offered to micro-businesses (cash loan) and farmers (working capital loan). The Bank continued its commitment to sustainable transformation by finalising two major financing operations based on sustainability criteria (Sustainability Linked Loan).

The Bank has also introduced significant improvements in the technology area. The hotline has been enhanced with a voicebot function, while the chatbot operating within online banking has achieved very high E2E service rates. The Bank is also continually strengthening the security of Customers providing eg. possibility of behavioural analysis in remote channels to support the detection of possible account hacking. The Bank also protects customers against phishing by verifying the identity of the bank employee and the customer during a phone call, using push notifications in the mobile app.

However, the Bank and the whole sector remain under regulatory pressure. Increasing burdens are slowing down the pace of capital building, preventing dynamic growth in the credit areas and thus further support of the economy. Adopted in July 2022 the Act on Crowdfunding for Business Ventures and Assistance for Borrowers will have a significant negative impact on the sector's performance in 2022 (PLN 20 billion according to NBP estimates and PLN 22.6 billion according to the ZBP). This occurs at the same time as a significant repricing of government bonds, which by the end of the first half of 2022 has caused a loss in the sector's capital of a further PLN 30 billion. These costs are several times higher than the benefits of rising interest rates. It should also be added that these are additional costs on top of the already very high burden of bank tax, fees to the Bank Guarantee Fund and others.

Activities under the strategy's objectives in the first half of 2022

PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS
#POSITIVE	<p>Responsible and reliable financial partner supporting the positive and sustainable development of customers, business and society.</p> <p>A guide for clients in a world of digital and sustainable transformation.</p>	<ul style="list-style-type: none"> • 5.1 billion sustainable financing in the first half of this year. • Further development of sustainable products: Sustainability Linked Loan for Wirtualna Polska and Velvet Care, „Pewność każdego dnia” (“Certainty Every Day”) loan for farmers with a bonus for organic farms. • Puls Biznesu “Ethical Company 2021” award. • BNP Paribas Bank, for the fourth time in a row, came top of the Responsible Companies Ranking. It was placed second in the overall and in the banking, financial and insurance sector categories • More than PLN 3 million for organisations supporting refugees from Ukraine through the BNP Paribas Banking Foundation • The Bank was awarded in three categories of the Gwiazdy Bankowości (Stars of Banking) ranking organised by Dziennik Gazeta Prawna and the consulting firm PwC. The independent jury awarded it third place in the growth, stability and ESG categories. • Providing access to a calculator to estimate the water footprint for agricultural producers. • 85 branches with the “Barrier-free facility” certificate. • POLITYKA’s Golden CSR Leaf Award. For the eighth consecutive year, the bank was recognised as one of the companies maintaining the highest standards of social responsibility and sustainability. It was also awarded in a new category related to climate transformation, winning POLITYKA’s Green Leaf.
#UP	<p>Offering high quality banking products as well as and non-banking products and services as the key to growing the customer base in an omnichannel world.</p> <p>Creating an excellent customer experience by designing personalised pathways</p>	<ul style="list-style-type: none"> • Introduction of fixed-rate loans for micro businesses (cash loan) and farmers (working capital loan). • Participation in a consortium of banks that granted a PLN 2.8 billion loan to the Maspex Group, one of the largest producers and distributors of food products in Poland and Central and Eastern Europe. The bank’s share in the transaction is PLN 525 million. • PLN 200 million of financing provided to Boryszew to support its investment in Mexico. Boryszew is the first Polish exporter with a loan intended for a direct foreign investment and its repayment have been insured with KUKI. • Poland’s first mortgage with a 10-year fixed rate. • 62% share of 5-year or 10-year fixed-rate mortgages in total mortgage sales in the first half of this year. • New innovative products: financing of early-stage technology companies (“scale ups”) with a loan from PLN 500,000 to PLN 2 million, micro-factoring in cooperation with Fandla. • Immediate (4 days after the outbreak of war) adaptation of the offer and account opening process to the needs of the Ukrainian people. Launch of a dedicated ROR “Konto na teraz” (“Account for now”) in June. 56,000 accounts opened since February this year, • GOdealer - the new mobile application for currency exchange. Fast currency transactions on the phone for all customers - from individuals to the largest companies.
#STRONGER	<p>The global strength of the BNP Paribas Group and the dynamic technological development combined with the optimisation of E2E processes as the basis for organic growth and high customer satisfaction.</p>	<ul style="list-style-type: none"> • Over 1 million active mobile app users (up 31% y/y). Over 1.6 million active remote channel users (up 12% y/y). • Protecting customers from frauds: the first in Poland verification of the identity of a Bank employee and a customer during a phone call, using push notifications in a mobile app. • Convenient transaction solutions: further development of BLIK functionalities (instalment and credit card repayment, transfer to phone), aggregator of accounts from other banks (open banking). • Modern methods of customer service (implementation of a voicebot on the Bank’s call centre, increasing use of chatbot on GOonline). • Increasing the level of cyber security for customers - applying behavioural analysis to GOonline to better understand the user and prevent suspicious transactions. • 30% of customer requests handled fully automatically by chatbot.

PILLAR	STRATEGIC ASSUMPTIONS	ACHIEVEMENTS
<p>#TOGETHER</p>	<p>People first: we focus on people. Committed and satisfied employees guarantee a high level of customer satisfaction.</p> <p>Agile@Scale and a new organisational culture the as a foundation for a diverse and inclusive working environment based on trust, courage and creativity.</p>	<ul style="list-style-type: none"> • Six months of operation in the new Agile@Scale style of working. Tribe objectives integrated with strategy directions. • Bank and employees' involvement in initiatives supporting refugees (more than 1,400 employees involved in volunteering for Ukraine). • Winning the Top Employer Poland 2022 title for the 9th time. • 75,000 km covered by employees as part of the Dobre Kilometry ('Good Kilometres') campaign. • Activities within internal MOGEŃ ('I CAN') campaign. Extensive training offer for employees. Trainings, workshops and training games, participation of experts from 6 companies. 10 thematic categories. Monthly update of the offer. • Building the competences of the future: 'UniversITy' training in the area of New Technologies and Cyber Security. • Winning first place, with maximum points, in the ranking of financial institutions that care about professional and social equality for LGBT+ people compiled by Cashless.pl

Realisation of strategic financial targets in the first half of 2022

9.6%

Strategic target ~12%

ROE

53.6%

Strategic target max 48%

C/I

5.7%

Strategic target 10%

Share of sustainable funding

4.3. 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 24 February 2022 is a significant factor that will shape the domestic and global economic situation in the coming months. At present, it is difficult to accurately estimate the impact of the war in Ukraine on prices and economic growth. The impact will depend on how long the war will last, what the political solution to the conflict will be, what further sanctions will be imposed on Russia and what Russia's response to them will be. With high probability, it can be concluded that the war in Ukraine will negatively affect the rate of economic growth in the coming quarters and increase inflation compared to scenarios assumed before the outbreak. We should also expect an increase in state spending on defense and humanitarian aid to refugees from Ukraine, and consequently an increase in the deficit of the public finance sector.
- **Forecasts of main financial institutions.** According to the International Monetary Fund (hereinafter: IMF), global economic activity will slow to 3.6% this year from 6.1% last year. In the following year, the IMF expects GDP growth to remain at the same level. The projections include the impact of the war in Ukraine through the need for increased humanitarian spending, as well as an increase in inflation caused by rising energy, fuel and food prices. At the same time, the IMF expects inflation this year to reach 5.7% in developed economies and 8.7% in emerging and developing economies. This is a significant increase compared to the previous report (1.8 and 2.8 p.p. higher than expected in January 2022, respectively). For the Eurozone, the IMF expects the current year to close with GDP growth of 2.8%, with growth slowing to 2.3% the following year. This is a revision of 1.1 and 0.2 p.p., respectively. The decline in activity in Western European countries will also affect economic growth in Poland. The International Monetary Fund lowered Poland's GDP growth outlook to 3.7% in 2022 and to 2.9% in 2023 in response to the outbreak of war. The European Commission (hereafter: EC) published similar forecasts in May. In the Eurozone, GDP growth in 2022 will be 2.7% and slow down to 1.5% the following year. In the case of Poland, the two institutions' forecasts also coincide. According to the EC's forecasts, economic activity in Poland will grow by 5.2% this year and slow down to 1.5% the following year. Both the IMF and the European Commission stress that the forecast is subject to an extremely high level of uncertainty, with negative factors dominating among the risks to the global outlook, including a possible intensification of the military conflict, escalation of sanctions against Russia, or a renewed outbreak of the pandemic in the event of the emergence of a new, more virulent strain of the virus. In addition, the war in Ukraine has increased the likelihood of broader social tensions caused by higher food and energy prices, which would further worsen the outlook.
- **Pandemic and new coronavirus mutations.** In many parts of the world, the most severe phase of the COVID-19 virus crisis appears to have passed. In Europe, the vast majority of countries have lifted pandemic restrictions. In Asia, the number of new cases is gradually normalizing with China maintaining a very restrictive policy against COVID-19 cases. Lockdowns in key production and trade areas in China are compounding supply disruptions elsewhere. Recently, the number of registered cases in Europe has been on the rise, which may indicate the risk of another wave of the pandemic. However, due to the large number of people vaccinated, the increase in cases is likely to have less of an economic impact than in previous years.
- **Monetary policy of the main central banks.** In addition to the geopolitical situation, central banks' policies will be an important factor influencing the pace of the global recovery this year and next. Since the beginning of 2022, there has been a clear shift toward tightening monetary policy conditions not only among the largest central banks, but also among the smaller ones. In March, the U.S. Federal Reserve (hereafter: FED) began a cycle of interest rate hikes. The first hike was 25 bps. In June, the Bank decided on another hike, this time by 75 bps, more than the market had originally expected. In addition, the FED signalled firmness in its fight against inflation despite the risk of an economic slowdown in the US. The European Central Bank (hereinafter: ECB) has also recently tightened its stance. On July 1, 2022, the Asset Purchase Program (APP) ended. In July 2022, the ECB's Governing Council, for the first time in 11 years, raised interest rates (by 50 bps, i.e. above market expectations) and announced that more similar increases are likely in the coming months. According to the ECB's communiqué, the Governing Council's further rate hikes will continue to be data-dependent and will help it meet its 2 percent inflation target over the medium term.
- **Actions of monetary authorities in Poland.** Starting in October 2021, the Monetary Policy Council (hereinafter: MPC, Council) has continued the cycle of monetary policy tightening in Poland. In July 2022, the MPC decided on another, tenth interest rate hike in July 2022 to 6.50%. Although statements by MPC members do not give clear indications of the outlook for monetary policy, we expect that the Council may continue to raise interest rates in the coming months. The scale of any further monetary policy tightening

will be linked to incoming data on the condition of the economy, inflation, as well as the current exchange rate of the PLN.

- The Bank expects a positive impact of interest rate hikes on interest income in 2022. The sensitivity of the interest result to changes in interest rates is presented in the Management of Basic Risks section (section 7.2) of the herein Report. The actual impact of interest rate increases on the Bank's interest result will depend on factors such as the pace and scale of further increases, the realization of business assumptions and changes in the balance sheet structure. There will be a significant negative impact on interest income in the second half of 2022 from the Act on Crowdfunding for Business Ventures and Assistance for Borrowers, the estimated impact of which is described below.
- **PLN exchange rate towards main currencies.** At the beginning of the second quarter, the PLN was strengthening. The EUR/PLN exchange rate oscillated around the level of 4.60-4.70. At that time, the PLN was supported by positive sentiment in the stock market and strong and clear communication from the NBP regarding the interest rate hike cycle. At the end of May, the situation changed markedly. As a result of the increase in risk aversion in the market, the EUR/PLN exchange rate increased to the level of 4.80. In the coming months, the PLN will be heavily influenced by sentiment in global stock markets. An increase in risk aversion will amplify capital outflows from Europe and thus weaken the PLN. Moreover, the further path of the EUR/PLN rate will also depend on the course and duration of the war. The unblocking of EU funds earmarked for the National Recovery Plan, which aims to support post-crisis economies in 2020, also remains a risk factor for the PLN.
- **Shaping of the economic situation in Poland.** In the first quarter of 2022 Poland's GDP grew by 8.5% y/y. Inventories remained the main driver of economic growth in January-March, adding 7.7 p.p. to overall GDP growth. Final domestic demand also grew, but showed signs of slowing. Private consumption grew by 6.6%, adding 3.9 p.p. to overall GDP growth. Gross fixed capital formation increased by 4.3% y/y. Net exports negatively affected economic growth, subtracting 3.8 p.p. from the total result. Economic activity data so far point to solid growth in the second quarter. According to the National Bank of Poland's forecasts, annual GDP growth will gradually slow, to 3.3% in the third quarter and 1.9% y/y in the fourth quarter. The year 2022 will close with economic growth at 4.7% and slow down to 1.4% the following year. The maintenance of relatively high GDP growth in 2022 will mainly be the result of solid growth in the first quarter, which will mitigate declines in subsequent quarters. Growth will continue to be negatively impacted by the macroeconomic effects of the war in Ukraine, in particular by the strong rise in global prices of energy and agricultural commodities. According to the NBP, in the further horizon of the projection, domestic economic activity will be increasingly adversely affected by the expected slowdown in GDP growth in the major developed economies, as well as a significant decline in the inflow of European funds after the end of spending from the 2014-2020 EU perspective.
- **Situation on the domestic labor market.** The situation on the Polish labor market is very good. The number of vacancies is steadily increasing. The increase in demand for labor is accompanied by a further decline in the unemployment rate, which was near a record low, 5.0%. The favourable situation of workers in the labor market was reflected in a marked increase in wages. In the first quarter of this year, wage growth in the business sector averaged 11.2% y/y. Assuming that the dynamic wage growth continues in June, the dynamics will likely accelerate to 13% y/y in the second quarter. The Inflation Report, published in July, shows that wage growth in the overall economy will reach 10.8% this year. In the following years, dynamics will also be high, exceeding 9.0%, before slowing to 6.1% in 2024. The dynamic growth in wages is due, among other things, to the very good situation in the Polish labor market and high CPI inflation, which increases workers' wage demands. On the other hand, wage pressures may be partially mitigated by rising labor supply.
- **Dynamic rise of inflation.** This year and probably the next will be marked by very high inflation. In the second quarter, the price level in Poland increased by almost 14% on an annual basis. The dynamic acceleration of inflation in Poland is largely due to the situation on global commodity markets. The increase in gas and oil prices is reflected in higher fuel and energy prices. In addition, disruptions in supply chains continue, which, combined with the aforementioned increases in raw material prices, translated into higher production costs, which also accelerated CPI inflation in Poland. In addition to external factors, a major influence on the acceleration of inflation was the rise in core inflation, which excludes energy and food prices. It rose to an average of 8.4% y/y in the second quarter (9.1% y/y in June). Moreover, since the beginning of the second quarter, the phenomenon of a wage-price spiral has been evident, which could have a negative effect on the economy in the following months and weaken the impact of interest rate hikes introduced by the MPC. According to the Central Statistical Office's quick estimate, the prices of consumer goods and services rose by 15.5% in July 2022 compared to the same month last year. According to the Inflation Report, the price level will increase by 14.2% this year, and will remain at 12.3% next year. A return of inflation to the NBP's inflation target range (3.5-1.5%) will not be possible until the end of 2024.
- High inflation and an improving labor market may translate into higher costs for the Bank.

- **Potential increase of imbalances in public finances.** In 2021, the general government deficit narrowed to about 1.9% of GDP from 7.0% of GDP in 2020. In subsequent years, the European Commission forecasts a gradual deterioration of the deficit to 4.0% in 2022 and 4.4% in 2023. This has been influenced by the outbreak of war and a significant increase in humanitarian spending on refugees. In addition, the budget is negatively affected by the Anti-Inflation Shield introduced by the government. In the future, the state budget will be further challenged by reduced budget revenues due to the tax reform involving a decrease in the personal income tax rate from 17% to 12%, as well as increased defense spending announced by the government.
- **Potential increase of risk aversion on financial markets.** The main factors that in 2022, will affect market sentiment, will be the development of monetary policy of major central banks and the situation in the energy commodities market. The ongoing cycle of interest rate hikes in the United States may significantly weaken risk appetite in the stock market. In addition, the war in Ukraine is a factor that may contribute to declines in the main financial markets. Recently, the risk of a complete stoppage of gas supplies from Russia to Europe has significantly increased, which would have a very negative impact on economic activity in the region. This is particularly important in the context of the Polish currency exchange rate. With increased risk aversion, the PLN, like other emerging market currencies, loses value. A decline in the value of the Polish currency on the foreign exchange market could further exacerbate upward pressure on prices in Poland and increase expectations of rising interest rates.
- **Tightening of conditions for mortgage loans granting.** According to the PFSA position, issued in connection with rising debt service costs and a possible increase in credit risk, banks must apply stricter rules for calculating creditworthiness starting April 1, 2022. The PFSA has called on banks to apply three recommendations. The first is to adopt an interest rate increased by 5 p.p. relative to that in effect at the time of the loan application (previously it was 2.5 p.p.). The second is to take into account the higher cost of living of the household. The last rule is that the funds allocated for repayment of instalments and other financial obligations (DStI ratio) should not exceed 40% of income for lower income earners and 50% for higher income earners. According to the PFSA, exceeding these levels should be treated as an exception by the bank. The PFSA's recommendations will contribute to a reduction in the creditworthiness of Poles. Counting from the peak months of 2021, creditworthiness has fallen by up to 60%, with clear differences between banks. Low creditworthiness, relatively high instalments and uncertainty about the future are already translating into declines in mortgage sales. According to BIK data, mortgage sales in June 2022 amounted to PLN 3.8 billion, down 52% y/y. The residual data for subsequent months suggests that the targeted decline will be noticeably stronger.
- **Act on Borrowers Assistance.** On 14 July 2022, the Act on Crowdfunding for Business Ventures and Assistance for Borrowers (the "Act") was enacted. Under the Act, a borrower will be able to request a suspension of performance of mortgage contracts (moratorium) granted in PLN from 1 August 2022 to 31 December 2023, i.e. a total of 8 instalments (4 each in 2022 and 2023), at no cost. These are different terms from those used in standard loan moratoria, where the borrower still has to pay the interest portion of the instalment. Under International Financial Reporting Standard 9, banks will have to recognize in the income statement the difference in the present value of the estimated cash flows under the loan agreements after taking into account the suspension of instalment payments and the gross present value of the loan portfolio. The impact on banks' results will depend on customer interest. The banks' losses, assuming widespread use of this solution, are PLN 20 billion according to the NBP and PLN 22.6 billion according to the ZBP. According to estimates published in mid-July by the listed banks, on average about 67 percent (between 50 percent and 90 percent) of their mortgage customers will decide to apply for loan moratoria. The total negative impact on the third quarter 2022 results for the nine banks according to the above estimates and participation assumptions was about PLN 12.4 billion.
- BNP Paribas Bank Polska assumed that, assuming that between 50% and 65% of customers eligible to apply for a moratoria will use this opportunity, the estimated total negative impact on the Bank's result could range from about PLN 700 million to about PLN 915 million. The Bank's Management Board approved the recognition of PLN 700 million in July 2022. The assumptions used reflect the Bank's subjective assessment and are subject to a high degree of uncertainty. The actual impact of the Act may differ from the estimates reported by the Bank in the current report.
- **Quality of loan portfolio.** In view of high inflation and rising interest rates, there is renewed concern about the quality of the loan portfolio. Mortgage instalments are attracting the most attention, with the burden of these loans likely to be significantly reduced by contract suspensions (moratoria) under the Act. It is therefore difficult to expect a marked deterioration in the share of non-workout loans in this product category. Looking more broadly, available data for May 2022 (NBP) so far do not support these concerns. Across all product categories and segments, we see continued record lows. The share of impaired loans to the non-financial sector reached 5.7%, down 1.0 p.p. y/y. This value has remained stable over the past four months. Given the current market situation, if a deterioration in loan repayment occurs, it should be expected first in the small and medium-sized business segment.

- **Capital position.** At the end of May 2022, the banking sector's total equity is PLN 191 billion (KNF). This represents a reduction of PLN 30 billion over the past 12 months, setting the sector back to 2017 levels. The main reason for this reduction is the revaluation of government bonds, the value of which has significantly declined (yields have risen). Banks hold a large portfolio of these securities due to the lack of other options for allocating funds in a situation of high excess liquidity. This one was created during a period of low demand for loans, with an inflow of funds from, among other things, PFR financial shields. An additional supporting factor was the exemption of government bonds from the bank tax. Due to further burdens imposed on the sector, rebuilding capital will be very difficult. In addition to the loan moratoria, this year alone the sector will be forced to pay an additional PLN 1.4 billion into the Borrower Support Fund and PLN 3.5 billion into the private institutional protection system. In addition, banks must operate in an increasingly restrictive environment regarding capital requirements, including from MREL. This is likely to prevent the full expansion of lending, which will be reflected in economic growth.
- **Foreign currency mortgage loans.** Information on the impact and current situation regarding CHF loans is described in chapter Other Information (9.1.) of the herein Report.

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

5.1. Consolidated statement of profit and loss

In the first half of 2022 the BNP Paribas Bank Polska S.A. Capital Group generated a net profit of PLN 535,409 thousand, i.e. by PLN 239,466 thousand (80.9%) higher than the net profit achieved in the first half of 2021. It is estimated that excluding provisions for risk related to CHF mortgage loans litigation, the Group's net profit in the first half of 2022 would amount to PLN 758,146 thousand and would be by PLN 203,226 thousand (i.e. by 36.6%) higher than that generated in the first half of 2021 (PLN 554,920 thousand on a comparable basis).

The Group's result on banking activity in the analysed period amounted to PLN 3,034,528 thousand and was higher y/y by PLN 733,192 thousand, i.e. 31.9%.

The most important events affecting the level of the result from banking activities in the first half of 2022 and its comparability with the same period last year were changes in the macroeconomic situation, which became apparent already in the fourth quarter of 2021 and accelerated significantly with the outbreak of the war in Ukraine. They were accompanied by changes in economic and monetary policy, which changed the conditions for banking operations. The Group's financial performance was most affected by:

- the start of the monetary policy tightening cycle by the Monetary Policy Council (MPC). From the 6th of October 2022 to the end of June 2022, the MPC increased interest rates nine times by a total of 590 bps to the level of 6.00% for the reference rate. The cycle of increases continues, with the benchmark rate rising to 6.5% at the meeting on the 7th of July. The increases and expectations of their scale have resulted in the increase of market interest rates and contributed to the Group's interest income. Net interest income in the first half of 2022 was by PLN 660,642 thousand (i.e. 44.3%) higher than in the first half of 2021,
- a lower result on hedge accounting (primarily fair value hedge and cash flow hedge) compared to the first half of 2021 due to the increase in interest rates. The change in fair value of hedging transactions is recognized in the result on hedge accounting, which amounted to PLN 19,524 thousand in the first half of 2022, compared to a negative result of PLN 18,562 thousand in the first half of 2021 (an increase by PLN 38,086 thousand y/y). Interest income from IRS transactions (including on cash flow value hedge derivatives) is included in interest income. The interest result from derivatives was negative and amounted to PLN 181,910 thousand in the first half of 2022, compared to a positive result of PLN 72,297 thousand in the first half of 2021 (a decrease of PLN 254,207 thousand y/y).

Elements that negatively affected the results of the first half of 2022 compared to the first half of 2021 included a significant increase in BFG contributions and costs related to contributions to the assistance fund under the Commercial Bank Protection System S.A. (SOBK). The sum of costs incurred on the aforementioned items was by PLN 222,506 thousand higher in the first half of 2022 compared to the first half of 2021 (PLN 339,730 thousand vs. PLN 117,224 thousand).

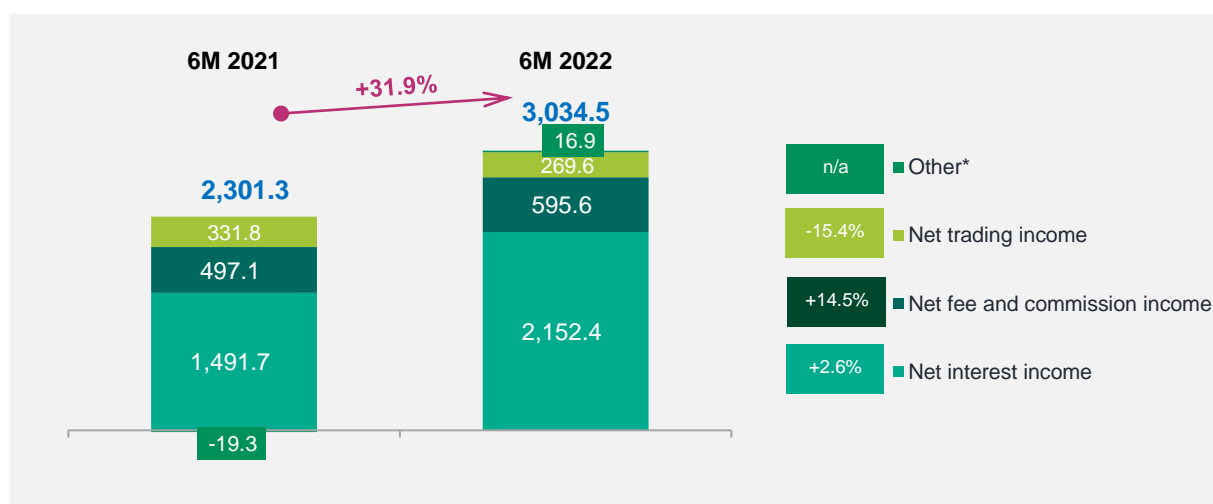
In total, general administrative expenses and depreciation incurred in the first half of 2022 were by PLN 386,289 thousand higher than in the first half of 2021. In addition to the increase in regulatory costs described above, this was also due to inflationary pressures translating into an increase in personnel and administrative costs as well as the normalization of business costs associated with the lifting in the first half of 2022 of most of the restrictions introduced as a countermeasure to the COVID-19 pandemic.

A factor affecting the Group's net result remains the cost of establishing provisions for risk associated with court proceedings related to CHF mortgage loans. In the first half of 2022, they charged PLN 222,737 thousand to the Group's results (PLN 36,240 thousand lower than in the first half of 2021). The cost of credit risk remained at a level similar to the same period last year (the negative result of impairment losses on financial assets and provisions for contingent liabilities increased by PLN 33,713 thousand y/y).

Table 4. Statement of profit or loss

in PLN'000	6 months ended	6 months ended	change y/y	
	30.06.2022	30.06.2021	PLN'000	%
Net interest income	2,152,370	1,491,728	660,642	44.3%
Net fee and commission income	595,623	497,130	98,493	19.8%
Dividend income	8,142	1,455	6,687	459.6%
Net trading income	269,610	331,817	(62,207)	(18.7%)
Net investment income	30,501	39,994	(9,493)	(23.7%)
Result on fair value hedge accounting	19,524	(18,562)	38,086	(205.2%)
Result on derecognition	(2,379)	-	(2,379)	-
Other operating income and expenses	(38,863)	(42,226)	3,363	(8.0%)
Net income on banking activity	3,034,528	2,301,336	733,192	31.9%
Net impairment allowance on financial assets and provisions for contingent liabilities	(164,727)	(131,014)	(33,713)	25.7%
Result on provisions for court proceedings related to mortgage loans in CHF	(222,737)	(258,977)	36,240	(14.0%)
General administrative expenses	(1,419,511)	(1,041,499)	(378,012)	36.3%
Depreciation and amortization	(206,475)	(198,198)	(8,277)	4.2%
Operating result	1,021,074	671,648	349,426	52.0%
Tax on financial institutions	(202,768)	(161,943)	(40,825)	25.2%
Profit (loss) before income tax	818,306	509,705	308,601	60.5%
Income tax expense	(282,897)	(213,762)	(69,135)	32.3%
Net profit (loss)	535,409	295,943	239,466	80.9%
Net profit (loss) Excluding impact of provisions for the risk of court proceedings related to CHF mortgage loans	758,146	554,920	203,226	36.6%

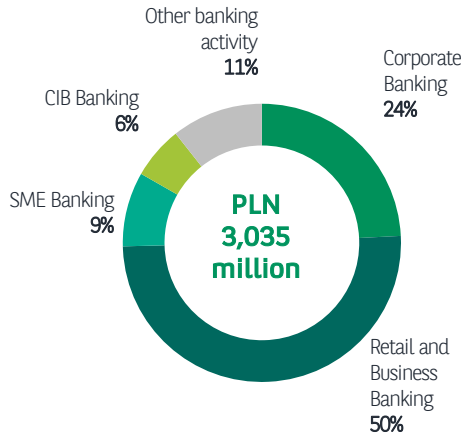
Note: As the figures have been rounded up, the totals in the tables and charts of this Report may not add up.

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


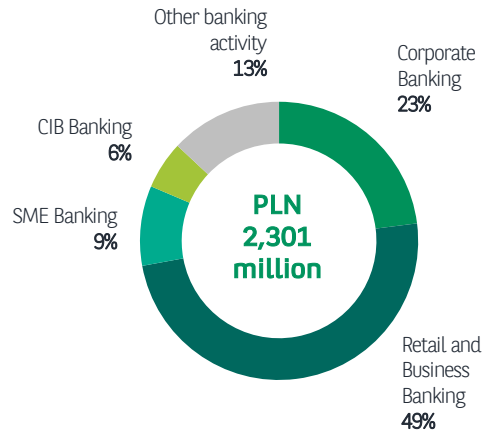
* The 'Other' category includes the result on investment activities, result on hedge accounting, dividends income, result on derecognition of assets/liabilities and other operating income and expenses

Chart 11. Net income on banking activity by segments

6M 2022



6M 2021



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

Net interest income

Net interest income, which is the Group's main source of revenue, amounted to PLN 2,152,370 thousand in the first half of 2022 and was higher y/y by PLN 660,642 thousand, or 44.3%. In the first half of 2022, compared to the first half of 2021, interest income was higher by PLN 1,429,163 thousand, or 88.6%, while interest expenses increased by PLN 768,521 thousand, or 633.5%.

Table 5. Net interest income

in PLN '000	6 months ended 30.06.2022	6 months ended 30.06.2021	change y/y PLN'000	%
Loans and advances to banks	107,416	3,526	103,890	2,946.4%
Loans and advances to clients measured at amortized cost	2,338,595	1,128,528	1,210,067	107.2%
Loans and advances to clients measured at fair value through profit or loss	35,407	2,747	32,660	1,188.9%
Debt instruments measured at amortized cost	297,648	296,728	920	0.3%
Debt instruments measured at fair value through profit or loss	3,701	2,368	1,333	56.3%
Debt instruments are measured at fair value through other comprehensive income	138,851	90,688	48,163	53.1%
Derivative instruments in fair value hedge accounting	114,784	86,221	28,563	33.1%
Derivative instruments in cash flow hedge accounting	5,735	2,050	3,685	179.8%
Buy-sell-back securities	67	185	(118)	(63.8%)
Interest income	3,042,204	1,613,041	1,429,163	88.6%
Amounts due to banks	(185,055)	(56,538)	(128,517)	227.3%
Debt securities issued	(8,935)	(14,374)	5,439	(37.8%)
Amounts due to customers	(370,287)	(28,198)	(342,089)	1,213.2%
Lease liabilities	(6,136)	(2,146)	(3,990)	185.9%
Derivative instruments in fair value hedge accounting	(293,105)	(15,642)	(277,463)	1,773.8%
Derivative instruments in cash flow hedge accounting	(9,324)	(332)	(8,992)	2,708.4%
Sell-buy-back securities	(15,821)	(21)	(15,800)	75,238.1%
Other related to financial assets	(1,171)	(4,062)	2,891	(71.2%)
Interest expenses	(889,834)	(121,313)	(768,521)	633.5%
Net interest income	2,152,370	1,491,728	660,642	44.3%

A significant external factor influencing the increase in interest income and expenses in the first half of 2022 compared to the first half of 2021 was the policy of the National Bank of Poland regarding the level of basic interest rates. In an effort to counteract rising inflation, the Monetary Policy Council continued the cycle of monetary tightening in Poland, which began in October 2021.

By the end of the second quarter of 2022, the MPC had made nine interest rate increases with a total of 590 bps (to the level of 6.00% for the reference rate). In early July 2022, the MPC again raised interest rates by 50 bps (to 6.50% for the reference rate). An estimate of the sensitivity of the Group's interest income to interest rate changes is presented in Chapter 7.2. in the section on interest rate risk in the banking portfolio.

Higher interest rates had a positive impact on the profitability of loan products in the first half of 2022. The sum of interest income on loans and advances to customers measured at amortized cost and at fair value through profit or loss amounted in the first half of 2022 to PLN 2,374,002 thousand and was higher by PLN 1,242,727 thousand, or 109.9%, than the income realized in the first half of 2021.

In addition to the increase in interest rates, a factor positively influencing the growth in interest income was the significant increase in the value of the loan portfolio (+12.1% y/y for the consumer loan portfolio and +15.7% y/y for the institutional loan portfolio).

Due to the increase in market interest rates in the fourth quarter of 2021 and in the first half of 2022, the cost of acquiring deposits, which remained near zero in the first half of 2021, increased significantly. However, this process has been slower than the increase in loan yields, due, among other things, to the significant share of current deposits

in the total amount of deposits from customers (at the end of the first half of 2022 it amounted to 71.2%, compared to 90.6% at the end of the first half of 2021), which is important especially in the case of deposits held in current accounts of individual customers.

The cost of interest on amounts due to customers amounted in the first half of 2022 to PLN 370,287 thousand and was higher by PLN 342,089 thousand, or 1,213.2%, than the cost incurred in the first half of 2021.

The level of interest income is affected by the Group's application of fair value hedge accounting and (to a much lesser extent) cash flow hedge accounting. The change in the 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 from derivatives under fair value and cash flow hedge accounting) in the first half of 2022 was negative at PLN 181,910 thousand, compared to a positive impact of PLN 72,297 thousand in the first half of 2021.

Net fee and commission income

The Group's net fee and commission income in the first half of 2022 amounted to PLN 595,623 thousand and was by PLN 98,493 thousand (or 19.8%) higher than that achieved in the first half of 2021. This increase was possible primarily due to the adjustment measures taken by the Group in the area of pricing policy, higher transaction activity of clients and the continued high level of sales of products and services in the first half of 2022.

Fee and commission income amounted to PLN 723,720 thousand and was higher by PLN 115,727 thousand (i.e. 19.0%) compared to the first half of 2021, while commission expenses amounted to PLN 128,097 thousand and were higher by PLN 17,234 thousand (i.e. 15.5%).

The increase in fee and commission income occurred in all major categories except asset management and brokerage operations, including:

- debit and credit card services by PLN 46,176 thousand, or 39.3% (among other things, as a result of changes in pricing policies and a higher number of card transactions). Revenues related to the use of debit cards, revenues from the currency conversion of card transactions, from cooperation with Euronet and from interchange fees increased,
- intermediation in the sale of insurance products by PLN 27,222 thousand, i.e. by 56.4% (due to, among other things, higher revenues from insurance of mortgage loans and cash loans),
- lending and leasing activities by PLN 16,412 thousand, i.e. by 11.1% (among other things, due to higher revenues for used or unused liabilities and on mortgage loans),
- servicing of accounts by PLN 13,280 thousand, i.e. by 11.0% (among other things, as a result of higher revenues for account maintenance and from fees on high balances in business accounts and for mobile payments),
- execution of transfers and electronic banking service by PLN 7,058 thousand, i.e. by 17.8% (as a result of higher revenues from commissions on domestic and foreign transfers resulting from, among other things, a significant increase in the volume of payments made by businesses).

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

- payment and credit card processing by PLN 6,813 thousand, i.e. by 14.4% (as a result of higher costs of commissions paid to organizations and entities handling card transactions),
- execution of transfers and electronic banking service by PLN 5,087 thousand, i.e. by 369.7% (as a result of higher costs of GOonline Business),
- cash handling by PLN 3,678 thousand, i.e. by 44.4% (i.a. due to higher costs of cash escort).

At the same time, the Bank recorded a decrease in costs from intermediaries selling the Bank's products and acquiring customers by PLN 2,875 thousand, or 19.3% (due to, among other things, lower costs of intermediaries selling instalment loans and lower costs of selling online accounts).

Table 6. Net fee and commission income

in PLN'000	6 months	6 months	change y/y	
	ended 30.06.2022	ended 30.06.2021	PLN'000	%
Fee and commission income				
lending activity	164,783	148,371	16,412	11.1%
accounts servicing	133,678	120,398	13,280	11.0%
cash service	21,812	15,092	6,720	44.5%
cash transfers and e-banking	46,678	39,620	7,058	17.8%
guarantees and documentary operations	27,557	23,264	4,293	18.5%
asset management and brokerage services	74,246	78,503	(4,257)	(5.4%)
payment and credit cards servicing	163,565	117,389	46,176	39.3%
intermediation in the sale of insurance products	75,481	48,259	27,222	56.4%
intermediation in the sale of Bank's products and acquisition of customers	8,318	6,186	2,132	34.5%
other commissions	7,602	10,911	(3,309)	(30.3%)
Fee and commission income, total	723,720	607,993	115,727	19.0%
Fee and commission expenses				
lending and leasing activity	(91)	(154)	63	(40.9%)
accounts servicing	(4,644)	(4,810)	166	(3.5%)
cash service	(11,966)	(8,288)	(3,678)	44.4%
cash transfers and e-banking	(6,463)	(1,376)	(5,087)	369.7%
guarantees and documentary operations	(2,626)	(3,137)	511	(16.3%)
asset management and brokerage services	(54,145)	(47,332)	(6,813)	14.4%
payment and credit cards	(11,480)	(9,518)	(1,962)	20.6%
intermediation in the sale of insurance products	(11,984)	(14,859)	2,875	(19.3%)
other commissions	(24,698)	(21,389)	(3,309)	15.5%
Fee and commission expenses, total	(128,097)	(110,863)	(17,234)	15.5%
Net fee and commission income	595,623	497,130	98,493	19.8%

Dividend income

Dividend income in the first half of 2022 amounted to PLN 8,142 thousand and resulted from the 2021 profits of companies, in which the Bank held minority shares, i.e. among others Biuro Informacji Kredytowej S.A. (PLN 3,726 thousand), Elektromontaż SA. (PLN 1,667 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,543 thousand), CCCiG Group (PLN 919 thousand) and VISA (PLN 19 thousand).

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

Net trading income and net investment income

The result on trading activity in the first half of 2022 amounted to PLN 269,610 thousand, and was lower by PLN 62,207 thousand, or 18.7% y/y. The level and volatility of this result are mainly shaped by the result from derivatives and the result from exchange positions, as well as the valuation of equity instruments.

The decrease in the result from trading activities in the first half of 2022 compared to the same period last year was related, among other things, to the decline in the result on FX swaps and the negative valuation of transactions hedging the valuation of the loan portfolio measured at fair value presented within the result on derivatives as well as the result on exchange operations. This result amounted in the first half of 2022 to PLN 281,959 thousand and was lower than the result of the first half of 2021 by PLN 34,553 thousand (i.e. by 10.9%).

The result on trading activities was also negatively affected by a lower result on equity instruments measured at fair value through profit or loss by PLN 26,677 thousand (primarily a lower result on the valuation of BIK, KIR, VISA, Mastercard). This result was negative in the first half of 2022, amounting to PLN 10,453 thousand compared to a positive value of PLN 16,224 thousand in the same period last year.

A factor that partially neutralized the changes described above was the steady improvement in the margin on foreign exchange and derivative transactions with customers, related to the increase in cross-selling and up-selling of customers, as well as higher business activity compared to the first half of 2021. This result amounted to PLN 374,159 thousand in the first half of 2022 and was by PLN 100,976 thousand (i.e. 37.0%) higher than that generated in the first half of 2021.

The result on investment activity in the first half of 2022 amounted to PLN 30,501 thousand, compared to PLN 39,994 thousand in the first half of 2021 (-23.7% y/y).

The decrease in the result on investment activity was primarily related to a PLN 23,278 thousand (PLN 3,286 thousand vs. PLN 26,564 thousand) lower result on debt instruments measured at fair value through other comprehensive income. The non-comparable results are mainly related to changes in the yields of securities as a consequence of the increase in interest rates.

The factor positively affecting the result on investment activities was the increase of PLN 13,785 thousand in the result on the valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which amounted to PLN 27,215 thousand (compared to PLN 13,430 thousand in the first half of 2021).

Other operating income

Other operating income in the first half of 2022 amounted to PLN 111,842 thousand and was higher by PLN 2,168 thousand, or 2.0%, compared to the same period last year.

The level of other operating income was influenced mainly by the following:

- higher income from the release of provisions for litigation and other liabilities by PLN 15,305 thousand (i.e., by 72.7%), among others, resulting from the closing of former cases involving 3 corporate clients in the first quarter of 2022. The associated increase in other operating expenses can be seen in the Other operating expenses category,
- higher income on leasing operations by PLN 14,305 thousand (i.e. by 82.5%).

At the same time, revenues from the sale or liquidation of property, plant and equipment and intangible assets were PLN 26,255 thousand (i.e. 78.3%) lower than those realized in the first half of 2021. The level of these revenues last year was mainly due to the inclusion within this item revenue from the sale of several of the Bank's branches, which were mostly finalized in the second quarter of 2021 (costs related to these transactions are included in the item Costs of sale or liquidation of property, plant and equipment and intangible assets in Other operating expenses).

Table 7. Other operating income

in PLN'000	6 months ended 30.06.2022	6 months ended 30.06.2021	change y/y PLN'000	%
Sale or liquidation of property, plant and equipment and intangible assets	7,270	33,525	(26,255)	-78.3%
Release of impairment allowances for other receivables	-	4,307	(4,307)	-100.0%
Sale of goods and services	871	7,236	(6,365)	-88.0%
Release of provisions for litigation and claims and other liabilities	36,360	21,055	15,305	72.7%
Recovery of debt collection costs	9,321	11,594	(2,273)	-19.6%
Recovered indemnities	223	175	48	27.4%
Leasing operations	31,647	17,342	14,305	82.5%
Other operating income	26,150	14,440	11,710	81.1%
Other operating income, total	111,842	109,674	2,168	2.0%

Other operating expenses

Other operating costs in the first half of 2022 amounted to PLN 150,705 thousand, a decrease by PLN 1,195 thousand (i.e. 0.8%) compared to the first half of 2021.

The level of other operating expenses was influenced mainly by the following:

- lower costs of sale or liquidation of property, plant and equipment and intangible assets by PLN 23,603 thousand (i.e. by 71.5%). The level of these costs last year was mainly due to the inclusion within this item costs related to the sale of the Bank's branches (income related to these transactions is included in Income from sale or liquidation of property, plant and equipment and intangible assets in Other operating income),
- lower costs from provisions for litigation, claims and other liabilities by PLN 2,797 thousand,
- lower costs related to recovery of debt collection by PLN 5,563 thousand (i.e. by 25.0%),
- higher other operating expenses by PLN 23,226 thousand, i.e. 52.0% (among other things, resulting from the closing in the first quarter of 2022 of former cases involving 3 corporate clients.) The related increase in other operating income can be seen in the category Release of provisions for litigation, claims and other liabilities,
- higher costs of leasing operations by PLN 12,798 thousand (i.e. by 132.1%).

Table 8. Other operating expenses

in PLN'000	6 months		change y/y	
	ended 30.06.2022	ended 30.06.2021	PLN'000	%
Loss on sale or liquidation of property, plant and equipment and intangible assets	(9,424)	(33,027)	23,603	(71.5%)
Created impairment allowances for other receivables	-	(6,492)	6,492	-
Provisions for litigation and claims and other liabilities	(29,534)	(32,331)	2,797	(8.7%)
Debt collection	(16,714)	(22,277)	5,563	(25.0%)
Donations made	(3,687)	(2,396)	(1,291)	53.9%
Costs of leasing operations	(22,489)	(9,691)	(12,798)	132.1%
Costs of compensations, penalties and fines	(954)	(1,009)	55	(5.5%)
Other operating expenses	(67,903)	(44,677)	(23,226)	52.0%
Other operating expenses, total	(150,705)	(151,900)	1,195	(0.8%)

Net impairment allowance on financial assets and provisions for contingent liabilities

The result of impairment losses on financial assets and provisions for contingent liabilities was negative and amounted to PLN 164,727 thousand in the first half of 2022. Its impact on the Group's result was higher by PLN 33,713 thousand, i.e. by 25.7% compared to the first half of 2021.

Considering the main operating segments¹:

- Retail and Business Banking segment recorded an increase (deterioration) in the negative result by PLN 181,652 thousand,
- SME Banking – positive result and increase of result by PLN 44,787 thousand,
- Corporate Banking (including CIB) – positive result and increase of result by PLN 109,974 thousand,
- Other banking activities recorded negative result and deterioration of result by PLN 6,824 thousand.

The comparability of the result on impairment of financial assets and provisions for contingent liabilities in the analyzed periods was significantly affected by the coronavirus pandemic and the assessment of its potential impact on the financial condition of the Group's customers and the entire economy that is done at certain point in time.

In the first half of 2021 occurred a partial release of the provision for unrealized credit losses related to the change in macroeconomic scenarios in 2021, at the same time the Bank created additional provisions for future potential

¹ Data based on the segmentation note (Note 46) included in the Interim consolidated report of BNP Paribas Bank Polska S.A. Capital Group for the period of 6 months ended 30 June 2022

deterioration in the financial situation of entities in industries affected by the coronavirus pandemic, as well as provisions created as a result of the review of the loan portfolio. The total impact of the above factors on the result from impairment of financial assets and provisions for contingent liabilities was negative and amounted to PLN 80 million.

The cost of risk in the first half of 2022 was affected mainly by:

- release of provisions related to the negative impact of COVID due to the stabilization of the pandemic situation and the expected limited impact of COVID in future periods (in the amount of PLN 200,130 thousand),
- creation of provisions for the impact of economic projections in the amount of PLN 245,036 thousand (of which: provisions related to updating projections of macroeconomic variables included in the applied IFRS9 model in the amount of PLN 67,946 thousand, and additional provisions related to risk factors not directly included in the macroeconomic model in the amount of PLN 177,090 thousand),
- reviewing the loan portfolio to identify customers who are particularly vulnerable to economic disruption, and the related reclassification of approx. PLN 2.2 billion of credit exposures to Stage 2 in the second quarter of 2022. The review also resulted in the creation of additional provisions in the amount of PLN 84,905 thousand,
- implementation of the condition for identifying a significant increase in credit risk (Phase 2) based on an assessment of the relative change in the PD lifetime parameter. In connection with the implementation of the condition, there was an increase in exposures in Phase 2 by about PLN 1.1 billion and PLN 27,225 thousand of provisions were created,
- release of PLN 65,170 thousand of provisions created in 2021 due to the reversal of changes in legislation that affected the reduction of expected recovery levels on the portfolio of loans to farmers (significantly affecting the result in the institutional loans segment),
- the persistence of low realization of the cost of risk in the first half of 2022, which was fundamentally influenced by the good quality of loan servicing and the associated level of Stage 3 entries.

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

In the first half of 2022, the Group concluded agreements for the sale of a portfolio of loans from the retail, SME and corporate portfolios. The gross carrying amount of the sold portfolio measured at amortized cost was PLN 227,708 thousand, the amount of impairment losses created was PLN 184,938 thousand. The contractual price for the sale of these portfolios was set at PLN 58,181 thousand. The net impact on the Group's result due to the sale of portfolios amounted to PLN 15,411 thousand and is presented in the line Result of impairment losses on financial assets and provisions for contingent liabilities.

The cost of credit risk, expressed as the ratio of net impairment losses to the average gross loans and advances to customers measured at amortized cost (calculated on the basis of balances at the end of the quarters) amounted to 0.37% in the first half of 2022, 4 bps higher than in the first half of 2021 (0.33%). It is estimated that excluding the impact of debt sales, the cost of risk would have been 0.40% in the first half of 2022 and 0.42% in the first half of 2021.

General administrative expenses, depreciation and amortization

General administrative expenses (including depreciation and amortization) of the BNP Paribas Bank Polska Group for the first half of 2022 amounted to PLN 1,625,986 thousand and were higher by PLN 386,289 thousand, or 31.2%, compared to the same period last year.

Table 9. General administrative expenses, depreciation and amortization

in PLN'000	6 months	6 months	change y/y	
	ended 30.06.2022	ended 30.06.2021	PLN'000	%
Personnel expenses	(630,717)	(584,147)	(46,570)	8.0%
Marketing	(52,909)	(48,168)	(4,741)	9.8%
IT and telecomm expenses	(116,751)	(108,228)	(8,523)	7.9%
Short-term lease and operating costs	(32,217)	(30,049)	(2,168)	7.2%
Other non-personnel expenses	(220,414)	(131,419)	(88,995)	67.7%
Business travels	(5,066)	(2,648)	(2,418)	91.3%
ATM and cash handling expenses	(13,100)	(11,700)	(1,400)	12.0%
Outsourcing costs related to leasing operations	(1,398)	(1,347)	(51)	3.8%
Contributions to Bank Guarantee Fund	(339,730)	(117,224)	(222,506)	189.8%
Polish Financial Supervision Authority fee	(7,213)	(6,569)	(644)	9.8%
General administrative expenses, total	(1,419,515)	(1,041,499)	(378,016)	36.3%
Depreciation and amortization	(206,475)	(198,198)	(8,277)	4.2%
Total expenses	(1,625,990)	(1,239,697)	(386,293)	31.2%

The largest y/y increase in costs by type by PLN 222,506 thousand was in contributions to the Bank Guarantee Fund & System for the Protection of Commercial Banks (System Ochrony Banków Komercyjnych, SOBK) S.A.

In 2022, the total amount of contributions to the BFG for the banking sector determined by the BFG Council is: PLN 1,693 million in contributions to the banks' forced restructuring fund against PLN 1,230 million in 2021, and similarly PLN 2,008 million in contributions to the banks' guarantee fund against PLN 1,000 million in 2021. The BFG's total contributions for 2022 are 66% higher compared to the previous year, due to the withdrawal of measures to support the economy in 2021 due to the COVID-19 pandemic.

- the annual contribution to the banks' forced restructuring fund for the first half of 2022 amounted to PLN 125,919 thousand, while in the first half of 2021 it amounted to PLN 90,147 thousand (these contributions are paid in the first quarter of the year),
- the contribution to the banks' guarantee fund in the first half of 2022 amounted to PLN 25,794 thousand (in the first half of 2021 it amounted to PLN 27,077 thousand). In June this year the BFG decided to suspend the collection of this contribution until October 31, 2022.

In June this year, the company System for the Protection of Commercial Banks (System Ochrony Banków Komercyjnych, SOBK) S.A. was established, of which the Bank is a shareholder. An Assistance Fund was established within the company, and in this context a provision for this purpose was created in the amount of PLN 188,017 thousand.

An increase in the level of costs y/y by PLN 88,995 thousand was also recorded in other non-personnel costs. This change was influenced by, among other things:

- an increase by PLN 19,660 thousand in legal expenses, including costs mainly related to litigation related to CHF loans by PLN 15,335 thousand (PLN 24,829 thousand - in the first half of 2022, PLN 9,493 thousand - in the first half of 2021),
- an increase by PLN 17,823 thousand in the cost of consulting services provided by the Group,
- higher costs by PLN 10,062 thousand relating to the fee for the Borrowers Support Fund,
- an increase by PLN 9,234 thousand in notary and court fees, which mainly concern fees related to CHF loans,
- higher material costs reported by the leasing company by PLN 7,660 thousand,
- increase in the cost of meetings and conferences by PLN 4,387 thousand,
- lower costs due to the foreign factoring support agreement with BGŻ BNP Paribas Faktoring Sp. z o.o. by PLN 5,409 thousand.

In addition, the increase in costs related to:

- personnel costs – by PLN 46,570 thousand, i.e. 8.0% y/y, and concerned mainly base salaries and surcharges as a consequence of this increase. Also higher were the costs of employee welfare benefits, provisions for unused annual leave and overtime costs,
- IT costs – by PLN 8,523 thousand, or 7.9%, which was mainly due to higher license fees, higher maintenance costs for the main banking systems, costs of contact center intermediary companies caused by recertification of customers in the KYC process, and costs related to cyber-security in connection with the war in Ukraine,
- marketing costs – by PLN 4,741 thousand, or 9.8%, mainly related to stationary events (events, meetings) and event sponsorships (business, tennis, film). In the first half of 2021, the scale of these activities was limited due to the COVID-19 outbreak.

Depreciation and amortization expenses of the BNP Paribas Bank Polska Group in the first half of 2022 amounted to PLN 206,475 thousand and were higher by PLN 8,277 thousand compared to the first half of 2021. The increase was mainly due to the Bank's further transformation and digitalization, as well as capital expenditures incurred for this purpose. Depreciation and amortization expenses at Group subsidiaries remained at a comparable level y/y.

The Bank's capital expenditures from January 1 to June 30, 2022 amounted to PLN 125,276 thousand and were higher by PLN 36,449 thousand, or 41.0%, compared to the same period last year.

The volume of capital expenditures is adjusted to the Bank's current needs and capabilities. All projects are analyzed from the point of view of rationality and impact on the financial and business situation of the Bank and the Group.

5.2. Statement of comprehensive income

The Group's comprehensive income in the first half of 2022 was PLN 299,016 thousand lower compared to the same period last year and amounted to PLN -175,335 thousand.

Significant deterioration in the valuation of financial assets measured by other comprehensive income (by PLN 547,620 thousand), cash flow hedging derivatives (by PLN 117,151 thousand) and higher deferred tax, were partially offset by an increase in net income by PLN 239,466 thousand (i.e. 80.9%) compared to the first half of 2021.

Table 10. Statement of comprehensive income

in PLN'000	6 months ended 30.06.2022	6 months ended 30.06.2021	change y/y PLN'000	%
Net profit for the period	535,409	295,943	239,466	80.9%
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	(711,255)	(173,476)	(537,779)	310.0%
Mark-to-market of assets measured at fair value through other comprehensive income	(766,046)	(218,426)	(547,620)	250.7%
Deferred tax	145,549	41,501	104,048	250.7%
Valuation of derivatives in cash flow hedge accounting, gross	(112,047)	5,104	(117,151)	-
Deferred tax	21,289	(1,655)	22,944	-
Items that will not be reclassified subsequently to profit or loss	511	1,214	(703)	(57.9%)
Actuary valuation of employee benefits	631	1,499	(868)	(57.9%)
Deferred tax	(120)	(285)	165	(57.9%)
Other comprehensive income (net of tax)	(710,744)	(172,262)	(538,482)	312.6%
Total comprehensive income	(175,335)	123,681	(299,016)	-

5.3. Statement of financial position

Assets

The Group's total assets as of the end of June 2022 amounted to PLN 142,319,932 thousand, an increase by PLN 10,542,451 thousand, or 8.0%, compared to the end of 2021.

The most important change in the Group's asset structure compared to the end of 2021 was a decrease in the share of both the securities portfolio (i.e. by 2.7 p.p.) and the share of the loan portfolio (the sum of portfolios measured at amortized cost and at fair value), which decreased by 1.0 p.p. The shares of amounts due from banks increased by 2.9 p.p. and derivative financial instruments by 1.1 p.p.

The Group's asset structure was dominated by loans and advances to customers (the sum of portfolios measured at amortized cost and measured at fair value), which accounted for 64.5% of total assets at the end of June 2022, compared to 65.5% at the end of 2021. The increase in the volume of net loans and advances amounted to PLN 5,499,294 thousand (i.e. by 6.4%), and concerned both the Institutional Clients portfolio (+8.6%) and the Individual Clients portfolio (+3.0%).

The second largest asset item was securities, which accounted for 22.2% of total assets at the end of the first half of 2022 (at the end of 2021: 24.9%). As of June 30, 2022, the value of securities decreased by PLN 1,171,087 thousand (i.e. by 3.6%) compared to the end of 2021. 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.

In parallel with the above changes, there was an increase in the share of amounts due from banks from 2.0% to 4.8% (by PLN 4,278,221 thousand, or 163.6%) and an increase in the share of financial derivatives items from 1.4% to 2.5% (by PLN 1,668,364 thousand, or 87.7%).

Table 11. Assets

in PLN'000	30.06.2022	31.12.2021	change	
			PLN'000	%
Cash and balances at Central Bank	4,655,484	4,631,477	24,007	0.5%
Amounts due from banks	6,893,371	2,615,150	4,278,221	163.6%
Derivative financial instruments	3,570,283	1,901,919	1,668,364	87.7%
Fair value adjustment of hedged item	1,983	65,465	(63,482)	(97.0%)
Loans and advances to customers measured at amortised cost	90,708,889	85,080,454	5,628,435	6.6%
Loans and advances to customers measured at fair value through profit or loss	1,089,886	1,219,027	(129,141)	(10.6%)
Debt securities measured at amortised cost	23,352,086	23,268,041	84,045	0.4%
Financial instruments measured at fair value through profit or loss	309,974	347,309	(37,335)	(10.7%)
Debt securities measured at fair value through other comprehensive income	7,925,556	9,143,353	(1,217,797)	(13.3%)
Intangible assets	739,728	728,475	11,253	1.5%
Property, plant and equipment	1,124,977	1,243,523	(118,546)	(9.5%)
Deferred tax assets	1,054,515	876,599	177,916	20.3%
Current tax assets	5,260	94	5,166	5,495.7%
Other assets	887,940	656,595	231,345	35.2%
Total assets	142,319,932	131,777,481	10,542,451	8.0%

Loan portfolio

Structure and quality of loan portfolio

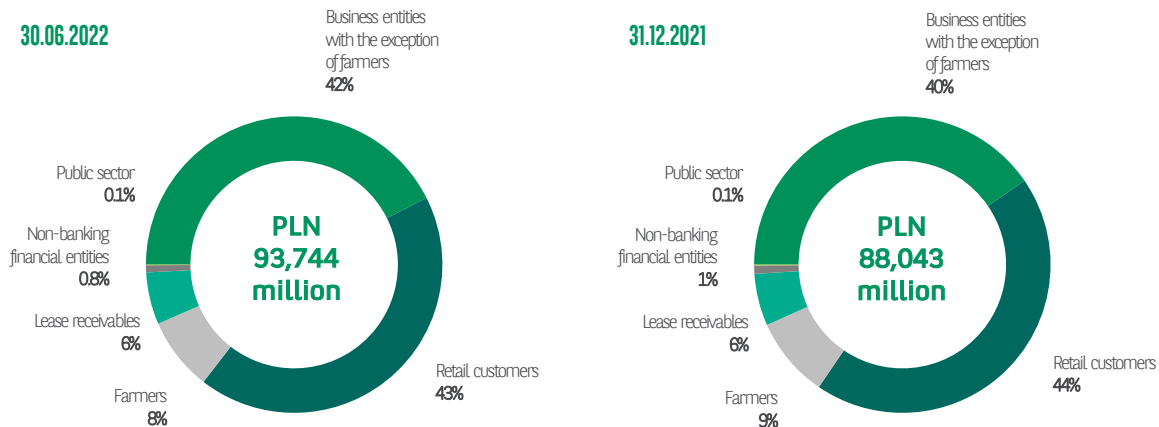
At the end of June 2022, gross loans and advances to customers (the sum of portfolios measured at amortized cost and measured at fair value) amounted to PLN 94,924,794 thousand and increased by PLN 5,538,425 thousand, or 6.2%, compared to the end of 2021.

The gross portfolio of loans and advances measured at amortized cost in the analyzed period amounted to PLN 93,744,332 thousand and increased by PLN 5,701,365 thousand, or 6.5%, compared to the end of 2021.

Table 12. Structure of loan portfolio measured at amortised cost

in PLN'000	30.06.2022		31.12.2021	
	PLN'000	share %	PLN'000	share %
Business entities with the exception of farmers	39,921,080	42.6%	35,599,112	40.4%
Farmers	7,506,269	8.0%	7,755,784	8.8%
Retail customers	40,207,659	42.9%	38,817,716	44.1%
- mortgage loans	27,868,724	29.7%	26,710,997	30.3%
in PLN	23,437,213	25.0%	22,141,389	25.1%
in foreign currencies	4,431,511	4.7%	4,569,608	5.2%
- cash loans	8,003,444	8.5%	7,701,994	8.7%
- other retail loans	4,335,491	4.6%	4,404,725	5.0%
Lease receivables	5,312,537	5.7%	4,989,351	5.7%
Public sector	62,697	0.1%	84,487	0.1%
Other financial entities	734,090	0.8%	796,517	0.9%
Loans and advances, gross	93,744,332	100.0%	88,042 967	100.0%

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



Structure of loans and advances measured at amortised cost

Gross loans and advances to retail customers amounted to PLN 40,207,659 thousand at the end of June 2022 (an increase by PLN 1,389,943 thousand, or 3.6%, compared to the end of 2021). Their share in the loan portfolio measured at amortized cost in the analyzed period was 42.9% (i.e. -1.2 p.p. compared to the end of 2021). More than two-thirds (69.3%) of the credit exposure of retail customers are mortgage loans, which amounted to PLN 27,868,724 thousand at the end of June 2022. In the structure of mortgage loans, 84.1% are loans granted in PLN, while 15.9% are loans granted in CHF (compared to the end of last year, the share of CHF fell by 1.2 p.p.).

The gross value of portfolio of loans and advances to business entities (excluding farmers) amounted to PLN 39,921,080 thousand (an increase by PLN 4,321,968 thousand, or 12.1%, compared to the end of 2021). Their share in the analyzed loan portfolio at the end of June 2022 was 42.6% (+2.2 p.p. compared to the end of 2021). Almost half of this portfolio (48.2%) are current loans.

The volume of loans granted to individual farmers at the end of June 2022 amounted to PLN 7,506,269 thousand, registering a 3.2% decrease compared to December 2021.

Lease receivables volume amounted to PLN 5,312,537 thousand (an increase of 6.5% compared to the end of 2021). Their share in the loan portfolio measured at amortized cost in the analyzed period remained unchanged compared to the end of 2021 at 5.7%.

The volume of loans granted to non-bank financial entities and budget sector institutions amounted to a total of PLN 796,787 thousand, registering a 9.6% decrease compared to December 2021.

Table 13. Quality ratios of the loan portfolio measured at amortised cost

in PLN'000	30.06.2022	31.12.2021	change PLN'000	%
Total gross loans and advances to customers	93,744,332	88,042,967	5,701,365	6.5%
Impairment allowances	(3,035 443)	(2,962,513)	(72,930)	2.5%
Total net loans and advances to customers	90,708,889	85,080,454	5,628,435	6.6%
Exposures without impairment triggers				
Gross balance sheet exposure	90,778,949	84,836,248	5,942,701	7.0%
Allowance	(1,233 750)	(1,123,186)	(110 564)	9.8%
Net balance sheet exposure	89,545,199	83,713,062	5,832,137	7.0%
Impaired exposures (stage 3)				
Gross balance sheet exposure	2,965,383	3,206,719	(241,336)	(7.5%)
Impairment allowance	(1,801 693)	(1,839,327)	37,634	(2.0%)
Net balance sheet exposure	1,163,690	1,367,392	(203,702)	(14.9%)

Ratios	30.06.2022	31.12.2021	change
Share of impaired exposures in gross portfolio	3.2%	3.6%	(0.5 p.p.)
Coverage with impairment allowances	(60.8%)	(57.4%)	(3.4 p.p.)

Table 14. Quality of loan portfolio measured at amortised cost

in PLN'000	30.06.2022			31.12.2021		
	gross total	of which: impaired	share %	gross total	of which: impaired	share %
Institutional loans, excluding farmers	40,717,867	1,198,979	2.9%	36,480,116	1,240,992	3.4%
Farmers	7,506,269	616,479	8.2%	7,755,784	633,557	8.2%
Retail customers	40,207,659	994,150	2.5 %	38,817,716	1,127,343	2.9%
- mortgages	27,868,724	473,500	1.7%	26,710,997	522,335	2.0%
in PLN	23,437,213	147,148	0.6%	22,141,389	167,127	0.8%
in other currencies	4,431,511	326,352	7.4%	4,569,608	355,208	7.8%
- cash loans	8,003,444	416,336	5.2%	7,701,994	489,948	6.4%
- other retail loans	4,335,491	104,314	2.4%	4,404,725	115,060	2.6%
Lease receivables	5,312,537	155,775	2.9%	4,989,351	204,827	4.1%
Gross loans and advances	93,744,332	2,965,383	3.2%	88,042,967	3,206,719	3.6%

The ratio of impaired exposures to gross loans and advances to customers measured at amortized cost amounted to 3.2% at the end of June 2022, down by 0.4 p.p. compared to the end of 2021.

Securitization of loan portfolio

In December 2017, the Group completed a transaction to securitize a portfolio of cash and auto loans using a subsidiary BGZ Poland ABS1 DAC (SPV). The concluded transaction is a traditional securitization involving the transfer of ownership of the securitized receivables to BGZ Poland ABS1 DAC (SPV), based in Ireland. The revolving period was 24 months and ended in December 2019. The transaction is subject to amortization from January 2020.

As a result of the securitization, the Group obtained financing for its operations in exchange for the surrender of rights to future flows arising from the securitized loan portfolio with a value as of 22/11/2017 (cut-off) of

PLN 2,300,471 thousand. The maximum date for full redemption of the bonds and repayment of the loan is 27.04.2032.

The SPV issued bonds on the basis of the securitized assets with a total value of PLN 2,180,850 thousand and received a loan in the amount of PLN 119,621 thousand, which were secured by a registered pledge on the rights to cash flows from the securitized assets. At the end of June 2022, the value of the bonds and the loan totalled approx. PLN 544,160 thousand.

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

In light of the provisions of IFRS 9, the contractual terms of the securitization do not meet the prerequisites for removing the securitized assets from the financial statements. Accordingly, the Group recognizes the securitized assets under Loans and advances to customers as of June 30, 2022 at a gross value of PLN 570,860 thousand.

The Group acts as servicer in the transaction.

Liabilities and equity

As at the end of June 2022, the Group's total liabilities amounted to PLN 131,130,793 thousand and were by PLN 10,714,943 thousand, or 8.9%, higher than at the end of 2021. The share of liabilities in the Group's total liabilities and equity was 92.1% in the period under review (+0.8 p.p. compared to the end of 2021).

At the end of June 2022, 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 of the end of June 2022 amounted to 83.4% and decreased by 0.5 p.p. compared to the end of 2021. In value terms, the volume of these liabilities increased by PLN 8,329,831 thousand, i.e. by 8.2% compared to December 2021, and amounted to PLN 109,413,772 thousand.

A decrease in the share of total liabilities by 1.0 p.p. to 5.7% was recorded by amounts due to banks. Their value amounted to PLN 7,474,093 thousand and was lower compared to the end of 2021 by PLN 538,151 thousand (i.e. by 6.7%).

The Group's equity as of the end of June 2022 amounted to PLN 11,189,139 thousand and decreased compared to the end of December 2021 by 5.6% i.e. by PLN 172,492 thousand. The share of total shareholders' equity in the Group's total liabilities and equity amounted to 7.9% (compared to 8.6% at the end of last year).

Table 15. Liabilities and equity

in PLN'000	30.06.2022	31.12.2021	change PLN'000	%
Amounts due to Central Bank	-	-	-	-
Amounts due to banks	7,474,093	8,012,244	(538,151)	(6.7%)
Derivative financial instruments	3,486,584	1,918,032	1,568,552	81.8%
Fair value adjustment of hedging instruments and hedged items	227,951	44,107	183,844	416.8%
Amounts due to customers	109,413,772	101,092,941	8,320,831	8.2%
Securities issued	516,076	722,628	(206,552)	(28.6%)
Subordinated liabilities	4,397,875	4,334,572	63,303	1.5%
Lease liabilities	791,094	860,004	(68,910)	(8.0%)
Other liabilities	2,782,015	1,556,289	1,225,726	78.8%
Current income tax liabilities	214,620	175,681	38,939	22.2%
Provisions	1,826,713	1,699,352	127,361	7.5%
Total liabilities	131,130,793	120,415,850	10,714,943	8.9%
Share capital	147,593	147,519	74	0.1%
Supplementary capital	9,110,976	9,110,976	-	-
Other reserve capital	3,133,766	2,946,115	187,651	6.4%
Revaluation reserve	(1,306,366)	(595,622)	(710,744)	119.3%
Retained earnings	103,170	(247,357)	350,527	-
- previous years results	(432,239)	(423,655)	(8,584)	2.0%
- net profit for the period	535,409	176,298	359,111	203.7
Total equity	11,189,139	11,361,631	(172,492)	(1.5%)
Total liabilities and equity	142,319,932	131,777,481	10,542,450	8.0%

Amounts due to customers

At the end of June 2022, amounts due to customers amounted to PLN 109,413,772 thousand and were higher by PLN 8,320,831 thousand or 8.2% compared to the end of 2021.

In terms of entities, the increase mainly concerned amounts due to business entities (balance as at 30.06.2022: PLN 56,774,010 thousand), the volume of which increased by PLN 3,355,595 thousand, i.e. by 6.3% compared to the balance as at the end of 2021, mainly as a result of an increase in term deposits (by PLN 6,523,289 thousand). The share of this segment in the structure of total amounts due to customers decreased to 51.9% compared to 52.8% at the end of December 2021.

An increase in deposit volumes was also recorded in the group of individual customers. Their balance as at the end of June 2022 amounted to PLN 47,432,867 thousand and was by PLN 2,660,897 thousand (or 5.9%) 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 43.4% from 44.3% at the end of 2021.

Both the volume of liabilities to budget sector institutions and deposits of non-bank financial entities increased in the first half of 2022, respectively by PLN 1,153,306 thousand (by 72.7%) and PLN 1,151,033 thousand (by 87.5%) compared to the end of 2021.

Chart 13. Structure of amounts due to customers

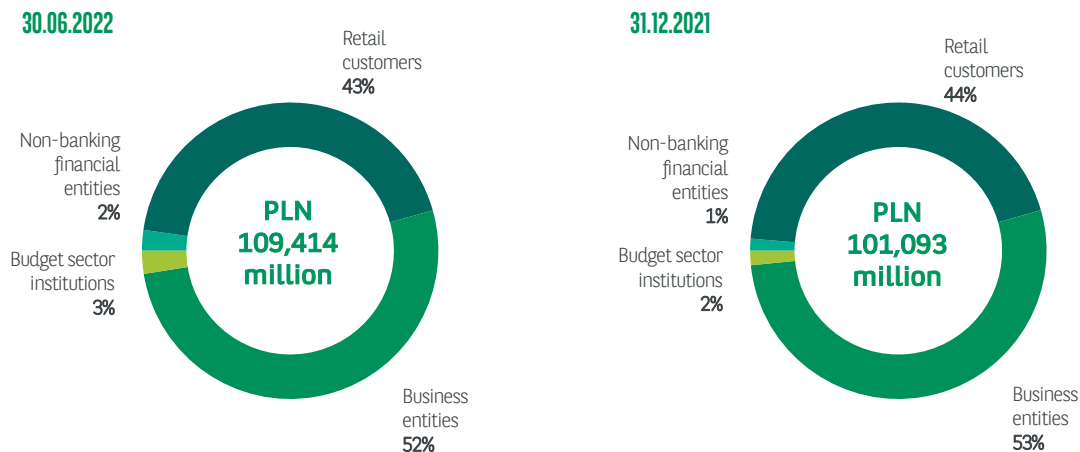


Table 16. Amounts due to customers by products

in PLN'000	30.06.2022		31.12.2021	
	PLN'000	share %	PLN'000	share %
Current accounts	77,537,524	70.9%	88,332,287	87.4%
Term deposits	30,074,491	27.5%	11,398,894	11.3%
Loans and advances received	521,128	0.5%	101,666	0.1%
Other liabilities	1,280,629	1.2%	1,260,094	1.2%
Total amounts due to customers	109,413,772	100.0%	101,092,941	100.0%
of which: deposits	108,892,644	99.5%	100,991,275	99.9%

The share of current accounts in the structure of amounts due to customers in total amounted to 70.9%, registering a decrease of 16.5 p.p. compared to the end of 2021. Funds deposited in current accounts amounted to PLN 77,537,524 thousand and decreased by PLN 10,794,763 thousand, or 12.2%. The decrease was mainly due to decreases in liabilities to retail customers (PLN -7,971,299 thousand, i.e. by 20.7%), and to business entities (PLN -3,191,157 thousand, i.e. by 6.8%).

The share of term deposits in the structure of amounts due to customers in the analyzed period amounted to 27.5% and increased by 16.2 p.p. compared to the end of 2021. In value terms, term deposits increased by PLN 18,675,597 thousand to PLN 30,074,491 thousand, an increase of 163.8% compared to December 2021.

The share of other liabilities and loans and advances received in total in the structure of liabilities to customers amounted to 1.6%, increasing by 0.3 p.p. compared to the end of 2021. Their total volume amounted to PLN 1,801,757 thousand.

Equity

As at 30 June 2022, the equity of the Group amounted to PLN 11,189,139 thousand and was by PLN 172,492 thousand or 1.5% lower than at the end of 2021.

In accordance with the Resolution No. 6 of the Annual General Meeting of the Bank dated 27 June 2022, the Bank's profit after tax (net financial result) for the financial year 2021 in the amount of PLN 184,526 thousand was transferred in full to the reserve capital.

5.4. Own funds and capital ratios

The calculation of the capital adequacy of the Bank and the Group as at 30 June 2022 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 12 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 30 June 2022, the adjustment related to the temporary partial exclusion from the calculation of Common Equity Tier 1 capital items of the amount of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic was PLN 427,063 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 30 June 2022, the adjustment in Common Equity Tier 1 capital related to other intangible assets amounted to PLN 443,083 thousand.

Pursuant to the Resolution of the Annual General Meeting of the Bank dated 27 June 2022, the entire profit of the Bank for 2021, in the amount of PLN 184,526 thousand, was allocated to reserve capital.

The Group's total capital ratio at 30 June 2022 was 15.21%, a decrease of 1.70 p.p. compared to December 2021. The Group's consolidated Common Equity Tier 1 (CET I) capital ratio and consolidated Tier 1 (Tier 1) capital ratio at 30 June 2022 were identical at 10.98% (decrease by 1.35 p.p. compared to the year-end 2021).

Total own funds at 30 June 2022 decreased by PLN 543,929 thousand compared to 31 December 2021.

Total risk exposure as at 30 June 2022 amounted to PLN 98,371,967 thousand and increased by PLN 6,720,871 thousand compared to 31 December 2021.

Table 17. Own funds and capital ratios of the Group

in PLN'000	30.06.2022	31.12.2021	change PLN'000	%
Tier I capital				
– share capital	147,593	147,519	74	0.1%
– supplementary capital	7,259,316	7,259,316	0	0.0%
– reserve capital	4,308,272	4,120,622	187,650	4.6%
– funds for general banking risk	627,154	627,154	0	0.0%
– intangible assets	(313,104)	(378,273)	65,169	(17.2%)
– other components of equity included in Tier I capital	(1,231,162)	(472,551)	(758,611)	160.5%
Total Tier I capital	10,798,069	11,303,787	(505,718)	(4.5%)
Tier 2 capital				
– subordinated liabilities classified as Tier II capital	4,160,700	4,198,911	(38,211)	(0.9%)
Total own funds	14,958,769	15,502,698	(543,929)	(3.5%)
Risk exposure due to:				
– credit risk	87,830,527	81,887,761	5,942,766	7.3%
– market risk	1,698,628	1,345,487	353,141	26.2%
– operational risk	8,787,516	8,387,983	399,533	4.8%
– CVA adjustment	55,295	29,865	25,430	85.1%
Total risk exposure	98,371,967	91,651,096	6,720,871	7.3%

Group's capital ratios	31.12.2021	31.12.2020	change
Total Capital Ratio (TCR)	15.21%	16.91%	(1.70 p.p.)
Tier I Capital Ratio	10.98%	12.33%	(1.35 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 Polish Financial Supervision Authority 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 Authority concluded that there were no grounds for revoking or amending the 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.

On 11 February 2022, the Bank received a letter from the Polish Financial Supervision Authority ("PFSA") recommending mitigation of the risks inherent in the Bank's operations by maintaining the Bank's own funds at the individual and consolidated level to cover the additional capital charge ("P2G") of 0.61 p.p. in order to absorb potential losses resulting from stress events.

As a result of the changes described above, the minimum levels of solvency ratios under the law and administrative decisions issued by the PFSA as at the reporting date of 30 June 2022 on a consolidated basis are as follows:

Minimum levels of capital adequacy ratios of the Bank and Capital Group	30.06..2022
Common Equity Tier I (CET I) capital ratio	7.86%
Tier I capital ratio	9.36%
Total capital ratio (TCR)	11.36%

Minimum requirement for own funds and eligible liabilities (MREL)

On 3 June 2022, the Bank received a letter from the Bank Guarantee Fund ('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 ('MREL').

The joint decision indicates that the group mandatory 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 by the Fund, in consultation with the SRB, for BNP Paribas Bank Polska S.A. is:

- 15.99% of TREA, 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 TEM, the total exposure measure (TEM) calculated in accordance with Article 429 and Article 429a of Regulation (EU) No 575/2013 (hereinafter: MREL-TEM)

at the individual level the Bank is required to meet the MREL requirement by 31 December 2023.

The Fund, 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 target MREL level:

- in relation to TREA: 11.99% at the moment of notifying the Bank about the agreement and joint decision making on MREL and 13.99% at the end of 2022,
- in relation to TEM: 3.00% at the moment of notifying the Bank about the agreement and joint decision making on MREL 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.

At the same time, the BFG indicated that the Tier 1 capital (CET1) instruments kept by the Bank for the purposes of the combined buffer requirements cannot be included in the MREL expressed as a percentage of TREA. This rule does not apply to the MREL requirement expressed as a percentage of TEM.

The Bank meets the defined MREL-TREA and MREL-TEM requirements as of 30 June 2022.

5.5. Financial ratios

The Group's return on equity (ROE), calculated on a reported basis, was 9.6% in the first half of 2022 and was 4.7 p.p. higher than at the end of the first half of 2021. Return on assets (ROA) calculated in a similar manner was 0.8% and increased by 0.3 p.p. compared to the same period in 2021. The increase in return ratios is the result of a significant growth of banking activities at similar levels of credit risk charges and risk provisions related to CHF mortgage loans litigation. The Group's ROE calculated excluding the impact of provisions related to CHF loans would be 13.0% and would be 3.9 p.p. higher compared to the similarly calculated ratio for the first half of 2021 (9.1%). In the case of return on assets (ROA), the ratio would be 1.1%, i.e. 0.2 p.p. higher than in the first half of 2021.

The Cost/Income ratio calculated on the basis of reported volumes was 53.6%, and was 0.3 p.p. lower compared to the first half of 2021. The improvement in the ratio was driven by a faster increase in the level of core income, compared to the rate of cost growth (despite a significant increase in regulatory burdens).

Net interest margin calculated in relation to average assets amounted to 3.2% and was lower by 0.7 p.p. compared to the level calculated for the first half of 2021. Increase of the realized interest margin is a result of significant growth of interest rates in the fourth quarter of 2021 and in the first half of 2022, (the reference rate at the end of June 2022 was +590 bps y/y).

Minor changes in ratios representing the ratio of net and gross loans to deposits and funding sources reflect the good liquidity position observed in the first half of 2022 and 2021.

Table 18. Financial ratios

	30.06.2022	31.12.2021	30.06.2021	change y/y
Return on equity ⁽¹⁾	9.6%	1.5%	4.9%	+4.7 p.p.
Return on assets ⁽²⁾	0.8%	0.1%	0.5%	0.3 p.p.
Net interest margin ⁽³⁾	3.2%	2.5%	2.5%	+0.7 p.p.
Cost/Income ⁽⁴⁾	53.6%	52.9%	53.9%	(0.3 p.p.)
Cost of credit risk ⁽⁵⁾	(0.37%)	(0.32%)	(0.33%)	+0.03 p.p.
Net loans/deposits ⁽⁶⁾	84.3%	85.5%	83.3%	+1.0 p.p.
Gross loans/Total sources of funding ⁽⁷⁾	79.1%	80.2%	78.8%	+0.3 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 taking into account the actual number of days.

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

(5) Net impairment allowances on loans and advances and provisions for contingent liabilities in relation to the average balance of net loans and advances to customers measured at amortised cost, calculated based on quarter-end balances. Annualization of the result from write-offs taking into account the actual number of days.

(6) Annualization of the result from write-offs taking into account the actual number of days.

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

6. Description of the business activities

6.1. Distribution channels

Branches

As of 30 June 2022, BNP Paribas Bank Polska S.A. (hereinafter: the Bank) had 418 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, 277 retail and business banking branches were closed between 31 October 2018 and 30 June 2022 (including 9 branches closed in the first half of 2022).

In 160 branches (including 3 partner branches) cash services were provided exclusively through self-service devices.

As of 30 June 2022 the Bank had 85 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.

From 1 April 2022, the Bank's branches have changed their name to Customer Centers and operate within 153 Advisory Centers divided into 5 macroregions (North, West, Center, East and South). The simplification of the structure and the new model of working in the retail network will allow for even faster response to the Customers' needs in the changing environment.

In the first half of 2022, the sales network for Corporate Banking consisted of 3 Regional Corporate Banking Centers: Central, Southern and Western, with a total of 14 Corporate Banking Business Centres located in the largest business centres in Poland, ensuring extensive geographical and sectoral coverage.

Since 1 January 2022, the SME Banking Area sales network includes 3 SME Banking Regions: Central, Southern and Western, with a total of 34 specialised SME Business Centres, located in cities with the highest potential.

ATM and Cash Deposit Network

As of 30 June 2022, the Bank's branches were operating:

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

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

E-banking and mobile banking

In the first half of 2022, 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.

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 THE FIRST HALF OF 2022
Payments

- Extension of Express Elixir transfers to 24/7 service
- Payments on mobile via BLIK
- Foreign transfer in GOMobile
- Tax transfer in GOMobile

Loans and cards

- Presentation of credit information at the end of the repayment period
- Possibility of credit card termination
- Repayment of the card and instalments via BLIK

Investments

- New layout of the "investments" tab, which will make it easier for customers to manage their investments

Financial Shield of the Polish Development Fund

- Enabling application for a waiver of subsidy in the scope of Shield 2.0. for Micro Customers in GOonline

Client's data / Client

- Possibility to update address data via GOMobile
- UX changes in the GOMobile app activation
- Implementation and promotion of a mobile token
- Verification of identity during a call with Centre Call via GOMobile
- 400+ application - family care capital
- Adjustment of 500+/300+ applications to new requirements (also for Ukrainian customers)
- Integration with beWealth application for Wealth Management clients

Accounts and Savings

- Account aggregator - providing the ability to review balance and transaction history from accounts at other banks
- Promotion "mamBilet" and simplifying the opening of a promotional account via GOMobile
- Account for Ukrainian citizens

Security

- Behavioural analysis - additional advanced antifraud security that analyses customers' behaviour in GOonline, which notifies IT Security in the case of deviation

The voice of the customer is the basis for building development plans in the area of online 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 channel⁶

Table 19. Data on retail customers

specification	system name	30.06.2022	30.06.2021
Number of customers/users using internet banking	GOonline	779,336	792,686
Average monthly number of transactions in the Internet channel	GOonline	3,200,775	3,380,899
Number of customers / users using mobile application (GOMobile)	GOMobile	1,025,804	784,189
Number of customers / users using mobile banking (mobile device)	GOMobile + GOonline	1,177,446	953,787
Number of customers/users using <u>only</u> mobile application (GOMobile)	GOMobile	678,809	489,407
Number of customers/users using <u>only</u> mobile banking (mobile device)	GOMobile + GOonline	795,538	589,508

KEY CHANGES IN SYSTEMS AND OFFERS FOR CORPORATE CUSTOMERS IN THE FIRST HALF OF 2022

Further development of GOonline Business modules:

On 13 January 2022 transfer of the "Applications" module from the previous version of the system (BusinessPI@net) to the new version of GOonline Business - Applications and disposition.

- **List of transferred applications:**
 - Cash collection order (new application name - Bank convoy order/cancellation),
 - Credit disbursement disposition (new name of the application - no change to Credit Disbursement Disposition),
 - Credit Repayment Disposition (new name of the application - no changes to Credit Disbursement Disposition),
 - Bank opinion (new application name - Application for a bank opinion and certificates),
 - Issuance of cheque blanks (new application name - Issuance of domestic cheques in PLN),
 - Letter of credit - other application (new application name - Letter of credit - other disposition),
 - Collection - another application (new application name - Collection - another disposition and new application Import Collection - bill of acceptance),
 - Guarantee - other application (new application name - Guarantee - other disposition),
 - Trade finance - other application (new application name - Monitoring - reports).

- **List of applications which have been excluded:**
 - changing, adding or removing a user's authorisations,
 - request to delete a user,
 - unblocking a user,
 - modification of acceptance groups,
 - change of acceptance schemes,
 - ordering a USB cryptographic device or a cryptographic card,
 - other disposition - transfer confirmation,
 - universal application.

On 21 April 2022 closure of the 'old' Applications module in BusinessPI@net, transfer of all applications to the new GOonline Business module, including providing access to new cash managing applications.

Implemented changes are the next phase of the process related to modernisation and improvement of the functionality of the GOonline Business system.

Table 20. Data on corporate and SME clients

specification	System name	30.06.2022	30.06.2021
Number of clients actively logging on	BiznesPI@net	142,930	146,242
Monthly average number of transactions	BiznesPI@net	6,124,569	5,527,953
Number of mobile application customers/users	GOmobile Biznes	19,899	13,073

Bank cards

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

As at 30 June 2022, the number of cards issued amounted to 2,609.4 thousand and was 148.6 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 (*Moje Konto Premium*) is opened with a dedicated card - *Moja Karta Premium* or *Multiwalutowa Card*,
- *Konto Otwarte na Ciebie* with possibility to issue 4 cards (*Karta Otwarta na Dzisiaj*, *Karta Otwarta na eŚwiat*, *Karta Otwarta na Świat* and *Karta Multiwalutowa*),
- Family Banking offer - Adulthood Card (*Karta do Dorosłości*) issued to persons aged 13-18, Samodzielniak's Card and Samodzielniak's Microcard issued to children aged 7-13.

In addition, in the first half of 2022, a large group of customers from Ukraine who came to Poland due to the war also used the Bank's offer.

Table 21. Number of banking cards issued by the Bank

in thousands	30.06.2022	30.06.2021	change y/y '000	%
cards for retail customers	1,626.2	1,477.6	148.6	10.1%
Credit cards for retail customers	772.5	819.8	(47.3)	(5.8%)
Business debit cards	197.9	192.6	5.3	2.8%
Deferred payment business cards	7.6	7.6	0.0	0.0%
Business credit cards	5.2	5.7	(0.5)	(8.8%)
Number of cards issued - total	2,609.4	2,503.3	106.1	4.2%

Cooperation with intermediaries

At the end of June 2022, in the Retail and Business Banking, in the area of acquisition of banking products, the Bank was actively working with:

- based on outsourcing agreements - 11 outsourcing intermediaries, 7 outsourcing intermediaries acting exclusively for the Bank and 14 franchise partners,
- based on marketing agreements - 267 local intermediaries

In the area of Personal Finance Banking, 12 nationwide intermediaries and 2 online intermediary were engaged under outsourcing agreements for the sale of a cash loan product.

6.2. Bank Transformation Programme

Agile@Scale – new operational model

In July 2020, the Bank's Management Board decided to launch an Agile@Scale transformation, which has been implemented since 1 January 2022. The Agile@Scale transformation covers the part of the organisation responsible for product development and implementation (business, IT, supporting roles). The bank is now organised around products responsible for end-to-end IT processes and systems.

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, 5 IT areas, 46 Products and 54 Chapters.

By implementing the Agile approach, the Bank aims to achieve the following goals:

- responding faster to changing customer needs and market conditions,
- providing innovative, high-quality products and services based on customer needs,
- engaging employees, ensuring their development as well as attracting and retaining talent through a new organisational culture.

GOeyond's strategy for 2022-2025 is implemented in the Agile@Scale operating model using the OKR (Objectives and Key Results) goal setting framework. The bank is developing its ecosystem (Open Banking Tribe, fast procurement process, specific banking offering) to become the main bank of innovative companies in Poland. Cross-cutting initiatives are coordinated by Tribes in strategic areas.

Key achievements in specific areas of Bank operations in the first half of 2022

AREA	ACHIEVEMENTS
Individual Clients	<ul style="list-style-type: none"> • Implementation of BLIK mobile money transfers in March this year <ul style="list-style-type: none"> - more than 7 thousand transfers executed daily - more than 120 thousand service users • Account transfer from another bank: on behalf of the Customer, the Bank may request the transfer of his/her account from another bank to BNP Paribas Bank Polska including the services from the previous account; on the Customer's request, the Bank may notify the indicated individuals and institutions about the new account number. • Scheduling appointments at a virtual branch: Directly from the Bank's website, the customer can make an appointment to visit a virtual branch at a convenient time. This allows the customer to get things done without leaving home. During the video call, it is possible to: purchase investment products, check creditworthiness, apply for a mortgage loan or learn about the premium daily banking offer. • Implementation (as the first bank in Poland) of simultaneous identification of the consultant and the customer by GOMobile during a phone call - authorisation push allows the customer to confirm that he/she is talking to a bank employee, additionally he/she receives the consultant's data/status. If the customer enters the PIN in the GOone mobile application, they are not subject of additional verification. • A new ecosystem of multi-channel customer communication: introduction of a voicebot on the Bank's call centre, use of a chatbot in GOonline to conduct NPS surveys with customers - over 9,000 successful calls. • Further digitised and paperless treasury processes in branches. By eliminating printouts and transferring some of the processes from them to the system, Advisor time has been reduced and the amount of printed documents in the Bank's branches will be reduced by 4 tonnes per year. • New functionality in GOMobile: credit card and loan instalment repayments with BLIK

AREA	ACHIEVEMENTS
	<ul style="list-style-type: none"> • Implementation of a special offer for customers "Rata Gratis" in cooperation with Media Markt • Developing awareness of responsible investment by including ESG aspects in investment decisions: <ul style="list-style-type: none"> ✓ 50% of IBV green certificates support ESG action: Tara Ocean or Reforest Action (planting trees in Poland) ✓ Increase of IBV green certificate portfolio • Implementation of a systematic savings programme in digital channels - 4M structured deposit GROWTH /DECREASE EUR/PLN with full capital protection and a guaranteed interest of 3% per year and interest bonus (Coupon) • Quick adaptation of the current account product for the group of refugees from Ukraine, introduction of a new product "Account for Now" - free account with access to electronic and mobile banking for people with Ukrainian citizenship (without holding a passport or residence card).
Microenterprises and farmers	<ul style="list-style-type: none"> • Implementation of quick, efficient and predictable credit processes: pre-approved offers for Micro Customers running a one-person business with a credit history of 0 to 6 months (pilot start, Business Leader credit product) • Digitisation of the main after-sales instructions and enabling selected self-service functionalities in the transaction applications: <ul style="list-style-type: none"> ✓ Online factoring with a limit of up to PLN 100,000 - a new service available to Micro's clients in cooperation with Fandla. The solution is dedicated to clients who issue invoices with deferred payment terms of up to 60 days and the one-off value of liabilities does not exceed PLN 100,000. All formalities are completed online, without the involvement of Bank employees. Customers gain access to fast and simple financing ✓ Arval service available in the GOMobile application - used car rental for one-person business. In the services section, adding a new option Rental • New account and financing offer for farmers: Business Offensive, Agro Offensive
Business Clients	<ul style="list-style-type: none"> • Further digitalisation of customer interaction: <ul style="list-style-type: none"> ✓ availability of a new cash module in the flagship GOonline Biznes e-banking system ✓ 19.9 thousand of active GOMobile Biznes users at the end of June 2022. • Implementation of a new product offer in Cash Management: <ul style="list-style-type: none"> ✓ credit decision for charge card and credit card in 24 hours ✓ centralisation of processes for servicing Escrow accounts • Implementation of a new electronic document archive with quick access for participants in the credit process for corporate customers - eDocuments • Electronic credit application for Agro customers - development of eCredit application for farmers • Further development of currency exchange services available on the FX PL@net transaction platform, including the implementation of a mobile version: <ul style="list-style-type: none"> ✓ implementation of a new GOdealer mobile application for currency exchange for FX PI@net currency platform customers ✓ 8.9 thousand active FX PI@net users at the end of June (corporate, SME and micro customers) ✓ volume of all types of transactions concluded on the FX PI@net platform: +44% y/y in the corporate segment and +98% y/y in the retail and Wealth Management segments

AREA	ACHIEVEMENTS
<p>Shared strategic assets</p>	<ul style="list-style-type: none"> • Development of open banking services based on new API platform - beWealth platform authorisation service available to Wealth Management clients • Improving the customer experience through the development of customer support services: <ul style="list-style-type: none"> ✓ implementation of the account aggregation functionality available in GOonline - a customer with an account in one of the 6 banks can see it in GOonline ✓ implementation of a premium service for the Customer, which enables the process of digital authentication of the Agronomist Customer by Autenti on the Agronomist Platform ✓ enabling the Customer to use the Open Banking Portal from the Bank's website allowing access to information on data used in the digital KYC process. A unique functionality for the Customer on the Polish market. • Further improvements to the KYC process (including tools to automate the certification and data update processes): Implementation of automation of the KYC process for Micro's self-employed clients and automated transaction profile • Further robotisation to optimise process costs and increase customer satisfaction: <ul style="list-style-type: none"> ✓ implementation of robots to automate the collateral monitoring process for microenterprise loans, ✓ automation of the process of changing interest rates on mortgage loans from floating to fixed at the customer's request ✓ fully functional automation of opening a letter of credit

6.3. Retail and Business Banking and Personal Finance

Area characteristics

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 100,000 or having monthly inflows of minimum PLN 10,000 PLN 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 maintaining full financial reporting, meeting the criterion of net annual revenues for the previous financial year below EUR 2 million, conducting activities classified under selected PKD 2007 codes;
- professionals: entrepreneurs who do not keep full financial reporting in accordance with the principles set forth in the accounting act and who practice professions defined in a separate, internal document;
- Individual farmers for whom the Bank's credit exposure to the customer is less than PLN 3 million;
- Individual farmers with credit exposure of the Bank to the Customer between PLN 3 million and less than PLN 4 million, where the collateral on the agricultural land covers at least 50% of the credit exposure;
- nonprofit organizations (e.g., foundations, associations, labor unions, etc.);
- housing cooperatives, housing communities, property managers.

The Personal Finance Banking area is responsible for the 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 (operational and financial) and leasing loan (offered mainly in cooperation with BNP Paribas Leasing Services Sp. z o.o.) and long-term vehicle rental (offered in cooperation with Arval Service Lease Polska Sp. z o.o.).

Key achievements related to the UP pillar of the GO beyond strategy in the first half 2022

INITIATIVE	
BNP Paribas - my main bank	
INITIATIVE DESCRIPTION	More attractive products, implementation of an omnichannel environment and changes in approach to creating long-term relationships. Optimisation of the digital UX, greater personalisation of the Customer experience and synchronisation of the use of data sources. Increased awareness of the BNP Paribas brand to Customers.
ACHIEVEMENTS	<ul style="list-style-type: none"> building awareness of the BNP Paribas brand through implementation of an onboarding process for customers who purchase an instalment loan, car loan or credit card creating stable and long-term relationships by implementing an account transfer process from another bank and enabling the transfer of salary from an employer to a BNP Paribas bank account creating new opportunities for foreigners and providing an "Account for Now" for refugees from Ukraine, a website and online banking in Ukrainian language helping with everyday banking by: <ul style="list-style-type: none"> educating people about mobile payments positioning the BNP Paribas debit card as the card of first choice for making payments of everyday needs instructional videos on: how to confirm an online payment with the 3D Secure service, how to enable mobile authorisation and how to add the card to swatch pay implementation of a mortgage loan offer with a 10-year fixed interest rate, as the first Bank in Poland the possibility of applying for subsidies offered by the "My Electric" programme in connection with financing the purchase of a car under a leasing or long-term rental contract
KEY FIGURES	<ul style="list-style-type: none"> an increase in the number of Customers for whom BNP Paribas Bank Polska S.A. is the bank of the first choice from 0.71 million in the first quarter of 2022 to 0.76 million at the end of June 2022 a decrease in debit card claims volume by 24% q/q 10 p.p. increase in positive 3D Secure authentication acquisition of "Account for Now" - 56 thousand new Customers and PLN 611 million of new funds on deposits
INITIATIVE	
Sales development in the digital and omni-channel model	
INITIATIVE DESCRIPTION	Sale of all consumer loans and mortgage loans through digital channels or omni-channel model. Common use of 'pre-approved' offers and open banking solutions. Increase sales to the customer base based on data analytics, AI and personalisation. Expansion of product offers available in digital channels.
ACHIEVEMENTS	<ul style="list-style-type: none"> extended access to fast, simple and convenient application process available through 'pre-approved' offers prepared on internal and external databases extension of the range of credit cards available through the credit card application process in e-channels; Mastercard Gold and Mastercard World Elite have been added to the previously available Mastercard Standard card the possibility of spreading selected transactions into convenient instalments as part of credit card repayment introduction of navigational enhancements to make it easier for the customer to use the cash loan offer
KEY FIGURES	<ul style="list-style-type: none"> PLN 162 million – cash loans sale in remote channels in the first half of 2022 shortening the time from submitting the application to the withdrawal of funds for a cash loan by 14% in the first half of 2022 vs 2021
INITIATIVE	
Convenient platform for entrepreneurs based on API solutions	
INITIATIVE DESCRIPTION	Bank as a modern platform using API to offer products and services from external partners. Supporting the creation of sustainable and secure customised innovations. Enabling contextual services to be offered at selected customer touchpoints outside the banking ecosystem.

ACHIEVEMENTS	<ul style="list-style-type: none"> • BIZNES UP! - starting cooperation with the Polish Entrepreneurship Foundation, which prepared a free training programme for the Bank's clients on, inter alia, tax changes resulting from the Polish Order and their impact on business • in June, the launch of a mobile application for currency exchange via GOdealer • in cooperation with Arval: <ul style="list-style-type: none"> • using the AI model, thanks to which, on the basis of previous customer behaviour, it is possible to estimate the Customer's interest in long-term rental and prepare a dedicated offer • the creation of a comparison engine, which in a clear and transparent way shows Customers the differences and benefits of different services incl.: leasing offer, rental, car loan • launching a campaign for "green" electric cars on Facebook, LinkedIn and Instagram • closer cooperation with Fandla in the area of micro-factoring - improving the efficiency of the process
KEY FIGURES	<ul style="list-style-type: none"> • 660 customers attended the first round of BIZNES UP! training in June this year • GOdealer: over 2.2 thousand clients, 2.7 thousand transactions • increase by 80% in the number of clients interested in Arval's green car offer (measured by the number of requests to contact a Virtual Advisor) • 30% of contacts between the client and the advisor result in the signing of a micro-invoicing agreement
INITIATIVE	New distribution model - fundament of omni-channel customer service
INITIATIVE DESCRIPTION	Transformation of the distribution model - a key element in building an omnichannel customer service model. Integration of front-end systems with a single view of the Customer. Relationship management supported by personalised CRM-based communication. New structuring of autonomous, self-organised Customer Service teams.
ACHIEVEMENTS	<ul style="list-style-type: none"> • as the first bank in Poland, implementation of simultaneous possibility of verification during a telephone conversation of a call centre consultant and a customer via mobile banking (security and saving approx. 1-1.5 minutes per conversation) • enabling meetings on the Bank's website with advisors in the Virtual Branch and improving the process of making appointments in the Bank's branches (notifications, the possibility of cancelling an appointment, etc.) • supporting the digitalisation of customers in the bank's branches by identifying them in detail and improving the onboarding process, • implementation of BlikP2P (i.e. transfer to mobile) increasing transactivity and customer engagement in the mobile channel • use of Voice Bot for customer NPS research and further increase the share of communication handled by chat bot
KEY FIGURES	<ul style="list-style-type: none"> • over 1 million active mobile banking users • over 120,000 users of the newly implemented BlikP2P service after three months of implementation (over 500,000 transactions) • more than PLN 3 billion of deposits acquired in the second quarter of this year via digital channels

Other business line activities

INITIATIVE	
Digitalisation	
INITIATIVE DESCRIPTION	One of our main goals is to digitise Clients. We build such processes and functionalities into the front-end systems to support the frontline advisor in the digitisation of the client and provide self-service opportunities for clients.
ACHIEVEMENTS	<p>Key activities:</p> <ul style="list-style-type: none"> • repayment of instalments and credit cards via BLIK • making applications available for 400+, nursery subsidy, 500+ for refugees from Ukraine and 300+ • the addition of a new option: Rental - allowing the customer to switch from the mobile application to the contact form in order to apply for an Arval offer • including mobile authorisation in two processes (for additional Customers' security): <ul style="list-style-type: none"> • automatic activation of mobile authorisation with a description of the solution for customers who already use GOonline internet banking and are activating the GOMobile app for the first time • presentation of a screen with a suggestion to switch mobile authorisation to the phone • Customers who deactivate the app and activate it again or activate the app on another device after logging in, we present a screen with a suggestion to switch mobile authorisation to this phone, • foreign transfer - convenience of making SEPA and SWIFT foreign transfers through mobile banking • BLIK mobile money transfer and instant transfers 24/7 • enabling the editing and adding of recipients at any time from the mobile banking level • extending post-sale processes for credit cards: <ul style="list-style-type: none"> • information on the cancellation of the monthly fee after the turnover exceeds the appropriate level during the billing period • sharing information on the customer's address to which a new credit card will be sent upon expiry of the current card • the possibility of providing and executing instructions for closing credit card agreements
KEY FIGURES	<ul style="list-style-type: none"> • 1.5 million active online banking users; +14% y/y (+5% q/q) • more than 120,000 users of BlikP2P service, three months after implementation (more than 500,000 transactions)

Private Banking - BNP Paribas Wealth Management

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. In addition, Wealth Management's advisers are the first in the Polish market to gain EFPA ESG sustainability certification. Clients are guaranteed the highest level of discretion, e.g. through the Wealth Management client confidentiality service. 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 held with the bank. The Client receives support in matters related to both private and corporate wealth.

BNP Paribas Wealth Management has been named Best Private Bank in Poland for the second year in a row at the international Global Private Banking Innovation Awards 2022. The awards are presented by the publisher of The Global Private Banker and The Digital Banker magazines. The competition organisers noted that banks have to operate in an environment of extreme variability caused by the effects of pandemics, the conflict in Ukraine and other macroeconomic factors. BNP Paribas Wealth Management is responding to these challenges through a personalised approach to clients, using the Group's global expertise and the ongoing development of digital tools.

In the first half of 2022, advanced improvements and product solutions were implemented:

- starting the remote application process for the Mastercard World Elite card and making investment funds available on GOonline,

- Private Line telephone line - dedicated exclusively to Wealth Management clients - further conveniences and improvements were introduced, including direct connection with a consultant from the GOMobile application thanks to the Click2Call functionality, without additional client verification,
- new 4-month structured deposits - with subscribed interest, denominated in USD, with a guaranteed coupon,
- sharing information on the current market situation for funds/investment portfolios selected by the Bank during the purchase of units in GOonline internet banking - commentary prepared by experts of the Bank's Brokerage Office,
- investment webinars with experts of the Bank's Brokerage Office and BNP Paribas TFI in response to the geopolitical situation, during which the situation on financial and economic markets was discussed, as well as factors that should be taken into account during financial decision-making.

Bank guarantees

In the first half 2022, the Bank issued 10 bank guarantees for the Business Banking Area customers at a total amount of PLN 1.4 million.

Commercial volumes

As at 30 June 2022, Retail and Business Banking deposits on a consolidated level amounted to PLN 58,709,003 thousand and were by PLN 2,395,216 thousand higher than at the end of 2021. Both funds in savings and current accounts decreased by PLN 6,687,836 thousand and PLN 1,961,519 thousand respectively. Term deposits increased by PLN 11,185,857 thousand or 208.6% compared to the end of 2021.

The percentage structure of the main product categories changed: the share of term deposits increased significantly (by 18.7 p.p. to the level of 28.2%) with a parallel decrease in the share of savings accounts (by 12.8 p.p. to the level of 21.5%), of current accounts (by 5.6 p.p. to the level of 49.7%) and overnight deposits (by 0.3 p.p. to the level of 0.6%).

Starting from the fourth quarter of 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 22. Deposits and Loans in Retail and Business Banking²

in PLN'000	30.06.2022	31.12.2021	change y/y PLN'000	%
Current accounts	29,203,050	31,164,569	(1,961,519)	(6.3%)
Savings accounts	12,611,326	19,299,163	(6,687,836)	(34.7%)
Term deposits	16,549,195	5,363,338	11,185,857	208.6%
Overnight deposits	345,432	486,718	(141,286)	(29.0%)
Accounts and Deposits	58,709,003	56,313,787	2,395,216	4.3%
Consumer loans	10,796,237	10,447,106	349,131	3.3%
Investment loans	6,004,524	6,404,889	(400,365)	(6.3%)
Overdrafts	2,801,076	2,817,738	(16,662)	(0.6%)
Mortgage loans	27,576,757	26,555,347	1,021,410	3.8%
Lease receivables	2,564,858	2,724,712	(159,854)	(5.9%)
Credit cards	948,591	1,036,825	(88,235)	(8.5%)
Other loans	6,289	8,060	(1,771)	(22.0%)
Net loans and advances	50,698,332	49,994,677	703,654	1.4%

² Deposit and loan volumes of selected segments have been presented on the basis of data from management information systems, due to the availability of more detailed product information. For comparability, data as at 31.12.2021 have been presented in accordance with the segmentation in force in 2022.

Deposit volumes do not include balances of certain credit institutions, which are treated as interbank deposits in management reporting but are included in customer deposits in financial reporting; in addition, balances do not include accrued unmatured interest.

The net loan portfolio of the Retail and Business Banking segment on a consolidated basis as at 30 June 2022 amounted to PLN 50,698,332 thousand, an increase of 1.4% (PLN +703,654 thousand) compared to the end of 2021. In value terms, the largest increase was in residential mortgages (PLN +1,021,410 thousand, +3.8%).

The gross volume of FX mortgage loans (withdrawn from the offer in 2008-2009) in the analysed period amounted to PLN 4,431,511 thousand (PLN 4,569,608 thousand at the end of 2021). 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 increased from 4.4484 at the end of 2020 to 4.6904 at the end of June 2022). The value of the portfolio denominated in CHF decreased by 3.0% compared to the end of 2021.

Gross profit of Retail and Business Banking segment

In the first half of 2022, the Retail and Business Banking segment had a negative gross result of PLN 52,076 thousand (compared to a loss of PLN 78,120 thousand in H1 2021) mainly due to charging results with loan impairment (it was higher by PLN 181,652 thousand or 373.8% y/y). There was an improvement in all components of the result on banking activities (net interest income by PLN 323,396 thousand, or 38.9% y/y, net fee and commission income by PLN 55,061 thousand, or 20.5% y/y, and net trading and investing income by PLN 20,135 thousand, or 65.3% y/y) and a decrease in the result on provisions for legal risk related to foreign currency loans (by PLN 36,240 thousand, or 14% y/y). The increase in operating costs and amortisation by PLN 118,532 thousand, i.e. by 20.5%, was due to higher charges on the BFG and the newly established protection scheme for commercial banks.

In the first half of 2022, the Retail Banking segment recorded growth in sales of personal accounts (+18.6% y/y) and cash loans (+5.9% y/y), while sales of mortgages (-6.8% y/y) and investment products (-24.2% y/y) decreased.

The result on banking activity of Retail and Business Banking in the first half of 2022 amounted to PLN 1,529,246 thousand and was 35.3% (i.e. PLN 398,592 thousand) higher compared to the same period in 2021. This result accounted for 50.5% of the Group's banking result in the period under review. The Personal Finance area generated 26.3% of the result on banking activity of the Retail and Business Banking segment.

Table 23. Gross profit of Retail and Business Banking segment³

in PLN '000	6 months ended		change y/y	
	30.06.2022	30.06.2021	PLN '000	%
Interest income	1,154,582	831,186	323,396	38.9%
Fee and commission income	323,674	268,613	55,061	20.5%
Trading and other income	50,990	30,855	20,135	65.3%
Income on banking activity	1,529,246	1,130,654	398,592	35.3%
Result on impairment allowances	(230,251)	(48,599)	(181,652)	373.8%
Provisions for legal risk of CHF portfolio	(222,737)	(258,977)	36,240	(14.0%)
Operating expenses and depreciation	(696,323)	(577,791)	(118,532)	20.5%
Allocation of costs	(328,602)	(241,522)	(87,080)	36.1%
Operating profit	51,333	3,766	47,568	1,263.2%
Tax on financial institutions	(103,409)	(81,886)	(21,523)	26.3%
Gross result of the segment	(52,076)	(78,120)	26,045	(33.3%)

³ Data based on the segmentation note included in the Interim consolidated report of the BNP Paribas Bank Polska S.A. Group for the 6 months ended 30 June 2022

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

The Brokerage Office of BNP Paribas Bank Polska S.A. (hereafter: Brokerage Office) provides services mainly to retail customers. The services offered by the Brokerage are complementary to the Bank's range of investment products. The Brokerage also has an offer for selected institutional customers, which include open retirement funds (OFEs), investment fund companies (TFIs) and other entities that manage the assets entrusted to them. Furthermore, the Brokerage manages portfolios and provides investment advice to clients in the Premium Banking and Wealth Management segments.

The Brokerage offers a wide range of investment funds managed by reputable Polish and foreign investment fund companies.

Brokerage in numbers in the first half of 2022

- conducting sales of over 900 funds managed by 22 companies,
- PLN 3.7 billion - value of clients' assets in investment funds distributed through the Brokerage at the end of June 2022,
- PLN 573 million - the value of investment certificates emitted last year for the Brokerage's clients in cooperation with the BNP Paribas Group (up 7% y/y),
- PLN 83.8 million - total revenues from brokerage services and distribution of investment products (up 42% y/y),
- decrease in commission income from stock exchange transactions of Brokerage Office clients by 36% y/y,
- increase in assets in portfolio management services for Wealth Management clients by 17% y/y,
- results from investment advisory services as well as portfolio management services grew strongly above their benchmark indexes.

Table 24. Share of the Bank's Brokerage House in turnover on the WSE

		30.06.2022		30.06.2021	
		volume	share	volume	share
Shares	PLN million	1,724.18	0.53%	2,036.66	0.60%
Bonds	PLN million	104.22	1.44%	123.13	6.06%
Contracts	pcs.	105,742	0.77%	59,618	0.61%
Investment certificates	PLN million	0.70	1.30%	0.54	1.18%
Options	pcs.	22,779	6.68%	19,172	6.59%
Structured products	PLN million	130.70	3.47%	317.51	10.28%

6.5. Corporate Banking and Small and Medium Enterprise Banking

Area characteristics

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, listed on the stock exchange 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.

The Small and Medium Enterprise (SME) Banking area provided services to three main customer sub-segments in the first half of 2022:

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

From January 2022, as a result of changes in connection with the strategic review of the organisational structure in **Corporate Banking**, the sales network is made up of two divisions:

- Strategic Clients Division, organised within the head office structure, which is responsible for the relationship with international clients, Poland's largest corporates and financial institutions and selected public sector entities,
- Corporate Clients Division (MID Cap), which is made up of three Corporate Banking Regions: Central, Southern and Western, bringing together a total of 14 Corporate Banking Business Centres located in the largest business centres in Poland, thus ensuring a broad geographical and sectoral scope. The Division is responsible for relations with clients with net sales revenues of between PLN 60 million and PLN 600 million.

After-sales services for Corporate Banking segment customers are provided through a dedicated Corporate Customer Service Centre. Access to products and services is offered through modern online and mobile banking systems.

From 1 January 2022, the sales network in the **SME Banking Area** is formed by 3 SME Banking Regions Central, South and West, bringing together a total of 34 specialised SME Business Centres located in the cities with the greatest potential.

The Bank's model of servicing SME clients is a model based on relationship. Its essence is the individual service of the advisor, who is responsible for the entire relationship of the client with the bank. In addition, to fully meet the needs of customers, as part of the Bank's wide range of products and services dedicated to small and medium-sized enterprises, teams of specialists are dedicated to providing 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 as well as handling and trade financing.

SME customers can manage their accounts through the online and mobile banking channels offered by the Bank. In their day-to-day contacts with the Bank, customers can also count on the support provided by the Business Service Area, a dedicated call centre for customers.

Key achievements related to the UP pillar of the GO beyond strategy in the first half of 2022

Corporate Banking

INITIATIVE		A new approach to the Customer using power and the Group potential
INITIATIVE DESCRIPTION		Leader in the international Client sector and in developing partnerships with major Polish corporates. Unique approach based on the strong position of the BNP Paribas Group, particularly regarding global relationships and product platform
ACHIEVEMENTS		<ul style="list-style-type: none"> further enhancement of the Bank's position (first position on the international client market) finalisation of several high-volume structured finance (including sustainability-linked loans - SLL) and financing real estate transactions
KEY FIGURES		<ul style="list-style-type: none"> International customer growth: +116 clients in H1 2022, an increase of 4% in comparison to the end of 2021 dynamic growth in loan volumes by 23% y/y total portfolio value under sustainable financing at the end of June this year. - increase by PLN 1.9bn in number of international customers
INITIATIVE		New Customer service model
INITIATIVE DESCRIPTION		Transformation of the sales area by providing customers with the extensive range of self-service solutions and offering a centralized and dedicated after-sales service
ACHIEVEMENTS		<ul style="list-style-type: none"> increase in new customer acquisitions by 17% y/y increase in income by 39% y/y y/y increase in gross profit of the Corporate Banking area due to the continued good quality of the loan portfolio and the associated low cost of risk adjustment of the customer service model to the new sales organisation improvement of the call-back process, functionality of automatic callback to the customer new service model for the KYC process
KEY FIGURES		<ul style="list-style-type: none"> acquisition of 0.5k new customers in H1 2022 increase in the use of the Business Service Centre (customer service): 82% of customers with customer service, compared to 75% at the end of H1 2021 maintenance of a very good average waiting time for a call from a customer service consultant: approx. 11 seconds

Small and Medium Enterprises Banking

INITIATIVE		New Customer service model
INITIATIVE DESCRIPTION		Transformation of the sales area by providing customers with the extensive range of self-service solutions and offering a centralized and dedicated after-sales service
ACHIEVEMENTS		<ul style="list-style-type: none"> increase in new customer acquisitions by 18% y/y increase in income by 23% y/y y/y increase in gross profit of the SME Banking area thanks to the continued good quality of the loan portfolio and low cost of risk positive growth in net fee and commission income: +8.3% y/y new KYC process operating model
KEY FIGURES		<ul style="list-style-type: none"> SME customer acquisition of 1 thousand in the first half of 2022 increase in the usage of the Business Service Zone (customer service): 80% of SME customers with activated customer service compared to 74% at the end of June 2021. maintenance of a very good average waiting time for a call from a customer service consultant: approx. 20 seconds

Other business line activities

In the first half of 2022, the Bank continued to work on further improving the quality of customer service, digitalisation and optimisation of internal processes. As a result of this work:

- a new GOdealer mobile application for currency exchange was made available to customers,
- in the Business Service Area, improvements were made in the process of handling e-mail and telephone orders, including the implementation of a new call-back process - calling back within max. 15 minutes to the client in case the call was not answered, and the ability of the employee to search and record all currently open client requests during the client's phone call was also improved.

As in previous years, in the first half of 2022, the Bank organised a number of informative and educational meetings and conferences for clients, which were conducted both in the form of online webinars and live meetings, including:

- **"Economic commentaries related to the war in Ukraine"** (8-18 March) - online meetings hosted by the Bank's chief economist and very popular among clients.
- **"Export and foreign investment - How to strengthen the potential of a company"** (18 May - 2 June) - meetings with clients in three Polish cities: Poznań, Warsaw and Kraków. The Bank, in cooperation with KUKI, prepared a substantive part which focused on the demonstration of modern solutions supporting the internationalisation of business.
- **Cyber-security business "Cyber-security at work and in private life"** (9 June) - webinar in cooperation with Lewiatan, as part of the Lewiatan e-Academy series. The speakers were experts from the Bank, as well as cyber-security companies. The meeting covered the most relevant topics related to online security.
- **"Widening the financial perspective"** (15, 27 June) - a webinar on (i) the security of commercial contracts - "Bank guarantees without secrets" and (ii) GOconnect Biznes e-banking services, addressed to corporate accounting services and to companies that use accounting offices.
- **"Improving energy efficiency in your enterprise"** - stationary training on how to increase energy efficiency in small and medium-sized enterprises in Poland. The training was organised by the National Energy Conservation Agency and partnered by BNP Paribas Bank Polska S.A.

Corporate Banking

The first half of 2022, despite the ongoing war in Ukraine, the high uncertainty in the markets and geopolitical environment, as well as rising inflation and the interest rate rises that followed it, was a good period in the Corporate Banking Area on the business side.

In line with the new GO beyond strategy for 2022-2025 prepared and announced in March, the Corporate Banking area focused its activities on the outlined strategic development directions shown in the table above.

In the first half of 2022, an important element of the business activity of the Corporate Banking Area was the further support of the green transformation and the development of the sustainable financing portfolio. During this period, the Bank participated, among other things, in the consortium that provided Wirtualna Polska Holding with a five-year sustainability-linked syndicated loan (SLL) and also provided EUR 21.5 million of financing for Velvet Care's capital expenditure in 2022-23 also in the form of a sustainability-linked loan. The bank also financed other projects under sustainable financing bringing the total value of this portfolio to PLN 1.9 billion at the end of June this year.

Small and Medium Enterprises Banking

In first half of 2022 the SME Banking area focused on further increasing the scale of its business by consistently making sales efforts to deliver personalised products and services to customers and building mutual long-term relationships.

The Bank emphasised on improving the acquisition of new customers, further development of loan activity, including in the Agro Customer segment under the ongoing sales campaign "Agro Offensive". Other important highlights of the Bank's activity in the first half of the year were increasing sales of its leasing service offers, as well as further cross-sell of cash management products and foreign exchange transactions.

Ongoing sales activities were based on special product offers for SME customers. In April this year, as part of its transactional banking products, the Bank offered attractive price offers for new customers, under which customers will be able to take advantage of three elements: (1) Profit Box product package special offer for 12 months, (2) e-

signature, (3) GOconnect Biznes e-banking service. Additionally, as a special offer, the Bank is planting 5 trees for each new customer opening an account.

As part of the development of its credit offer for farmers and agri-food entrepreneurs, the Bank has resumed offering working capital loans with a guarantee from the Agricultural Guarantee Fund (FGR) and an interest rate subsidy from the Agricultural Guarantee Fund (FGR) - for details, see Chapter 6.6 Agro area.

Bank guarantees and letters of credit

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

In the first half of 2022, the Bank on the instructions of clients:

- **Corporate Banking area:** issued 2,804 bank guarantees for the total amount of PLN 1,215.1 million, opened 550 import letters of credit for the total amount of PLN 722.5 million and handled 182 export letters of credit for the total amount of PLN 298.2 million issued by third-party banks in favour of these Customers.
- **SME Banking area:** issued 345 bank guarantees for the total amount of PLN 90.5 million, opened 37 import letters of credit for the total amount of PLN 17.9 million and handled 46 export letters of credit for the total amount of PLN 13.3 million issued by third-party banks in favour of these Customers.

Commercial volumes

Corporate Banking

As at 30 June 2022, deposits from Corporate Banking customers amounted to PLN 35,253,426 thousand and were PLN 3,647,800 thousand or 11.5% higher than at the end of 2021. The share of time deposits increased significantly in the portfolio structure (from 11.7% at the end of 2021 to 24.5% at the end of first half of 2022), while the share of current accounts decreased (from 86.3% at the end of 2021 to 73.9% at the end of first half of 2022).

The net loan portfolio of the Corporate Banking segment on a consolidated basis amounted to as at 30 June 2022 PLN 28,626,773 thousand, up by 15.8% over the balance at the end of 2021. The increase related to both investment loans and overdrafts.

Table 25. Deposits and loans – Corporate Banking⁴

in PLN'000	30.06.2022	31.12.2021	change y/y PLN'000	%
Current accounts	26,051,481	27,275,911	(1,224,430)	(4.5%)
Saving accounts	6,053	14,555	(8,502)	(58.4%)
Term deposits	8,632,361	3,692,096	4,940,265	133.8%
Overnight deposits	563,531	623,063	(59,532)	(9.6%)
Accounts and deposits	35,253,426	31,605,625	3,647,800	11.5%
Investment loans	16,810,445	14,907,929	1,902,516	12.8%
Overdrafts	9,329,335	7,698,750	1,630,585	21.2%
Lease receivables	2,423,077	2,071,598	351,480	17.0%
Factoring	61,034	38,796	22,239	57.3%
Other loans	2,882	1,677	1,205	71.9%
Net loans and advances (net)	28,626,773	24,718,749	3,908,024	15.8%

⁴ see footnote on p.65

Small and Medium Enterprises Banking

As at 30 June 2022, deposits of Small and Medium Enterprises (SME) Banking customers on a consolidated basis amounted to PLN 14,653,731 thousand and were by PLN 1,695,982 thousand, or 13.1%, higher than at the end of 2021. The largest increase in value concerned time deposits (by PLN 1,898,489 thousand, or 309.2%), with a slight decrease in current accounts by PLN 172,134 thousand, or 1.4%, compared with the end of 2021. Current accounts accounted for 82.4% of deposits of SME Banking customers and their share decreased from 94.5% at the end of 2021.

The SME Banking segment's net loan portfolio on a consolidated basis amounted to PLN 7,198,637 thousand as at 30 June 2022 and was almost unchanged compared with the balance at the end of 2021. (i.e. lower by PLN 1,068 thousand). The largest decrease in value was in investment loans, with a simultaneous increase in leasing and overdrafts.

Table 26. Deposits and Loans to Small and Medium Enterprises⁵

in PLN '000	30.06.2022	31.12.2021	change y/y PLN'000	%
Current accounts	12,072,447	12,244,581	(172,134)	(1.4%)
Savings accounts	63,875	58,651	5,224	8.9%
Term deposits	2,512,500	614,011	1,898,489	309.2%
Overnight deposits	4,909	40,507	(35,598)	(87.9%)
Accounts and deposits	14,653,731	12,957,750	1,695,982	13.1%
Investment loans	4,265,459	4,473,400	(207,941)	(4.6%)
Overdraft	2,085,746	2,030,584	55,161	2.7%
Lease receivables	845,326	693,373	151,953	21.9%
Factoring	2	512	(510)	(99.6%)
Other loans	2,105	1,836	269	14.6%
Loans and credits (net)	7,198,637	7,199,705	(1,068)	0.0%

Gross profit of business lines

Corporate Banking

The Corporate Banking segment generated a gross profit amounting to PLN 369,980 thousand in the first half of 2022 (against PLN 225,949 thousand in the first half 2021, an increase of 63.7%). The increase in gross profit was the result of growing business volumes and higher customer activity, as well as the release of COVID provisions due to the stable pandemic situation.

The result from Corporate Banking activities amounted to PLN 734,452 thousand and was higher by PLN 205,328 thousand, or 38.8%, in comparison with the first half 2021. This result represents 24.2% of the Group's banking profit during analysed period.

⁵ see footnote on p.65

Table 27. Gross profit of Corporate Banking segment⁶

PLN'000	6 months ended		change y/y	
	30.06.2022	30.06.2021	PLN'000	%
Interest income	372,548	260,426	112,122	43.1%
Fee and commission income	183,483	148,951	34,532	23.2%
Trading and other income	178,421	119,746	58,675	49.0%
Income on banking activity	734,452	529,123	205,328	38.8%
Impairment losses	32,920	(62,507)	95,427	(152.7%)
Operating expenses and depreciation	(263,049)	(144,455)	(118,594)	82.1%
Expense allocation	(84,932)	(56,415)	(28,517)	50.5%
Operating result	419,390	265,745	153,645	57.8%
Tax on financial institutions	(49,410)	(39,796)	(9,614)	24.2%
Gross profit of the segment	369,980	225,949	144,031	63.7%

Small and Medium Enterprises

The Small and Medium Enterprises (SME) Banking segment generated a gross profit of PLN 89,755 thousand in the first half of 2022 (compared to PLN 30,384 thousand in the first half of 2021, an increase of 195.4% y/y).

The improvement in the result was due, inter alia, to lower risk costs (caused, i.a., by the release of the COVID provision relating to the stable pandemic situation) than in the same period last year, partly offset by an increase in operating and depreciation costs (up 43% y/y).

The result on banking activities of Small and Medium Enterprises Banking in the first half of 2022 amounted to PLN 262,802 thousand and was 23% higher compared to the first half of 2021. This was the result of an increase in all components of the profit, which accounted for 8.7% of the Group's banking result during the analysed period.

Table 28. Gross profit of the SME Banking segment⁷

in PLN'000	6 months ended		change y/y	
	30.06.2022	30.06.2021	PLN'000	%
Interest income	144,453	116,375	28,078	24.1%
Fee and commission income	69,056	63,759	5,297	8.3%
Trading and other income	49,293	33,506	15,787	47.1%
Income on banking activity	262,802	213,640	49,162	23.0%
Impairment losses	26,706	(18,081)	44,787	-
Operating expenses and depreciation	(95,068)	(66,658)	(28,409)	42.6%
Expense allocation	(89,811)	(85,712)	(4,099)	4.8%
Operating result	104,629	43,188	61,441	142.3%
Tax on financial institutions	(14,875)	(12,803)	(2,071)	16.2%
Gross profit of the segment	89,755	30,384	59,370	195.4%

⁶ see footnote on p.66

⁷ see footnote on p.66

6.6. Agro area

BNP Paribas Bank Polska S.A. (hereinafter: 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.

Key achievements related to the UP pillar of the GOBeyond strategy in the first half of 2022

INITIATIVE		Agronomist - an innovative way of building relationships and sharing of knowledge
INITIATIVE DESCRIPTION		To create a portal for farmers and Food & Agro (F&A) entrepreneurs wanting to grow in line with market trends. Providing knowledge and tools to support the transformation towards both sustainable agriculture and digital transformation. The content of the portal covers the entire F&A value chain with a special focus on local communities
ACHIEVEMENTS		Make available new tools and functionalities, unique in the market, which respond to the needs of entities operating in the agri-food sector: <ul style="list-style-type: none"> • RegAgri Explorer - the first tool in Europe to demonstrate the potential for carbon sequestration by agriculturally used soil using various regenerative agriculture practices in the 2050 timeframe. The Bank is the first financial institution which, in accordance with the Sustainable Development Goals, makes a tool available free of charge to support farmers and agricultural producers in their transition towards carbon farming • Water footprint calculator - the first calculator in the Polish language to estimate the water footprint of agricultural production along with water balance and irrigation efficiency. The calculator is a new functionality of the Agroemisja tool, which is used to estimate the emissivity of production • Your weather - the weather module has been supplemented with useful functionalities for agricultural producers: soil's temperature and humidity as well as evaporation with an accuracy of 1.5 km • Survey on regenerative agriculture - conducted among Polish agricultural producers regarding knowledge of elements of regenerative practices and their benefits, as well as knowledge of carbon credits generated from agricultural production
KEY FIGURES		<ul style="list-style-type: none"> • more than 5.5 thousand registered users • more than 50% of users are women • more than 381,000 hits in the first half of 2022
INITIATIVE		Knowledge of the customer is the basis of building profitable relationships and increasing customer satisfaction
INITIATIVE DESCRIPTION		Further expansion in the food production value chain based on industry know-how. Tailored service model for current and future key F&A customers. Improvements in the credit process
ACHIEVEMENTS		Ongoing development of sector knowledge in the Food & Agro area. Active substantial participation in numerous economy-wide and sector-specific events. In-depth analyses of markets and selected sub-sectors of the agri-food industry. Realisation of another series of inspiring interviews with leaders of the food sector in Poland as part of the "Food Cabinet" series. Intensive analytical activities and knowledge sharing in relation to the market implications of Russia's war against Ukraine.
KEY FIGURES		<ul style="list-style-type: none"> • number of active food processors - up 8% compared to the end of 2021 • business growth - volume of new financing for F&A corporate clients: PLN 1,932 million, up 58% y/y

Other business line activities

Agro Offensive 2022

The Agro Offensive Spring 2022 is a campaign focused on acquiring new customers and increasing sales of credit products for existing and new Agro customers. This year, the campaign ran from 24 January to 31 May for Micro customers and until 30 June for the SME segment.

Because of the significant increase in production costs resulting in increased working capital requirements for farms and agri-food processing companies, this year's campaign was based on working capital financing.

The campaign was based on a price promotion for working capital loans (e.g. Agro Ekspres, Rzeczówka), investment loans (Agro Progres), leasing and a leasing loan and a current account. Customers who took advantage of this promotion received free access to premium tools on the Agronomist.pl platform, i.e. innovative farm management tools: SatAgro, RolnikON, Agrivi (<https://agronomist.pl/narzedzia/narzedzia-optymalizacyjne>), among others.

More than PLN 30 million of loans have been granted under this promotion.

Guarantees from the Agricultural Guarantee Fund (FGR)

On 1 January 2022, the 'Principles of granting and servicing FGR guarantees' came into force, under which the Bank's ability to grant FGR guarantees with BGK's interest rate subsidy was extended until 30 June 2022.

The Bank continues to provide guarantees from the Agricultural Guarantee Fund (hereinafter: FGR) implemented on the basis of an agreement concluded in 2019 with Bank Gospodarstwa Krajowego (hereinafter: BGK). This guarantee can serve as collateral for a loan (for up to 80%) granted to a farmer or agri-food processor and is provided at no cost to the customer. For selected types of investments (e.g. purchase and installation of photovoltaic sets, irrigation installations on farms) up to certain amounts, it is possible to grant a loan without additional collateral. The FGR guarantee is then the only security for the transaction, which is very beneficial for the Customer from both the cost and process side (the process of granting the guarantee is entirely handled by the Bank). If the FGR guarantee is used as additional collateral for an investment loan, the client can expect a longer loan duration or a lower deductible.

According to an annex to the agreement with BGK concluded in July 2020, the Bank has the option to offer customers an additional FGR-guaranteed working capital loan with an interest rate subsidy of 2% of the loan amount in the first year after disbursement. The maximum loan amount is EUR 200 thousand (or its equivalent in PLN). The increase in the interest rate subsidy to 5% from July 2022 as part of the BGK guarantee programme is expected to be welcomed by customers who, on the one hand, are showing more interest in bank financing at a time of rising business costs, while on the other hand, rising interest rates are discouraging them from entering into a loan agreement with a bank.

Preferential loans

In February 2022, after a one-and-a-half-year break, the Agency for the Restructuring and Modernisation of Agriculture (hereafter: ARiMR) made a new pool of loans and interest rate subsidies for preferential loans available.

ARiMR's assistance includes repayment for the Borrower:

- up to 1/3 of the interest rate in the case of investment loans from lines RR, PR or Z,
- up to 60% of the loan amount, but not more than EUR 20,000 in the case of line MRcsk (i.e. loans for Young Farmers for the purchase of agricultural land),
- a significant part of the interest in the case of a disaster loan under line K02 granted to a farmer who had at least 50% of cultivated area insured.

Each preferential loan agreement will include the amount of aid up to which ARiMR will apply public support in the form of interest or capital subsidies. These will be guaranteed funds that customers have the option to use during the loan period.

6.7. Corporate and Institutional Banking

Area characteristics

The Corporate and Institutional Banking area (hereafter: CIB Banking area) provides a broad product offering addressed to both the largest Polish enterprises and medium-sized companies. Through the Custody Services Department, the offer is also addressed to insurance companies and pension and investment funds.

The CIB Banking area provides clients in Poland with BNP Paribas Group's comprehensive financing and risk management solutions, including:

- financing of companies' current and investment activities,
- advising on mergers and acquisitions, restructuring, debt and equity capital markets transactions and foreign exchange and money market operations,
- structured finance: financing of acquisitions and investment projects
- cash flow management, liquidity management and working capital optimisation,
- direct sales to clients of financial market products to manage foreign exchange, interest rate and commodity price risks,
- arranging issues of debt securities for corporate clients.

Above and beyond this, tasks are carried out in the area of market risk management in the trading book, price quotations of foreign exchange market instruments and interest rate market instruments (including transactions in the derivatives market), as well as the establishment of the Bank's current exchange rate table and the structuring and management of risks associated with the Bank's offering of structured products.

Key achievements related to the UP pillar of the GOeyond strategy in the first half of 2022

INITIATIVE		New approach to the customer using the strength and potential of the Group
DESCRIPTION OF THE INITIATIVE		Leader in the international client sector and in developing partnerships with major Polish corporates. Unique approach based on the strong position of the BNP Paribas Group, especially in terms of global relationships and product platform.
ACHIEVEMENTS		Increased business dynamics with international customers as a consequence of the change in organisational structure and the spin-off of dedicated dealers and product specialists.
KEY FIGURES		Increased x-sell on both FX flow products (+136% y/y) and derivatives (+233% y/y).
INITIATIVE		New customer service model
DESCRIPTION OF THE INITIATIVE		Transforming the sales area by providing customers with the widest range of self-service solutions and providing a centralised and dedicated after-sales service.
ACHIEVEMENTS		Implementation of a mobile version of the online FX PI@net service: GOdealer - another element of building digital access to the Bank's products for customers.
KEY FIGURES		Increase in volume of transactions made by corporate clients in FX PI@net application +41% y/y. Increase in number of active Clients and transactions in FX PI@net application +11% y/y.

6.8. Other banking activity

Other banking activities of BNP Paribas Bank Polska S.A. (hereinafter: the Bank) is operationally carried out mainly within the Asset and Liability Management Division (hereinafter: ALM Treasury Division). The Division's task is to ensure an appropriate and stable level of funding to enable the Bank to safely conduct its business while meeting the standards prescribed by law, as well as to limit the sensitivity of the Bank's interest result to the volatility of market interest rates.

The ALM Treasury division combines the function of a business line and a competence centre responsible for management:

- interest rate risk,
- the Bank's current and structural liquidity,
- structural currency risk,
- internal transfer prices for all products offered by the Bank (including their determination).

The tasks carried out in the ALM Treasury Division include both the prudential aspect (compliance with external regulations and internal orders) and the optimisation aspect (managing the cost of funding and generating a result from the management of the Bank's balance sheet items).

One of the Bank's key risk management mechanisms is the systemic transfer of structural risks from all business lines to the ALM Treasury Division. Structural risks are: currency, liquidity and interest rate risks in the banking book. The ALM Treasury Division centrally manages these risks. The transfer of risks is carried out primarily within the framework of the transfer pricing system, which reflects the Bank's funding strategy.

The ALM Treasury Division's main responsibilities include guaranteeing: a balanced liquidity position while optimising the cost of financing the Bank's activities; and an appropriate asset and liability structure, including sensitivity to interest rate changes. Other functions of the ALM Treasury Division are:

- management of the internal transfer pricing system,
- analysing the balance sheet,
- modelling and measuring liquidity and interest rate risk for the banking book,
- issuance of the Bank's debt securities,
- arranging long-term credit lines,
- sourcing of funding,
- cooperation with business lines that support sustainability,
- coordinating the securitisation of the loan portfolio of non-bank clients,
- organising the work of the Asset and Liability Management Committee (ALCO).

During the COVID-19 pandemic and after the outbreak of war in Ukraine, the Bank adjusted internal product behavioural 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 keep the Bank's profitability at the maximum possible level in the current macroeconomic conditions.

6.9. Area of Sustainable Development

To emphasise the role and commitment of BNP Paribas Bank Polska S.A. in building a sustainable economy, the Bank's Management Board decided to set up a Sustainability Area in 2022, which includes units responsible for:

- cooperating with international and domestic financial institutions and organisations to support the market in the energy transition,
- coordinating the implementation of the Bank's Strategy in the area of sustainability and ESG aspects (E-environmental impact, S-social impact, G-management), collaborating with internal and external stakeholders, rating agencies, monitoring ESG risks of the Bank's clients and transactions, and coordinating CSR policies and analyses, especially in sensitive sectors, and
- supervising strategic initiatives in the area of sustainable development.

Key ESG initiatives in the first half of 2022

INITIATIVE	Sustainable finance leader
INITIATIVE DESCRIPTION	A comprehensive range of new sustainable products with positive environmental and social impacts. Proactive support of clients in their transformation towards a sustainable economy. Fully integrated approach to ESG risk assessment.
ACHIEVEMENTS	<p>Establishing a competence centre to proactively support customers in their sustainable transformation and developing sustainable product and service offerings to meet customer needs:</p> <ul style="list-style-type: none"> • conclusion of two significant Sustainability-Linked Loan transactions, i.e. financing of general objectives linked to the improvement of sustainability indicators (ESG): for Wirtualna Polska (in the amount of PLN 978 million granted in a consortium of banks) and Velvet Care (a new tranche of EUR 21.5 million in an existing consortium with the EBRD) <p>Main areas of work/projects of the Bank in the field of energy transition:</p> <ul style="list-style-type: none"> • intensifying communication and promotion activities for the ELENA Programme dedicated to SME/MIDCAP companies • in cooperation with the European Investment Bank (EIB) and BGK, financing the energy transformation of housing communities and businesses • extending cooperation with the EIB under the PF4EE (Private Finance for Energy Efficiency) programme - a risk-sharing instrument to secure instalment loans for the purchase of photovoltaic installations and investment loans for the thermo-modernisation of multi-family buildings in housing communities • cooperating with the National Fund for Environmental Protection and Water Management to develop the Clean Air Programme <p>Sustainable products and services in the Food & Agro sector</p> <p>The Agronomist Platform - an innovative tool for building relationships and sharing knowledge. A solution dedicated to agricultural producers and Food & Agro (F&A) entrepreneurs wishing to grow in line with market trends, including, above all, sustainable production standards. In the first half of 2022, new tools and functionalities, unique on the market, have been made available on the portal, which respond to the needs of those operating in the agri-food sector:</p> <ul style="list-style-type: none"> • RegAgri Explorer – the first tool in Europe to illustrate the potential for carbon sequestration by agriculturally managed soils using various regenerative agriculture practices in the 2050 horizon. The tool also presents the potential revenue from the sale of carbon credits generated from agricultural production. BNP Paribas Bank Poland is the first financial institution that, in pursuit of its sustainable development goals, is making available free of charge a tool to support farmers and agricultural producers in their transition towards carbon farming. • Water Footprint Calculator – the first water footprint calculator for agricultural production on the Polish market, presenting the amount of water required to produce 1 kg of agricultural raw material. The calculator is a new functionality of the Agroemission tool, which enables the estimation of greenhouse gas emissions from agricultural production. • Development of the weather module – new functionalities, including: soil temperature and soil moisture at four levels and evaporation with 1.5 km accuracy. • Research on regenerative agriculture – conducted among Polish agricultural producers on their knowledge of the elements of regenerative practices and their benefits, as well as their knowledge of carbon credits generated from agricultural production <p>Trainings for business customer advisers on sustainable products</p> <ul style="list-style-type: none"> • a dedicated series of training courses for customer advisers on sustainable financial products for corporate clients and SMEs

KEY FIGURES	<p>Sustainable products and services</p> <ul style="list-style-type: none"> • PLN 1,513 million of sustainable financing provided in the first half of 2022 (+80% y/y) • 4,200 photovoltaic installations for individual customers • 557 contracts under the Clean Air Programme <p>ESG Risk</p> <ul style="list-style-type: none"> • 157 recommendations and ESG risk assessments conducted by the CSR and Sustainable Finance Department in the first half of 2022. • 13,334 ESG analyses conducted in the first half of 2022 (requirement to implement ESG questionnaires in accordance with EBA/GL/2020/06)
INITIATIVE	Accountability, accessibility, transparency and a strong ethical foundation
INITIATIVE DESCRIPTION	Equal access to banking services for everyone. Simple and clear communication with customers and predictability of operations.
ACHIEVEMENTS	<p>Constant enhancement of the accessibility of products and services</p> <ul style="list-style-type: none"> • each branch of the Bank equipped with a magnifying glass and a signing frame for visually handicapped customers • online sign language translation service at each branch and at the call centre for deaf customers • the capability to order bank documents in Polish Sign Language, audio or enlarged print and print documents translated into Braille • ATMs accessible to visually impaired persons • "OK Senior" certificate awarded for the second time in a row by the National Institute of Senior Economy, attesting to the high and adequate standard of service provided to senior citizens in all branches of the Bank • regular trainings for branch staff on service standards for customers from vulnerable groups and with disabilities <p>Solid ethical foundations</p> <ul style="list-style-type: none"> • the implementation of an update of the Code of Conduct, along with an information campaign • e-learning sanctions compliance training and the launch of a second module of Code of Conduct training • completion of an independent audit to confirm compliance with the terms of the Responsible Selling Statement <p>Developing simple and understandable communication</p> <ul style="list-style-type: none"> • simplification of formal documents, e.g. a cash credit agreement concluded through remote channels • conducting a multi-stage training course for 15 future plain language consultants at the Bank • regular monthly webinars for all Bank employees • training in the basic principles of plain language in the form of e-learning for Bank employees <p>Transparent communication with the market: Online integrated report 2021</p> <ul style="list-style-type: none"> • publication of an annual report integrating financial and business performance with environmental, social and governance (ESG) impact aspects. The bank has been reporting its non-financial performance since 2011, and for the third time in an integrated, electronic format
KEY FIGURES	<ul style="list-style-type: none"> • 85 branches with "Barrier-free facility" certification • 95 branches with induction loops • 611 calls to the sign language interpreter, totalling more than 30 hours of connection time • 45 plain language consultants at the Bank (15 in the process of certification)
INITIATIVE	BNP Paribas brand solidly linked to care for the environment and issues of importance to society
INITIATIVE DESCRIPTION	Education and action in support of the UN Sustainable Development Goals, internally and externally within the organisation, and active engagement in public debate in the area of environmental and social challenges.

<p style="text-align: center;">ACHIEVEMENTS</p>	<p>Education and action in supporting the UN Sustainable Development Goals</p> <ul style="list-style-type: none"> • „Pierwsza pomoc ludzkości” campaign - first aid training courses organised in cooperation with the Warsaw branch of the Polish Red Cross. This is the first step in the Bank's new project - "First Aid to Humanity" • „Pocket Money Mission” – financial education aimed at teaching the youngest children a responsible approach to money. A 'Pocket Parent's Guide' has been developed and a special website has been prepared. The campaign is also accompanied by an educational programme in schools, which started in March 2022. <p>Active engagement in the public debate on environmental and social challenges</p> <ul style="list-style-type: none"> • in the first half of 2022 The Bank was a partner of numerous conferences with Bank experts as panellists, including: "Human - Leadership" organised by the Humanites Institute, the European Economic Congress in Katowice, Impact'22 in Poznań, the European Financial Congress in Sopot and the Baltic Business Forum in Świnoujście. <p>Established leading position in ESG</p> <ul style="list-style-type: none"> • POLITYKA's CSR Gold Leaf Award – for the eighth time in a row, the Bank was recognised as one of the companies maintaining high standards in terms of social responsibility and sustainable development. It also received POLITYKA's Green Leaf in a new category related to climate transformation. • Stars of Banking – awards in three categories of the ranking Gwiazdy Bankowości (Stars of Banking) organised by Dziennik Gazeta Prawna and the consulting firm PwC - third place in the following categories: growth, stability and ESG • Ranking of Responsible Companies - second place overall and in the banking, financial and insurance sector category. The bank, for the fourth time in a row, came top of the Responsible Company Ranking.
<p style="text-align: center;">KEY FIGURES</p>	<ul style="list-style-type: none"> • 28 thousand children nationwide using 'Pocket Money Mission' educational materials, 939 registered teachers
<p>INICJATYWA A Bank committed to local communities</p>	
<p style="text-align: center;">INITIATIVE DESCRIPTION</p>	<p>A wide range of opportunities to engage with local communities through volunteering, social action and individual philanthropy. Building long-term partnerships with community organisations.</p>
<p style="text-align: center;">ACHIEVEMENTS</p>	<p>Further development of employee volunteering and community involvement</p> <ul style="list-style-type: none"> • prompt response to needed support for refugees - announcement of the #RazemDlaUkrainy (#TogetherforUkraine) grant programme, in which volunteers could receive up to PLN 4 thousand for aid activities for people fleeing war in Ukraine, and establishment of a solidarity fund and financial support for aid organisations - Ocalenie Foundation, Polish Migration Forum and others • maintaining a high level of employee engagement and adapting activities to new and surprising realities (war in Ukraine). Employee involvement in volunteering and social action - more than 1,400 people in the first half of the year • publication of the research report 'volunteering of the future', which diagnoses the challenges and opportunities facing organisations coordinating employee volunteering, as well as volunteers and volunteers themselves. The study was conducted by the Academy for the Development of Philanthropy in Poland with the support of the BNP Paribas Foundation <p>Local Bank Ambassadors - a programme for local communities</p> <ul style="list-style-type: none"> • 115 of the Bank's Local Ambassadors support initiatives in local communities: working with foundations, orphanages, associations for people with disabilities and Universities of the Third Age. In total, the Ambassadors worked more than 2,700 hours in the first half of 2022 for the benefit of their local communities • a partnership with the Zwolnieni z Teorii (Exempt from Theory) Foundation - a mentoring programme delivered by the Bank's Local Ambassadors in collaboration with young people carrying out community projects. In the first half of 2022, 36 Ambassadors supported 21 social projects involving 122 young people
<p style="text-align: center;">KEY FIGURES</p>	<ul style="list-style-type: none"> • over 30 packages from employees of the Bank and BNP Paribas Group companies for the neediest people fleeing the war in Ukraine in the Solidarity Package campaign • 37 aid projects for refugees in the #RazemDlaUkrainy (#TogetherforUkraine) volunteer initiative • 272 employees participated in "2 hours for Earth" and cleaned up their neighbourhoods • 413 people involved in 8,940 different activities and PLN 45,000 to NGOs selected by staff as part of the Good Kilometres campaign • over 300 regular donors who financially support the Dajemy Dzieciom Siłę Foundation and the Mudita Association in the "I support all year round" programme

INITIATIVE	
Efficiency in resource consumption and climate-neutral operations	
INITIATIVE DESCRIPTION	Reducing the environmental impact of operations with a particular focus on CO ₂ emissions. Replacing all company cars with electric or hybrid vehicles by 2025. Environmentally friendly solutions in our offices and branches
ACHIEVEMENTS	<p>Reducing the negative impact of operations - fleet</p> <ul style="list-style-type: none"> • a change in car policy - primarily involving the displacement of high-emission cars and their replacement by HEVs, PVHEVs and EVs • infrastructure development - construction of further charging points, namely in Krakow and Ruda Śląska • common cars - use of electric cars by employees of the Bank's head office • carsharing - car sharing scheme available to employees in the sales network <p>Reduction of paper consumption</p> <ul style="list-style-type: none"> • reducing CO₂ emissions into the atmosphere and 400m³ of water through electronic signature <p>Eco-improvements and educational activities</p> <ul style="list-style-type: none"> • the "Swap your car for a bike" initiative for employees and the "Commute to work by bike" competition • training sessions, webinars for company car users - how to use a car economically, not only in terms of costs, but also in terms of emissions and environmental impact
KEY FIGURES	<ul style="list-style-type: none"> • 37% of the Bank's fleet consists of hybrid and electric cars (510 hybrid cars, 8 electric cars) • 298 thousand documents signed digitally • 13 company beehives - in two office buildings in Warsaw and in Ruda Śląska

6.10. IT and cybersecurity

Key activities and events in the New Technologies and Cyber Security Area in the first half of 2022 are:

- starting to work in the new organisational structure and the new Agile@Scale working model,
- beginning the implementation of the IT Strategy 2022-25,
- necessity to take organisational and systemic action in response to the outbreak of war in Ukraine.

The collaboration between the IT and business units operating under the new model in the Agile@Scale (Tribe) structures is geared towards product development and the delivery of changes aimed at achieving added value for the customer. A description of these changes is available in the "Bank Transformation Programme" chapter of this Report (section 6.2).

Operating under a new working model, the New Technologies and Cyber Security Area has proven to be well equipped to respond and operate in a rapidly changing market as well as geopolitical reality. Following the outbreak of war in Ukraine, the Bank:

- provided workstations with equipment for Ukrsibbank employees at the Bank's locations, adapting the network infrastructure and security systems accordingly,
- implemented additional cyber security measures for the Bank's ICT environment,
- simplified the account opening process for Ukrainian customers,
- introduced a new product for Ukrainian customers („Konto na Teraz”),
- abolished fees and commissions related to payment transactions to Ukraine, ATM withdrawals for cardholders issued by Ukrsibbank.

In addition, the Bank continued activities geared towards building awareness of cyber-security risks and solutions among employees and customers, including, among others: webinars and e-learning training for employees; awareness campaigns for customers in the form of publications on the Bank's website, social media or sent as electronic messages; workshops for the Call Centre on handling scenarios related to e-banking fraud.

Our work on cyber security has been recognised by external bodies, as evidenced by the awards we have received:

- as part of the 13th edition of the Golden Banker ranking for good practices regarding the security of electronic banking systems,
- as part of the 20th edition of Gazeta Bankowa Monthly's Technology Competition Leader of the Year 2021 in the Banking category for the Implementation of 2FA by Secfense - The Shortest Path to Zero Trust Security.

In the first half of 2022 Bank launched the GOeyond strategy, of which the IT strategy - IT@Scale - is a part. The main objective of the IT strategy is to achieve fast and efficient scalability through platformisation (Platform@Scale), automation and standardisation of software development processes in an agile model (Agile@Scale) and building a new model of cooperation with the market environment (Partnership@Scale). The key pillars of the strategy are to continuously strengthen the Bank's position in the area of Cyber Security (Secure Tomorrow) and to achieve operational efficiency (Control Up). The most important success factor of the IT strategy is to become the first-choice employer in the financial sector for IT employees (Talent@Scale).

As part of the main pillars of the IT@Scale strategy, strategic initiatives have been defined, including:

- GoCore -deep restructuring of core banking,
- GoModulo - the redevelopment and expansion of the IT architecture to accelerate the so-called Time-to-Market,
- GoCloud –use of public and private cloud services.

These initiatives are underpinned by initiatives to introduce, through successive improvements, a mature governance and control model with a focus on IT performance management and an initiative to create new solutions in the area of cyber security.

6.11. Operations and business support area

KEY PROJECTS IN THE AREA OF OPERATIONS AND BUSINESS SUPPORT IN H1 2022

GEOPOLITICAL SITUATION	<ul style="list-style-type: none"> • Active support to UKRSIBBANK staff and their families. A total of approx. 1,000 refugees from Ukraine were received for: <ul style="list-style-type: none"> ○ an assistance centre was organised at the Leszno Campus ○ transport and temporary accommodation were provided • Additional operational tasks related to events in Ukraine and changes imposed by the Polish government: <ul style="list-style-type: none"> ○ provided cash flow for Bank customers and other financial institutions ○ Ukrainian clients were allowed to open accounts in Poland ○ the handling of annexes related to the change of interest rates from variable to fixed for mortgage loans has been implemented ○ increased number of AML alerts handled
OPERATION TRANSFORMATION	<ul style="list-style-type: none"> • The new Operations Model, based on the three pillars of optimisation, partnership and efficiency/simplicity, aims to improve process efficiency and increase NPS (customer-centricity): <ul style="list-style-type: none"> ○ an increase from 55% to 65% of correctly submitted mortgage applications • Treasury Back Office contract parameterisation processes moved from Warsaw to Ruda Śląska
BRANCHES AND HQ TRANSFORMATION	<ul style="list-style-type: none"> • As part of branch network optimisation and cost reduction, 9 branches were closed. 85 Bank branches with the "Barrier-free facility" certificate issued by the Integration Foundation • Further optimisation of office space in head offices, including finalisation of the strategy for two Warsaw buildings • The Bank's head office building on Kasprzaka Street was adapted for agile working as part of the Agile@Scale element of the strategy

KEY PROJECTS IN THE AREA OF OPERATIONS AND BUSINESS SUPPORT IN H1 2022

OPTIMISATION
PROJECTS

- A further 12 operational processes were automated in the retail, corporate, shared services, billing and HR and compliance areas
- 22 new robots were deployed in the areas of operations, compliance, Personal Finance and HR. Currently - 175 active robots
- An additional robot has been built to automatically post commission refunds for outgoing payments to Ukraine
- Redesign of E2E processes continued - improving the quality of credit applications, reducing application processing time by 7% in the areas of foreign currency loans to corporate customers, letters of credit and SME collateral monitoring
- A further 100 of the 600 queries were implemented into the EVA chatbot to facilitate the handling of instructions from both external and internal customers
- As part of the implementation of the CSR and sustainability strategy:
 - the tender for the purchase of renewable electricity for the period 2023-2025 has been concluded
 - further environmentally unsustainable energy sources were eliminated
 - the replacement of light sources with LEDs and the process of optimising utility consumption continued
 - photovoltaic installations at 4 sites have been installed, with a further 2 under construction and a further 5 in the pipeline with a planned completion date of the end of 2022
 - a pilot eco-branch was prepared, where a number of green solutions were implemented
- Increased % electrification of the car fleet - alternative drives already have 37% of bank cars (510 are hybrid cars and 8 are fully electric)
- All head office buildings are equipped with electric car chargers
- A new purchasing module was implemented for the evaluation of suppliers in terms of Vendor Security Risk Management and Know Your Supplier and bidding procedures
- Contracts were adapted in accordance with EBA outsourcing guidelines - 300 supplier contracts

6.12. Cooperation with financial institutions

As at 30 June 2022, the Bank was a correspondent bank of ca. 1 thousand other banks and held 53 NOSTRO accounts for 25 major currencies in other banks.

The Bank maintains 33 LORO accounts denominated exclusively in PLN for foreign banks in the BNP Paribas Group. LORO accounts maintained in the Bank's books constitute an external source of cost-free working capital for the Bank's operations. Such accounts are used mainly for purposes of customer and bank-to-bank transfers.

In 2022, the Bank continued its cooperation with other domestic and international financial institutions, including investment funds, insurance companies, pension fund companies, brokers and banks, which enabled the conclusion of a wide range of treasury and deposit transactions. A number of contracts were concluded with new and existing contractors from these segments and actions were taken towards the signing of new contracts, in line with ISDA and Polish Bank Association recommendations.

6.13. Entities of the BNP Paribas Bank Polska Group

BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.

BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter: BNPP TFI, the Company) has been operating in the financial services sector since 1992, previously functioning on the Polish capital market as a brokerage house.

BNPP TFI operates on the basis of a licence from the Polish Financial Supervision Authority with regard to the creation and management of investment funds, as well as intermediation in the sale and redemption of participation units and titles of foreign funds.

The following significant events in the Company's operations took place during the first half of 2022:

- distinction for the fund managed by the Society awarded by the industry portal Analizy Online: BNP Paribas Obligacji in the category of Polish long-term debt securities,
- transformation of the BNPP Debt Securities Sub-Fund into the BNPP Short-Term Debt Securities Sub-Fund. The aim of this change was to offer clients a strategy that takes advantage of the higher interest rates that the market currently offers while keeping the volatility of the fund unit valuation as low as possible,
- since 1 June, 6 new sub-funds have been made available (in cooperation with BNP Paribas Asset Management) investing on global markets, whose investment policy is based on ESG principles.

As at 30 June 2022, the Company managed the following funds with a total value of PLN 2,739.4 million:

- **BNP Paribas FIO** started its operations in March 2016. It comprises 7 sub-funds with a diversified investment policy, which enable customers to invest in various classes of assets, both on the local and global market. BGŻ BNP Paribas FIO also offers an Individual Retirement Account: BNP Paribas - IKE and an Individual Pension Insurance Account: BNP Paribas - IKZE. As at the end of June 2022, assets under management totalled approx. PLN 1,827.3 million.
- **BNP Paribas Parasol SFIO** 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. At the end of May 2022, 6 new master feeder sub-funds were launched within the fund. There are 9 sub-funds included in the fund. As at the end of June 2022, assets under management totalled approx. PLN 592.1 million.
- **BNPP FIO** entered the Polish market in 2005. It comprises three sub-funds investing mainly in the Polish market. As at the end of June 2022, assets under management totalled PLN 128.5 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 June 2022 amounted to PLN 54.4 million.
- **FWR Selektyny FIZ** - created in May 2014, fund management was acquired as a result of the merger with Riviera TFI. The value of the fund's assets at the end of June 2022 was PLN 2.7 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 June 2022 amounted to PLN 134.4 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.

In the first half of 2022, the Company recorded net outflows of funds of PLN 1,630.5 million.

Table 29. Basic financial data of BNP Paribas TFI S.A.

in PLN'000	30.06.2022	31.12.2021	31.12.2020
Balance sheet total	39,512	41,206	36,748
Long-term investments	465	4,859	44
Equity	32,478	33,909	30,087
including: net financial result	(1,431)	4,660	1,086

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 each. As at 30 June 2022, its equity totalled PLN 32.5 million and was sufficient to ensure security of the entity's daily operations.

In the first half of 2022, the Company's net financial result was negative and amounted to PLN 1.4 million (against a profit of PLN 4.7 million in 2021).

BNP Paribas Leasing Services Spółka z o.o.

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

Table 30. Basic financial data of BNP Paribas Leasing Services Spółka z o.o.

in PLN'000	30.06.2022	31.12.2021	31.12.2020
Balance sheet total	5,926,962	5,544,614	4,028,835
Long-term investments*	5,416,413	4,755,620	3,610,100
Equity	32,158	10,763	1,459
including: net financial result	21,395	9,304	4,211

* *receivables due to granted financing*

The beginning of 2022 was a challenging period for the Company in terms of sales. Since January, the Company has seen a noticeable decline in sales in the Personal Finance sector related to asset availability shortages in the automotive sector. The long waiting time for car deliveries has resulted in demand consistently outstripping supply and sales performance in this sector is clearly below expectations. During the period, the Company consistently met its planned financing levels in the corporate segment.

The Company's operations were heavily impacted by Russia's invasion of Ukraine, which began in February. The trading situation exacerbated problems with the availability of financed assets and rising inflation, together with a series of interest rate rises to combat it, resulted in a significant reduction in the level of new financing being provided. The prevailing uncertainty in the market limited the demand for finance and the interest rate driven pricing limited the options for certain groups of customers. Thus, the outlook for the remainder of the year is rather pessimistic. The company expects a further slowdown in new sales volumes, while looking out for a rebound in investment levels in 2023 as asset availability returns.

Despite the aforementioned problems, the portfolio of financed assets at the end of June 2022 reached a record level of PLN 5.4 billion (up 33% compared to the first half of 2021). This was possible thanks to very dynamic growth in the fourth quarter of 2021.

In the first half of 2022 the company concluded 8.7 thousand new contracts for a value of PLN 1,561 million (volume increase of 1% compared to the same period of 2021).

Over the same period, the increase in administrative costs recorded by the Company was only 28%. This was made possible by economies of scale and a significant improvement in the economic efficiency of the business. The credit profile of the portfolio also remains stable, generating a charge to the bottom line fully in line with expectations and the business model adopted.

In the first half of 2022 the Company recorded a net profit of PLN 21,395 thousand, thus affecting a significant increase in the level of equity.

BNP Paribas Group Service Center S.A.

The business areas of BNP Paribas Group Service Centre S.A. (hereinafter: BNPP GSC) consist of:

- **providing IT services** for the development of banking and financial applications and systems and IT support to BNP Paribas Group entities,
- **providing electronic equipment** rental services to individual customers,
- comprehensive **handling of loyalty programmes** for Bank affiliates and Bank customers,
- **providing marketing services** on behalf of the Bank to employees of the Bank's partners, customers or employees of the Bank,

- **development of scoring models** and their verification and monitoring for BNP Paribas Group entities,
- **providing services ancillary to insurance mediation activities**, consisting of the administration and execution of group insurance contracts concluded by the Bank,
- providing insurance **agency services**.

Table 31. Basic financial data of BNP Paribas Group Service Center S.A.

in PLN'000	30.06.2022*	31.12.2021	31.12.2020
Balance sheet total	52,824	48,338	42,246
Long-term investments	35,627	40,328	34,364
Equity	42,497	39,443	34,411
including: net financial result	3,053	5,032	8,515

* non-audited data

BNP Paribas Solutions Spółka z o.o. in liquidation

Until the end of November 2020, BNP Paribas Solutions Sp. z o.o. (hereinafter: the Company) had 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.

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. As of that date, the Company changed its name to BNP Paribas Solutions Spółka z o.o. in liquidation. 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.

The Company's activities in the period January-March 2022 were focused exclusively on the provision of software development and IT consultancy services, data processing, website management (hosting).

The Company is currently focusing on the liquidation process, i.e.: closing all cases, terminating contracts and satisfying creditors. The Company plans to complete the liquidation process on 31 October 2022.

Table 32. Basic financial data of BNP Paribas Solutions Sp. z o.o. in liquidation

in PLN'000	30.06.2022	31.12.2021	31.12.2020
Balance sheet total	3,339	4,656	4,316
Long-term investments	2,964	3,453	1,339
Equity	2,239	(2,538)	(1,236)
including: net financial result	(881)	(1,302)	(5,725)

Bankowy Fundusz Nieruchomościowy Actus Spółka z o.o. in liquidation

Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. in liquidation (hereinafter: the Company) was established in 1999 to carry out the following:

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

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.

The Company is currently not engaged in business activities.

Table 33. Basic financial data of BFN Actus Spółka z o.o. in liquidation

in PLN'000	30.06.2022*	31.12.2021	31.12.2020
Balance sheet total	24,649	24,726	42,587
Long-term investments	0	0	0
Equity	24,638	24,703	42,426
including: net financial result	(1,814)	(1,749)	(5 812)

* non-audited data

Campus Leszno Spółka z o.o.

Campus Leszno Sp. z o.o. (hereinafter: 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, 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 has been trying to adapt its activities to external conditions, basing its offer primarily on the offer for individual customers, providing accommodation services, running an open-air restaurant, recreational activities, family parties and, on a much smaller scale, wedding receptions and small turnout groups. The offer is also available on booking.pl.

Many families from Ukraine (mainly UKRSIBBANK employees) found accommodation at Campus Leszno between the end of February and May this year; more than 160 people in total.

BGZ Poland ABS1 Designated Activity Company

BGZ Poland ABS1 Designated Activity Company (hereinafter: SPV, the Company) 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 the Company 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. Capital Group.

7. Key risks management

7.1. Risk management system

Risk management system

The risk management system is an integrated set of rules, mechanisms and tools (including, inter alia, policies and procedures) relating to risk processes. Risk management is part of the Bank's overall management system. In addition to regulatory requirements, the Bank takes into account the special nature, scale and complexity of its business operations and the associated risks. The main objectives of the risk management system are:

- ensure early identification and appropriate management of all significant risks associated with the business,
- supporting the implementation of the business strategy by effectively controlling the level of risk and maintaining it within the adopted risk appetite,
- a representation of the Bank's risk attitude and risk culture,
- measuring or estimating and monitoring risks, including hedging potential losses through appropriate controls,
- limiting risks by defining a system of limits and rules for dealing with exceedances,
- definition of an organizational structure adapted to the size and profile of the risks incurred.

The risk management system functioning in the Bank is organized based on a scheme of three independent lines of defense, used to define roles and responsibilities to achieve effective supervision and organization of risk management in the Bank:

- **the first line of defense** consists of business units that are responsible for managing risks in the Bank's operations, including compliance with control mechanisms,
- **the second line of defense** is constituted by the organizational units of the Risk Area, the Security and Business Continuity Management Division and the 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 defense** involves the activities of the Internal Audit Division, which performs independent assessments of risk management activities carried out by both the first and second lines of defense.

The chief role in the Bank's risk management system is played by the Bank's Management Board, which determines the Bank's risk management strategy, risk appetite and adopts risk management policies, as well as sets 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 organization of the Bank's risk management system primarily takes into account the role of the Supervisory Board, the Bank's Management Board, dedicated committees (Audit Committee and Risk Committee at the Supervisory Board level, Asset and Liability Committee (ALCO), Risk Management Committee, Retail Banking Risk Committee, Personal Finance Risk Committee, Credit Committee, Problem Loan 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.

Assessment of internal capital adequacy

The purpose of the process of assessing the adequacy of internal capital is to monitor and control the level of the Bank's internal capital. The implementation of the ICAAP process is dictated by the aspiration to maintain the Bank's stable financial position, guaranteeing the Bank's operation even if unexpected losses are incurred. The Bank has an obligation to ensure that the risk management process is in line with the Bank's risk profile, and to mitigate excessive risks in the Bank's operations. Details of the process are defined in the *Policy on Internal Capital Estimation at BNP Paribas Bank Polska S.A.*

In the second quarter of 2022, a review of the capital adequacy process was conducted. The review of the internal capital estimation process is based on internal regulations approved by the Bank's Supervisory Board, in particular: *Policy on estimation of internal capital at BNP Paribas Bank Polska S.A.* and *Capital management policy at BNP Paribas Bank Polska S.A.* The report from the review is subject to the approval of the Risk Management Committee, the Bank's Management Board and the Bank's Supervisory Board.

In addition, internal audit regularly conducts an independent review of the ICAAP process.

As of 30 June 2022, the BNP Paribas Bank Polska Group had a list of risks defined in the risk identification and materiality assessment process conducted in 2021. The structure of the identified risks is as follows:

- credit risk
 - general credit risk
 - residua risk
 - concentration risk
 - counterparty risk
 - ESG risk,
- market risk
 - interest rate risk in the trading book
 - currency risk,
- interest rate risk in the banking book
 - mismatch risk
 - option risk
 - base risk
 - yield curve risk,
- liquidity and financing risk,
- operational risk,
 - compliance risk,
 - customer relationship management risks,
 - fraud risk,
 - risk associated with the execution of transactions, delivery and management of processes,
 - outsourcing risk,
 - legal risk,
 - financial risk,
 - ICT risk,
- business risk,
 - strategic risk,
 - financial result risk,
 - reputational risk,
- insolvency risk, (including the risk of excessive leverage),
- model risk.

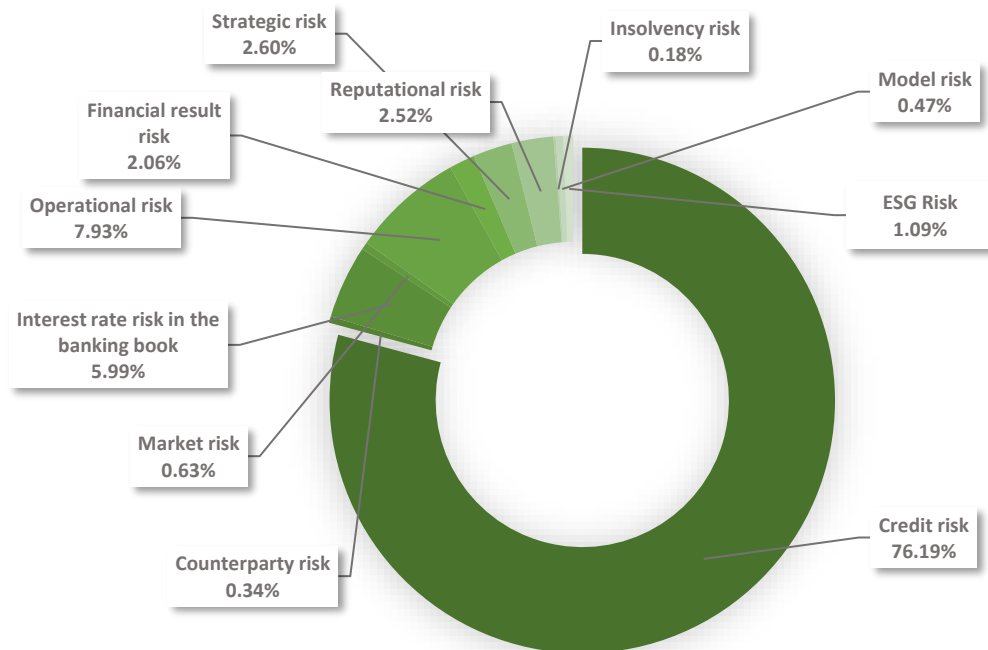
Internal capital reporting is focused on presenting the results of monitoring the level of internal capital and the main factors determining its level. The Bank reports capital on a monthly basis on both a stand-alone and consolidated basis. Reports are presented at the Risk Management Committee meeting on a monthly basis and on a quarterly basis to the Bank's Management Board and Supervisory Board.

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 30 June 2022 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 actions are 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 Polish 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.

7.2. Principal types of risk

Credit risk

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

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

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

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

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

Credit decisions are made in accordance with the decision-making model approved by the Management Board of the Bank and aligned with the standards imposed by the BNP Paribas Group. The decision-making model takes into account the structure of the business lines, determines the number of decision levels, the scope of their competence as well as the principles, criteria and conditions to be satisfied in the credit decision-making process. The value thresholds for the decision-making competence depend on such criteria as the customer segment, risk profile and the borrowing period. At each competence level, credit decisions are taken by two employees (four-eye principle), namely a representative of the business line and a representative of the organisational unit responsible

for customer and transaction risk assessment performed independently of the business line. For customers whose credit risk assessment is performed in accordance with simplified risk assessment principles or models, including scoring models approved by the Risk Management Committee or the Retail Banking/Personal Finance Risk Committees, credit decisions may be taken by one representative of the business line.

The Bank follows the following credit risk management principles:

- each credit transaction requires comprehensive credit risk assessment expressed in internal rating or scoring,
- thorough and diligent financial analysis serves as the basis for regarding the customer's financial information and collateral-related data as reliable; prudential analyses performed by the Bank always take into account a necessary margin of safety,
- as a rule, financing is provided to the customers based on their ability to generate cash flows that ensure repayment the liabilities to the Bank,
- the credit risk assessment is additionally verified by credit risk assessment officers, independent of the business staff,
- the pricing terms of a credit transaction must cover the risk of such a transaction,
- credit risk is diversified in such dimensions as geographical regions, industries, products and customers,
- credit decisions may only be taken by authorised employees,
- the customer and the transactions made with the customer are monitored transparently from the perspective of the customer, in a manner that strengthens the relationship between the Bank and the customer.

Credit risk management in the Bank's subsidiaries

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

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

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

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

Measurement of impairment of financial assets

Financial instruments subject to impairment assessment are classified into one of three phases based on the assessment of changes in credit quality observed since initial recognition:

- Stage 1: Allowance for expected credit losses over a 12-month horizon

If the credit risk of a financial instrument has not materially increased since initial recognition and no default event has occurred, the Group recognizes an allowance for expected credit losses over the next 12 months.

- Stage 2: Allowance for expected credit losses over the remaining expected life - no event of default

For financial instruments where credit risk has materially increased since initial recognition, but no default event has occurred, an allowance for expected credit losses is created over the entire remaining expected life of the instrument, taking into account the probability of a default event.

- Stage 3: Allowance for expected credit losses over the remaining expected life - default event

For financial instruments for which a default event has occurred, an allowance is made for expected credit losses over the entire remaining expected life of the instrument.

To assess whether there has been a material increase in credit risk since the initial recognition of a financial instrument (Stage 2), the Group compares the level of risk of loan default over the expected term of the financing provided as of the balance sheet date and as of the initial recognition date.

In the first half of 2022, the Group implemented a Stage 2 condition based on an assessment of the relative change in the PD lifetime parameter. The assessment involves verifying whether the ratio of the cumulative PD as of the report date determined for the period from the report date to the maturity date and the cumulative PD as of the initial recognition date determined for the period from the report date to the maturity date exceeds the relative threshold for the change in the lifetime PD parameter. If the threshold is exceeded, a significant increase in credit risk is identified (Stage 2). Following the implementation of the condition, there was an increase in Stage 2 exposures and PLN 27,225 thousand in provisions were created.

In addition, the Group has reviewed its loan portfolio to identify customers who are particularly vulnerable to economic disruption.

In the corporate segment, the Group reviewed its portfolio to consider the impact of the conflict in Ukraine, high inflation and energy prices.

The Group has no significant direct exposure to institutional clients in Ukraine, Russia and Belarus, and has limited exposure to clients with business relationships in these markets.

In terms of assessing the impact of the war on clients with business relationships with countries involved in the conflict, the analysis considered factors such as dependence on supplies from countries involved in the conflict, markets, dependence on labor from Ukraine/Russia/Belarus, country of origin of owners/shareholders, or investments in countries involved in the conflict.

With regard to the impact of inflation, a portfolio review was carried out taking into account, among other things, the sector in which the entity operates, the possibility of transferring the increase in the cost of operations to the receiver, the entity's debt ratio and expert judgment.

In the case of the retail customer segment, the identification of vulnerable customers was completed based on, among other things, available indicators that serve as indices of the level of debt burden and the timely servicing of obligations with other financial institutions. In the retail customer segment, no impact of the war in Ukraine on customer risk was identified.

As a result of the identification, the exposures to vulnerable customers were transferred to Stage 2 (significant increase in credit risk) and additional provisions in the total amount of PLN 84,905 thousand were created.

Impact of COVID-19 pandemic on credit risk

Due to the stabilization of the pandemic situation and the expected limited impact of COVID in future periods, in the first half of 2022 the Group released provisions related to the negative impact of COVID (in the amount of PLN 200,130 thousand).

Restructuring and debt collection

In the first half of 2022, a total of PLN 333.9 million in receivables were collected, of which:

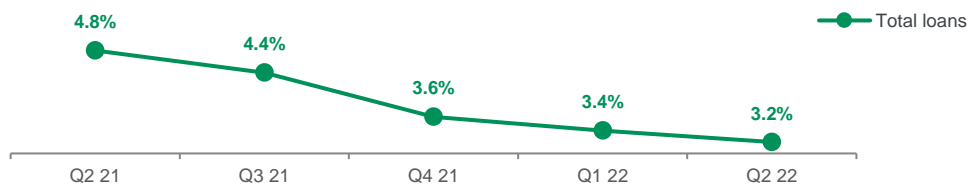
- PLN 152.0 million - as a result of portfolio restructuring (corporate entities PLN 77.2 million, SMEs PLN 74.0 million, microenterprises PLN 0.1 million, individual customers PLN 0.7 million),
- PLN 123.8 million - as a result of debt collection activities (corporate entities PLN 9.9 million, SMEs PLN 20.5 million, microenterprises PLN 39.5 million, individual customers PLN 43.0 million, mortgages PLN 10.9 million),
- PLN 58.1 million - as a result of impaired portfolio sales.

Quality of the Bank's loan portfolio

Structure of loans by stages

The share of receivables classified to Stage 3 in the first half of 2022 was significantly better than in previous years. The share of loans at amortised cost classified to Stage 3 in the Group decreased from 4.8% at the end of the first half of 2021 to 3.2% at the end of June 2022.

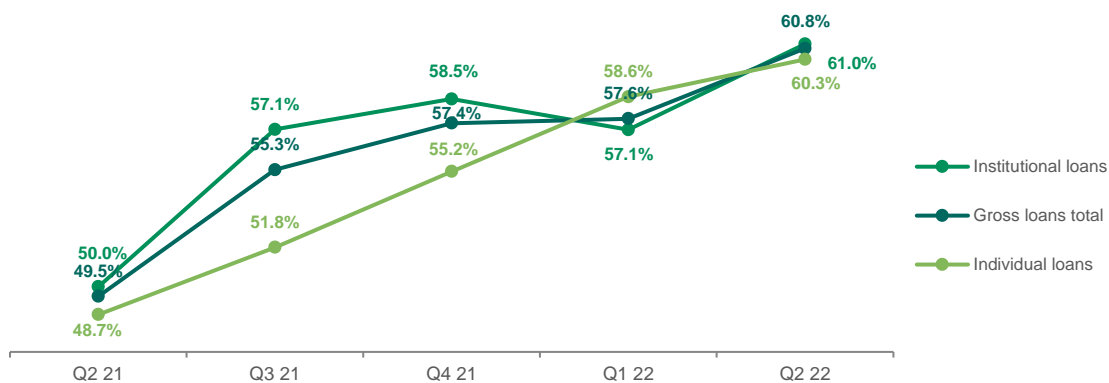
Chart 14. NPL ratio - share of receivables measured at amortised cost, classified as Stage 3



The quality of the loan portfolio achieved at the end of June 2022, as measured by the share of loans classified as Stage 3, was one of the best results in the banking sector as a whole. The share of Stage 3 receivables in the sector at the end of May 2022 was 5.6%.

At the end of June 2022, the write-down coverage for the portfolio classified as Stage 3 was 60.8% which is significantly above the coverage at the end of the first half of 2021. The increase in the coverage level for Stage 3 in the first half of 2022 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. In addition, the increase in coverage in Phase 3 was influenced by changes in parameters and models for portfolio-priced exposures and additional provisions for CHF exposures.

Chart 15. Provision coverage for the portfolio classified in Stage 3



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 to particular entities or groups of entities connected by capital or organizational relations. 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, to a client or group of connected clients, the value of which exceeds 25% of its Tier 1 capital, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403. 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 June 2022, the limits specified in Article 395 of the EU Regulation No. 575/2013 were not exceeded and the Bank's exposure to the financing of clients/customer groups related by capital or organization does not exceed the exposure concentration limit. The Bank's largest exposure was 22.13% of Tier 1 capital and it was the exposure to BNP Group entities.

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

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

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

- limiting the scope of lending to specific types of customers by modifying the credit policy,

- reducing the concentration risk limits,
- diversification of asset types at the level of the Bank's statement of financial position,
- changing the business strategy in such a way that it prevents excessive concentration,
- diversification in the types of collateral received.

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

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

The Bank's industry concentration analysis covers all the Bank's credit exposures to institutional customers. The Bank defines industries based on the Polish Classification of Activities (PKD 2007 code). The structure of the Bank's exposure to industries analysed at the end of June 2022, similarly as at the end of 2021, 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 June 2022, the share of Manufacturing decreased by 1 p.p. to 23% compared to the end of 2021, while the share of the Agriculture, Forestry, Hunting and Fishing industry decreased by 3 p.p. compared to the end of 2021 and amounted to 19% of industry exposure.

At the end of June 2022, the industries with the highest share of non-performing loans in industry exposure were: Accommodation and food service activities (22.8%) and Culture, entertainment and recreation activities (13.3%). For more detailed information on industry exposure, see Note 51 of the Interim consolidated report of the BNP Paribas Bank Polska S.A. Group for the period of 6 months ended 30 June 2022.

Counterparty risk

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

As at the end of June 2022, 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, experience and risk tolerance. 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.

The global crisis triggered by COVID-19 and related uncertainties in the financial instruments market forced a reduction in open market risk positions. However, this has not adversely affected the realization of the budgeted target, and neither has the ongoing war in Ukraine.

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 material, while the economic capital allocated to this risk represents less than 1% of the Bank's total economic capital.

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.

IR VaR (in PLN'000)	1H 2022	2H 2021
Medium	1,359	1,153
Maximum	2,763	2,127
Minimum	668	556

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 material, 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 (in PLN'000)	1H 2022	2H 2021
Medium	597	331
Maximum	2,739	1,113
Minimum	122	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. 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 30 June 2022. 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 34. Interest rate gap (in PLN thousand)

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	4,655,473	-	-	-	-	4,655,473
Amounts due from banks	6,761,548	20,000	41,000	-	-	6,822,548
Loans to customers	26,467,509	37,937,581	11,875,450	8,577,352	1,553,620	86,411,513
Securities:	2,000,400	229,797	2,370,144	11,191,015	16,307,082	32,098,438
Other assets	1,635,036	51,568	232,056	1,237,633	618,816	3,775,110
Total assets	41,519,966	38,238,946	14,518,650	21,006,000	18,479,519	133,763,081
Amounts due to banks	(1,754,170)	(4,240,330)	(115,000)	-	-	(6,109,501)
Amounts due to customers	(31,497,657)	(14,045,393)	(24,131,253)	(27,137,604)	(12,027,535)	(108,839,443)
Other borrowed funds	(463,624)	(80,536)	-	-	(0)	(544,160)
Capital	(133,259)	(266,517)	(1,199,327)	(6,396,412)	(3,198,206)	(11,193,720)
Other liabilities	(6,017,011)	-	-	-	-	(6,017,011)
Total liabilities:	(39,865,721)	(18,632,777)	(25,445,580)	(33,534,015)	(15,225,741)	(132,703,834)
Off-balance sheet net liabilities	(4,191,964)	(6,918,046)	(3,864,811)	11,141,584	3,832,575	(662)
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 30 June 2022 was 4.3 years.

The sensitivity of interest income when interest rate curves shift as at 30 June 2022 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:

- 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,
- the most probable variant - there is a moderate flow of non-interest-bearing deposits into interest-bearing deposits and interest rate increases are at relatively low levels,

Table 35. Sensitivity of interest income as at 30.06.2022 with immediate shift of interest rates in all currencies by 100 basis points in the most probable variant (in PLN million)

shift in interest rate	+100 pb	-100 pb
PLN	183	(160)
All currencies – total	(218)	(184)

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 36. Supervisory test of the Bank's equity economic sensitivity

scenario	PLN million	% of own funds
+200 pb	(436)	(2.91%)
-200 pb	(531)	(3.55%)

The economic sensitivity of capital is at a low level at the end of June 2022.

At 30 June 2022, 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, USD SFROIS.

- **micro fair value hedge** - The hedged risk is interest rate risk, and in particular changes in the fair value of fixed-rate receivables due to changes in market rates. The hedged item is a portfolio of fixed rate loans in PLN currency. 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 settlements of 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 costly business profile change processes;

- active limitation of the probability of adverse events which may affect the Bank's liquidity. In particular, this concerns events which may affect reputation risk. In such case, the Bank will undertake actions aimed at restoring confidence of both customers and financial institutions as soon as possible;
- ensuring high quality of liquidity management standards. Actions aimed at improving the quality of liquidity management at the Bank are its top priority.

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

At the end of June 2022, the Bank financed a portfolio of mortgage loans in CHF with funds in EUR and USD by concluding medium- and long-term FX swap 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 37. Structure of loan portfolio financing

in PLN million	30.06.2022
Net loans	85,303
Total sources of funding	110,160
Customer deposits, including:	108,448
- retail customers	47,432
- corporate	56,963
- non-banking financial institutions	3,025
- public sector institutions	2,740
Liabilities to banks	1,712
Debt securities issued	0

As at the end of June 2022, compared to December 2021, the amount of wholesale funding received from the BNP Paribas Group remained at the same level. The Bank finances its foreign currency loans with deposits accepted from customers using, if necessary, foreign exchange transactions. In case of a necessity, the Bank may use funds from medium and long-term loans from the BNP Paribas Group, which provides stable financing to cover currency shortages in EUR, USD or CHF.

As at 30 June 2022, the structure of open long-term lines of credit was as follows:

Table 38. Structure of loans from the BNP Paribas Group

in PLN million	30.06.2022
CHF	150
EUR	200
PLN	2,768

Table 39. Structure of loans from the EBRD, EIB and CEB

in PLN million	30.06.2022
PLN	544.2

The Net Liquidity Coverage Ratio (LCR) for the Bank was 142.4% at the end of June 2022, a decrease of 3.3 p.p. compared to the end of 2021 (145.7%). 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 127.0% at the standalone level and 125.8% at the consolidated level at the end of June 2022, representing a decrease of 6.3 p.p. at the standalone level and 5.4 p.p. at the consolidated level compared to the end of 2021. The decrease is due to on the one hand to a decrease of customer liabilities at the end of June 2022. On the other hand, the product structure of funds from Customers changes following the interest rates increases, more liabilities are accumulated in form of term deposits, instead of deposits in current and savings accounts. Fluctuations in the ratio were not significant and the ratio gradually decreased to the current level.

In addition, in the process of securitisation of the loan portfolio, the Bank received financing, the value of which amounted to PLN 544.2 million at the end of June 2022.

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 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 at the Bank, the three lines of defense.

The operational risk management strategy is described in the "*Operational risk management and internal control strategy of BNP Paribas Bank Polska S.A.*", approved by the Management Board of the Bank and accepted by the Supervisory Board as part of the annual review. "*The Operational Risk Policy of 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 of 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, operational risk and control self-assessment, operational risk assessment for contracts with external suppliers (outsourcing), 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, including analysis of operational risk scenarios and its monitoring and ongoing control,
- operational risk reporting.

The Bank's Management Board periodically evaluates the implementation of the operational risk strategy and, if necessary, requests necessary adjustments to improve operational risk management processes. 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 of 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 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.

Control and monitoring

The Bank periodically monitors the efficiency of the implemented 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.

8. Investor Information

8.1. Shareholder structure and share prices of BNP Paribas Bank Polska S.A.

Shareholders

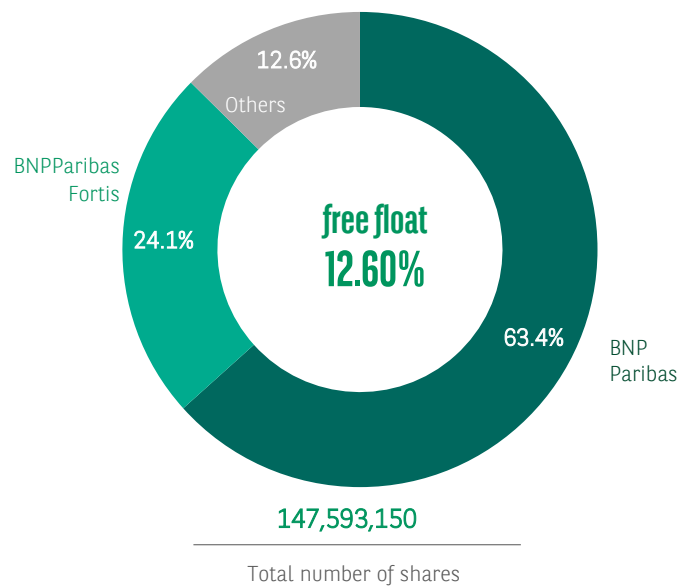
30 June 2022, the Bank's shareholders included two shareholders holding at least 5% of the total number of votes at the General Meeting: BNP Paribas and BNP Paribas Fortis SA/NV. Together, they held 87.40% of the votes. The remaining 12.60% of the Bank's shares were in free float.

The changes that took place in the Bank's shareholding structure in H1 2022 are described below in the Shares and shareholders section.

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

- ISIN code: PLBGZ0000010
- abbreviated name: BNPPPL
- Ticker GPW: BNP
- index affiliation: mWIG80 i mWIG80TR

Chart 16. Shareholder structure as at 30.06.2022



BNP Paribas Group

Leading international banking group BNP Paribas is the Bank's strategic shareholder.

The Group operates in three key areas:

- **Commercial, Personal Banking & Services** - services provided by the sales network and specialised business units,
- **Investment & Protection Services** - savings, investment and insurance services,
- **Corporate & Institutional Banking** - services for corporate and institutional clients.

The BNP Paribas Group supports its individual customers, entrepreneurs, local governments, small and medium-sized enterprises, corporates and institutions in the implementation of projects, offering them a range of financial, investment, savings and insurance products.

BNP Paribas Group operates in 65 countries and employs nearly 190,000 people, including 148,000 in Europe.

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

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

Shares and shareholders

The table below shows the structure of the shareholders of BNP Paribas Bank Polska S.A. as at 30 June 2022, specifying those shareholders who held at least 5% of the total number of votes at the General Shareholders' Meeting.

Table 40. Shareholders structure

shareholder	number of shares	interest in share capital	number of votes at the General Shareholders' Meeting	% share in the total number of votes at the General Shareholders' Meeting
BNP Paribas, in total:	128,991,553	87.40%	128,991,553	87.40%
<i>BNP Paribas directly</i>	93,501,327	63.35%	93,501,327	63.35%
<i>BNP Paribas Fortis SA/NV</i>	35,490,226	24.05%	35,490,226	24.05%
Other shareholders	18,601,597	12.60%	18,601,597	12.60%
Total	147,593,150	100.00%	147,593,150	100.00%

As at 4 April 2022, the Bank's share capital amounts to PLN 147,593 thousand. The capital comprises 147,593,150 shares with a nominal value of PLN 1 each, including:

- A series – 15,088,100 shares,
- B series – 7,807,300 shares,
- C series – 247,329 shares,
- D series – 3,220,932 shares,
- E series – 10,640,643 shares,
- F series – 6,132,460 shares,
- G series – 8,000,000 shares,
- H series – 5,002,000 shares,
- I series – 28,099,554 shares,
- J series – 2,500,000 shares,
- K series – 10,800,000 shares,
- L series – 49,880,600 shares,
- M series – 174,232 shares.

Four B series shares are preference shares. This privilege includes the right to receive 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 total number of votes resulting from all the Bank's shares is 147,593,150 votes. The number of votes resulting from the 2022 M shares granted is 74,368 votes and the total number of votes resulting from the M shares granted is 174,232 votes.

The amount of the conditional share capital increase following the issue of series M shares is PLN 401,768.

Changes in shareholder structure in the first half of 2022

On 4 April 2022, the Bank's share capital was increased from PLN 147,518,782 to PLN 147,593,150 as a result of the subscription of 74,368 series M shares in exercise of the rights from the series A2 registered subscription warrants taken up earlier.

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 the Bank's and rights to shares owned by the members of the Bank's Management Board and Supervisory Board as the date of the report for the first quarter of 2022 (10 May 2022) and this statement for the 2022 (11 August 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.: 10 May 2022.

Table 41. Number of shares/subscription warrants held by members of the Bank's Management Board

Bank's Management Board member	shares ¹	subscription warrants ²	shares ¹	subscription warrants ²
	10.05.2022	10.05.2022	11.08.2022	11.08.2022
Przemysław Gdański	17,137	9,336	17,137	9,336
Jean-Charles Aranda	2,338	3,002	2,338	3,002
André Boulanger	3,129	7,081	3,129	7,081
Przemysław Furlepa	2,722	4,076	2,722	4,076
Wojciech Kemblowski	3,195	4,050	3,195	4,050
Kazimierz Łabno	1,862	2,285	1,862	2,285
Magdalena Nowicka	0	2,046	0	2,046
Volodymyr Radin	895	1,230	895	1,230
Agnieszka Wolska	0	614	0	614

1) M series shares subscribed for on 04.04.2022 in exercise of the rights attached to A2 series warrants (A2 series registered subscription warrants were subscribed for on 25.03.2021; one warrant entitled to subscribe for one M series ordinary bearer share of BNP Paribas Bank Polska S.A., at an issue price of PLN 1.00 per share); in the case of Mr Przemysław Gdański, the number of M series shares subscribed for in exercise of the rights attached to A2 series warrants was 9,148, the number of M series shares subscribed for in exercise of the rights attached to A1 series warrants was 7,489, the number of shares purchased on the WSE share market was 500.

2) A3 series subscription warrants subscribed on 25.03.2022 - one A3 series warrant entitles to acquire 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/privileges in BNP Paribas Bank Polska S.A. as at 30 June 2022 and as at the publication date of this semi-annual report, i.e. 11 August 2022, which has not changed since the date of submitting the quarterly report for the first quarter of 2022, i.e. 10 May 2022.

8.2. Share prices

At the 30 June 2022 session, the closing price of the Bank's shares was PLN 55.60, down 13.13% compared to 30 June 2021 (PLN 64.00). During the same period, the value of the WIG-Banks index fell by 16.68%.

Following the end of the next pandemic phase in the second quarter 2021, the downward trend on the WSE reversed. The third quarter of 2021 was the best period in terms of quarterly share price change, which was certainly influenced by improved expectations of the external situation and sentiment towards the WSE. The Bank's share price rose by 31.25%. This increase 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 Bank's share price was PLN 91.20).

In the first half of 2022, the WIG-Banks index as well as the Bank's share price was in a downward trend. The first quarter of 2022 was characterised by increased price volatility, influenced by concerns about the approach to the fight against pandemics, including the introduction of lockdowns and negative macroeconomic developments. Turning points included the outbreak of war in Ukraine, the introduction of sanctions against Russia and disruption to global supply chains. The Bank's share price fell by 23.25 per cent in the first quarter to PLN 70.00.

The second quarter of 2022 has already seen a clear downward trend in bank shares caused, among other things, by a clear deterioration in macroeconomic data, an outflow of foreign capital because of increased geopolitical risk

in the CEE region, a cycle of interest rate increases by the Monetary Policy Council and government initiatives such as credit moratoria (credit holidays), translating into high costs and an anticipated deterioration in the performance of the banking sector. As a result, the Bank's share price fell by 20.57% to PLN 55.60 in the second quarter of 2022. On 14 June 2022, a one-year low of PLN 50.00 was recorded.

The average daily share price for the following quarters was: PLN 71.94 in the third quarter of 2021, Q4: PLN 90.39 in the fourth quarter of 2021, PLN 81.15 in the first quarter of 2022 and PLN 63.22 in the second quarter of 2022.

The second half of 2021 was a good period not only in terms of share price levels but also in terms of trading volumes. The average daily volume doubled: to 11,701.61 shares in in third quarter and 11,929.48 shares in the fourth quarter of 2021. The first half of 2022 saw a decline in investor activity as the stock market deteriorated. The average daily trading volume decreased to 9,496.20 shares in the first quarter of 2022 and dropped to 3,174.47 shares in the second quarter 2022.

This, combined with the decrease in the share price, was reflected in changes in the average daily trading turnover, which in the quarters under review amounted to, respectively: PLN 870.10 thousand, PLN 1,098.23 thousand, PLN 769.71 thousand and PLN 199.70 thousand. The session of 29 October 2021 recorded the maximum trading turnover (224,787 shares) and the maximum trading value (PLN 21,358.39 thousand) for the analysed period.

Chart 17. The Bank's share price and turnover from 30.06.2021 to 30.06.2022

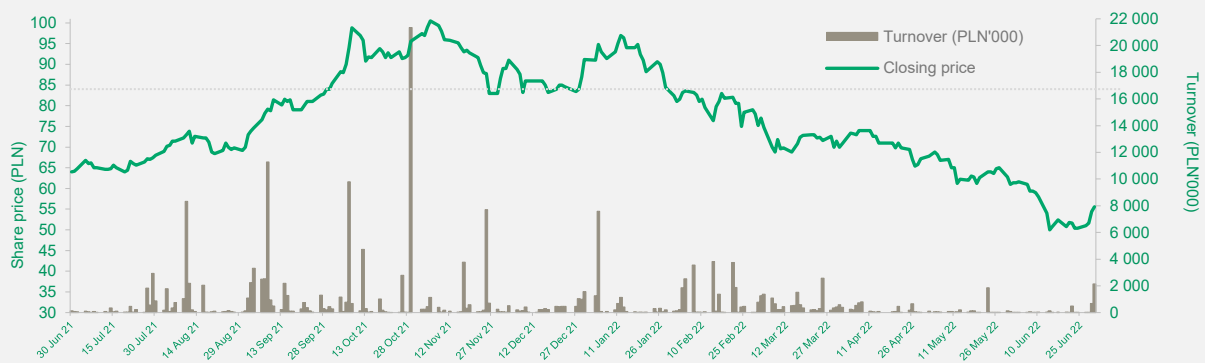
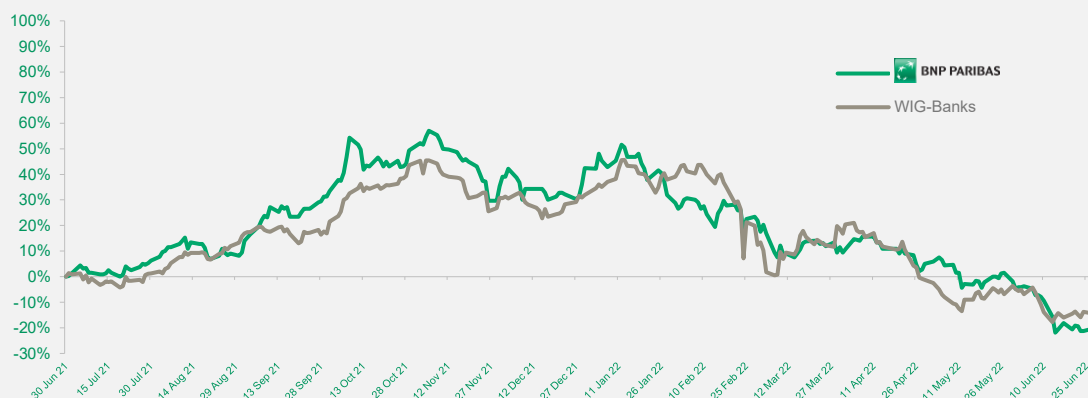


Chart 18. Change in Bank's share price vs. WIG-Banks from 30.06.2021 to 30.06.2022. (30.06.2021 = 100%)



8.3. Statutory bodies of the Bank

General Shareholders' Meeting

Two General Shareholders' Meetings of the Bank were held in the first half of 2022:

4 January 2022 - The Bank's Extraordinary General Meeting (EGM), which, in addition to resolutions of a procedural nature, adopted:

- the principles contained in the "Good Practices of Companies Listed on the Warsaw Stock Exchange 2021",
- the Policy for Appointment and Dismissal of Members of the Supervisory Board of BNP Paribas Bank Polska S.A.,
- the updated Policy for Adequacy Assessment of Members of the Supervisory Board of BNP Paribas Bank Polska S.A. At this meeting, the EGM also adopted amendments to the Remuneration Policy for Supervisory Board Members and the Remuneration Policy for Individuals with Significant Risk Profile (including members of the Bank's Management Board),
- the EGM adopted amendments to the Statutes of the Bank and amendments to the Rules of the General Meeting of the Bank, adapting the documents to the current provisions of the Banking Law and the principles arising from the "Best Practices for WSE Listed Companies 2021".

27 June 2022 - The Bank's Ordinary General Meeting (OGM), which, in addition to resolutions of a procedural nature:

- approved the reports and annual reports submitted by the Management Board and Supervisory Board, as required by law, inter alia the financial statements, the report on the Bank's activities and the ESG report presenting non-financial information for 2021,
- resolved on the distribution of profit for 2021 (decided to transfer the entire net profit of PLN 184.52 million to the reserve capital),
- granted discharge to the members of the Management Board and Supervisory Board for the performance of their duties in 2021,
- adopted a periodic assessment of the individual and collective suitability of the members of the Supervisory Board,
- adopted an assessment of the adequacy of the Bank's internal regulations regarding the functioning of the Supervisory Board and the effectiveness of its operations,
- adopted the independent evaluation of the application of the remuneration policy at BNP Paribas Bank Polska S.A. in 2021 submitted by the Supervisory Board and the Report on the remuneration of the members of the Supervisory Board and the members of the Management Board of BNP Paribas Bank Polska S.A. in 2021,
- adopted a resolution on the determination of the remuneration of the members of the Supervisory Board,
- adopted resolutions on the continuation of the incentive programme (implemented in 2020) based on the bank's own shares to be granted to persons with material impact on the Bank's risk profile as a component of variable remuneration. As part of the continuation of the aforementioned incentive programme, a new issue of N shares was envisaged,
- adopted information on the Bank's full compliance with the "Corporate Governance Principles for Supervised Institutions" issued by the Financial Supervision Commission.

The company provided publicly available real-time transmission of the general meeting via the Internet, as well as the possibility for shareholders to actively participate in the general meetings electronically.

Supervisory Board

Table 42. Composition of the Supervisory Board as at 30.06.2022 with information on the independence of members

function in the Supervisory Board	full name of the Supervisory Board member
Chairwoman of the Supervisory Board	Lucyna Stańczak-Wuczyńska <i>Independent member</i>
Vice-Chairman of the Supervisory Board	Jean-Paul Sabet
Vice-Chairman of the Supervisory Board	Francois Benaroya
Member of the Supervisory Board	Jarosław Bauc <i>Independent member</i>
Member of the Supervisory Board	Małgorzata Chruściak <i>Independent member</i>
Member of the Supervisory Board	Géraldine Conti
Member of the Supervisory Board	Stefaan Decraene
Member of the Supervisory Board	Magdalena Dzięguć <i>Independent member</i>

Member of the Supervisory Board	Vincent Metz
Member of the Supervisory Board	Piotr Mietkowski
Member of the Supervisory Board	Khatleen Pauwels
Member of the Supervisory Board	Mariusz Warych <i>Independent member</i>

There were no changes in the composition of the Bank's Supervisory Board between 1 January and 30 June 2022.

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

Table 43. Composition of the Supervisory Board and Supervisory Board Committees as at 30.06.2022

full name	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		

Management Board of the Bank

Table 44. Composition of the Bank's Management Board as at 30.06.2022 and division of functional responsibilities of particular Board members

full name	office held in the Management Board of the Bank	supervised area
Przemysław Gdański	President	<p>Bank Management, Strategy and Agricultural Markets area, including the Internal Audit Division, Compliance Monitoring Division, Communications, Marketing and Public Engagement Division, Legal Division, Strategy and Market Analysis Division, Agribusiness Division.</p> <p>Human Resources Management area, including the Candidate and Employee Experience Tribe, the HR Business Partnership Department, the Remuneration, Benefits, Reporting and Employee Relations Department, and the Human Resources Administration Department.</p> <p>Transformation area, including Tribe Open Banking, Department of Agile Transformation, Office of Open Innovations.</p> <p>Sustainability Area, including the Department of Energy Transformation Support, the Department of Sustainability Strategy Implementation Support, the Department of CSR and Sustainable Finance.</p>
Jean-Charles Aranda	Vice- President	<p>Finance Area, including Tribe Data Platform, Financial Accounting Division, Management Accounting and Investor Relations Division, Capital Management Department, Asset and Liability Management Division, Tax Department, Second Line Finance Area Defence Department, Adaptation Plan Position.</p>
André Boulanger	Vice- President	<p>CIB Banking area, including the Financial Markets Division, the Custody Services Department, the CIB Support and Business Development Department, the CIB Strategic Clients Department.</p>
Przemysław Furlepa	Vice- President	<p>Retail and Business Banking area, including Tribe Everyday Banking, Tribe Investment and Savings, Tribe Retail Multichannel, Tribe CRM and Analytics, Tribe Entrepreneurs and Farmers, Credit Decision</p>

full name	office held in the Management Board of the Bank	supervised area
		Department, Retail Banking Budgeting and Analysis Office, Sales Division, Customer Experience Transformation and Development Division, Wealth Management Division, CHF Loan Portfolio Strategy Position. Brokerage Office
Wojciech Kembłowski	Vice- President	Risk Area , including Tribe Risk Systems, SME and Agro Customer Risk Division, Integrated Risk Management Division, Corporate Restructuring and Recovery Division, Operational Risk, Credit Control and Anti-Fraud Division, CIB and Corporate Customer Risk Division, Individual and Microenterprise Customer Risk Division, Model Validation Office.
Kazimierz Łabno	Vice- President	Operations and Business Support area , including Tribe Operational Excellence, Operations Division, Property and Administration Department, Operational Control Department, Central Procurement Department.
Magdalena Nowicka	Vice- President	New Technologies and Cyber Security Area , including IT Domain for Individual and Business Customer, IT Domain for Corporate Customer and Financial Markets, IT Domain for Data Management Systems and Central Functions, IT Domain for Operations Systems and Support Areas, IT Domain for Multichannel and Investment Systems, IT Development and Organisation Department, Security and Business Continuity Management Division, New Technologies and IT Support Division, IT Strategy and Architecture Department, GSC Team (SPV).
Volodymyr Radin	Vice- President	Personal Finance (PF) Banking area , including Tribe Personal Finance, PF Automotive Sales Division, PF Consumer Finance Sales Division, B2C Sales Development Division, PF New Business Models and Innovation Department, PF Partner Services and Insurance Banking Department, PF Operations Division, PF Planning and Finance Department.
Agnieszka Wolska	Vice- President	SME and Corporate Banking area , including Tribe Corporate Client Finance, Tribe Cash Management and Omnichannel, Specialised Finance Division, Strategic Clients Division, SME and Corporate Banking Clients Division, SME and Corporate Banking Strategy and Management Department, Transaction Advisory Department.

The competencies and professional experience of the individual members of the Bank's Management Board are presented on the Bank's website [Bank Leadership - BNP Paribas Bank Polska S.A.](#)

There were no changes to the composition of the Bank's Management Board between 1 January and 30 June 2022.

8.4. Ratings

At the end of June 2022, BNP Paribas Bank Polska S.A. had a rating from the Fitch Ratings agency

In January 2022, the Bank received ratings from 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 probability 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 should the Bank fail.

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.

8.5. Investor relations

BNP Paribas Bank Polska S.A. (hereinafter: the Bank) 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 [Investor Relations - BNP Paribas Bank Polska S.A.](#)

In 2022, the Bank published a digital version of its annual report for the third time. The report for the year 2021 is available on the website: [Investor Relations - BNP Paribas Bank Polska S.A.](#)

As of the end of July 2022, the Bank had 8 recommendations from financial institutions, with 2 "Buy", 5 "Hold" and 1 "Sell". The median target price from the recommendations was PLN 66.0 and the average target price was PLN 69.9, higher than the share price as of 30 June 2022 (PLN 55.6) by 18.7% and 25.8%, respectively.

9. Other information

9.1. Legal cases

Legal risk

As at 30 June 2022, no proceedings had been instituted before courts, arbitration or public administration bodies with respect to the Bank's receivables or liabilities, the value of which would exceed 10% of the Bank's equity.

Court decision regarding calculation of the interchange fee

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

The total fine levied on Bank BGŻ BNP Paribas S.A. (currently BNP Paribas Bank Polska S.A.) amounted to PLN 12.54 million 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 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 30 June 2022 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 described case.

Court proceedings regarding CHF loan 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 Association of Polish Banks (ZBP), the number of pending lawsuits relating to CHF loan agreements at the end of June 2022 reached almost 95 thousand compared to almost 77 thousand at the end of 2021. The effect of this is an increase in provisions for these proceedings created by banks with CHF mortgage loan portfolios. The amount of provisions created by listed banks in 2021 amounted to approx. PLN 7.8 billion and in the first quarter 2022 to approx. PLN 0.9 billion, translating into total provisions for these proceedings of approx. PLN 18.7 billion at the end of 2021 and over PLN 19.6 billion at the end of the first quarter of 2022.

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

The gross carrying amount of mortgage loans granted to individual customers in CHF at 30 June 2022 was PLN 4.40 billion, compared to PLN 4.53 billion at the end of 2021.

As at 30 June 2022, the Bank was a defendant in 2,858 (846 new cases in the first half of 2022 pending court proceedings (including cases that have been validly terminated, customers brought a total of 3,016 actions against the Bank), in which they demand either that a foreign currency or CHF-denominated mortgage loan agreement be declared invalid or that the agreement be declared permanently ineffective. The claims are based, in particular, on the contradiction of Article 69 of the Banking Law or on the presence of prohibited provisions in the agreement that do not allow the agreement to be upheld (Article 3531 of the Civil Code); the Bank is not a party to any class action lawsuit involving such loan agreements. The total value of the claims asserted in the currently pending cases as at 30 June 2022 was PLN 1,228.72 million (PLN 858.03 million as at 31 December 2021), and in the finalised cases was PLN 80.82 million (PLN 41.36 million as at 31 December 2021).

In the 158 finalised proceedings to date, there have been 46 rulings in favour of the Bank, including 23 in connection with settlement agreements, and in 112 cases the courts have ruled against the Bank by declaring the loan agreement invalid or permanently ineffective.

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

The total value of provisions created at 30 June 2022 was PLN 1,486.0 million (31 December 2021: PLN 1,290.4 million), with an impact of PLN 222.7 million on the Bank's income statement (2021: PLN 1,045.3 million).

The provision is made in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The provision for pending proceedings is calculated using the individual method, while for future proceedings it is calculated using the portfolio method. In calculating the provision, the Bank takes into account, inter alia, the number of certificates taken by customers for litigation purposes, the estimated probability of customers filing lawsuits, the estimated number of future lawsuits, the number of lawsuits filed, the probability of losing the case, and the Bank's estimated loss in the event of an unfavourable judgment. In addition, the Bank included in the provisioning model the estimated number of settlements to be made with customers. The amount of the provision for estimated settlements was PLN 124.6 million from the total balance of provisions.

It should be emphasised, Polish courts, despite different indications resulting from the CJEU rulings (C-19/20 and C-932/19), in the vast majority rule on the invalidity or ineffectiveness of credit agreements. The resolution of the full panel of the Civil Chamber of the Supreme Court on the questions of the First President of the Supreme Court (III CZP 11/21), which was supposed to resolve the basic legal issues, will not take place in the near future due to the question addressed to the CJEU. A number of judgments of the Supreme Court have been rendered in recent months, but written justifications are known only in a small number of cases, which does not allow for the elimination of uncertainty about the line of jurisprudence.

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 31 December 2020.

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

Should the assumed average loss change by +/- 5 percentage points, with all other significant assumptions unchanged, the amount of the provision would change by +/- PLN 65 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 due to legal risk
Percentage of lost cases	+5 p.p.	+PLN 63 million
	-5 p.p.	-PLN 63 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 due to legal risk
Number of lawsuits	+20%	+PLN 99 million
	-20%	-PLN 99 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 38 million.

When calculating the expected loss on legal risk related to CHF loans, the Bank takes into account the available historical data, including cases that ended with verdicts. 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 indicates 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 domestically and before the Court of Justice of the European Union (CJEU) concerning foreign currency loan agreements, denominated or indexed to a foreign currency. European jurisprudence has consistently indicated the need to uphold the contract when prohibited clauses are present and to seek other solutions to restore balance to the parties. In contrast, national courts in their rulings disregard this line of jurisprudence by mostly ruling the contract void.

Before the CJEU, the following important rulings concerning the above issues have been made in recent times:

1) On 29 April 2021, the Court of Justice of the European Union made its judgment in case C-19/20, in which it confirmed, inter alia, that the aim of Directive 93/13 is not to invalidate all contracts containing provisions which are not permitted, and that preference should be given to legal solutions upholding contracts.

2) On 10 June 2021. The CJEU 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 sufficiently attentive and reasonable average customer".

3) On 2 September 2021, the CJEU issued its judgment in Case C-932/19, in which it unequivocally indicated that national courts, when deciding on claims by customers based on a challenge to certain provisions of a contract, 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 national courts as a decisive criterion as to the

future fate of the contract. The Court reiterates that the primary objective of Directive 93/13 is to restore the balance of the parties, including by using the national rules in force.

4) On 18 November 2021, the CJEU issued its judgment in Case C-212/20, in which it indicated that the content of an indexation clause in a credit agreement between a trader and a consumer must, on the basis of clear and comprehensible criteria, enable a sufficiently well-informed, reasonably observant and prudent 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 work out for himself the exchange rate applied by the trader;

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

- (1) the borrower may agree to the continued validity of terms which may be unfair, in which case they shall take effect from the date of conclusion of the 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 the borrower, having been informed of all the consequences of the demise of the agreement, including the possible specific negative consequences of such demise, makes a declaration opposing the maintenance of the agreement. The borrower should, as a rule, be informed of the consequences of the collapse of the contract by the court in the course of the proceedings.

The meeting of the entire composition of the Civil Chamber of the Supreme Court on the legal questions submitted on 29 January 2021 by the First President of the Supreme Court has been adjourned without a date, due to the formulation of preliminary questions to the CJEU by the Supreme Court. The preliminary questions aim to determine whether the Civil Chamber in its current composition can be regarded as an independent court and thus whether it has the capacity to issue a resolution on the legal questions raised 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 loan 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 loan 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?

In the event that the CJEU confirms the capacity of the Civil Chamber of the Supreme Court to rule and the Supreme Court issues a resolution, the Bank will analyse the content of the resolution once it is published, including with regard to its impact on further case law and the value of the parameters used to determine the value of legal risk provisions. At this point, it is impossible to predict whether the resolution will be issued at all, let alone its impact on the estimation of provisions.

However, it should be noted that on 28 April 2022, Supreme Court adopted a resolution (composed of 3 judges), according to which: "Contrary to the nature of the legal relationship of a loan indexed to a foreign currency are provisions in which the lender is authorised to unilaterally determine the exchange rate of the currency relevant for calculating the amount of the borrower's obligation and for determining the amount of the loan instalments, if objective and verifiable criteria for determining this rate do not arise from the content of the legal relationship. Such provisions, if they meet the criteria for being considered prohibited contractual provisions, are not invalid, but are not binding on the consumer within the meaning of Article 385(1) of the Civil Code." Although the ruling was issued in a case concerning indexed credit, it can also be applied to denominated and foreign currency loans.

Proposal of the PFSA's Chairman

In December 2020 the Chairman of the Polish Financial Supervision Authority - Jacek Jastrzębski - presented a proposal for a sectoral solution to the CHF loans issue. In simple terms, the Bank would treat a loan in CHF as if it had been granted in PLN from the beginning and bear interest at the appropriate WIBOR rate plus a margin historically applied to this type of loan and make an appropriate recalculation.

The estimate prepared by the Bank of the cost of a potential conversion in line with the assumptions of the PFSA Chairman's proposal amounts to PLN 1.6 billion, assuming that the proposal will cover the entire CHF loan portfolio (denominated and foreign currency loans). The change in the amount of the estimate in relation to the disclosure in the 2020 report is due to a change in the CHF/PLN exchange rate and a revision of the assumptions used in the calculation and may fluctuate for the same reasons in the future. 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. The amount of the estimate of the potential conversion cost is not a component of and does not affect the amount of the Bank's risk provisions for CHF loans. At the time of publication of hereby Financial Statement, the Bank has not decided to propose settlements to clients in the form suggested by the Chairman of the PFSA.

Individual settlements offered by the Bank

Since December 2021, the Bank has been negotiating individually with customers with whom it is in dispute or about whom there is a reasonable risk of entering into a dispute. The Bank has taken this parameter into account when updating the amount of the provision.

As of 30 June 2022, the Bank presented individual settlement proposals to 3,679 customers and 789 customers accepted the terms of the proposals presented, of which 564 settlements were signed.

As of 5 August 2022, the Bank presented individual settlement proposals to 3,960 customers and 890 customers accepted the terms of the proposals presented, of which 665 settlements were signed.

9.2. Sponsorships

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

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

Tennis events

BNP Paribas Bank Polska is part of the BNP Paribas Group which is the biggest sponsor of tennis in the world. Therefore, offers regarding sponsorship of tennis events in Poland are given utmost priority by the Bank.

During the first half of 2022, the following took place:

- two events of the **BNP Paribas Business Cup** series - in Warsaw and Katowice. The Business Cup series brings together owners and management members of companies around their passion for tennis, making this sporting initiative the most important tennis event of its kind in Poland,
- **tennis children's day** (June 2022) –In Warsaw and Częstochowa - a tennis event for children who have not yet had the opportunity to try tennis and those whose level of skill can be described as beginners.

Film events

Movie themes is, besides tennis, one of the most important pillars of BNP Paribas Group's sponsorship strategy. The Bank is implementing this strategy under the slogan **#WeLoveCinema**. In the first half of 2022 the Bank is committed to the following initiatives:

- **Mastercard OFF CAMERA International Festival of Independent Cinema** – from April 29 to May 8, 2022 – Central Europe's largest independent cinema festival. The Bank was a strategic partner of the event for the fourth time. In addition, we were a partner of the Audience Award, Olivier Janiak's "Olivier ON-OFF" series of talks, the "Camera ON" special screening, the cinema on Szczepanski Square and the "Unexpected Alliances" film section,
- **Festival of Films-Meetings „NieZwykłych” in Sandomierz** – from June 27 to July 3, 2022 the Bank was the main partner of this event,
- **Cooperation with Cinema City** –The bank has been cooperating with the largest multiplex chain in Poland 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.

9.3. Material events after the balance sheet date

July 2022

- **Adoption and impact of the Act on Crowdfunding for Business Ventures and Assistance for Borrowers.**
 - The estimated total **negative impact on the Bank's result**, assuming that between 50% and 65% of customers eligible to apply for a suspension of the execution (moratoria) of mortgage loan agreements granted in PL apply for this option in the period from 1 August 2022 to 31 December 2023, could amount to between approx. PLN 700 million and approx. PLN 915 million.
 - The Bank's Management Board has approved the **recognition of PLN 700 million in July 2022.**
 - At the same time, the Bank estimates that **additional payments to the Borrower Support Fund may amount to approx. PLN 50 million and will be booked in H2 2022.**
 - The applied assumptions reflect the Bank's subjective assessment and are subject to a high degree of uncertainty. Accordingly, these assumptions are subject to verification. The actual impact of the Act may differ from the estimated impact.

August 2022

- The rating agency Fitch Ratings has placed the Viability Rating (VR) of the Bank ("bbb-") on **Rating Watch Negative.**
The other Bank's ratings are unaffected by this rating action.

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

Fairness and reliability of the presented financial statements

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

- Consolidated Semi-Annual Report of the BNP Paribas Bank Polska S.A. Group for the six-month period ended 30 June 2022 including the Interim Abbreviated Separate Financial Statement of BNP Paribas Bank Polska S.A. 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.

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

The Bank did not publish financial forecast for 2022.

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

10.08.2022	Przemysław Gdański President of the Management Board	<i>signed with a qualified electronic signature</i>
10.08.2022	Jean-Charles Aranda Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
10.08.2022	André Boulanger Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
10.08.2022	Przemysław Furlepa Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
10.08.2022	Wojciech Kembłowski Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
10.08.2022	Kazimierz Łabno Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
10.08.2022	Magdalena Nowicka Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
10.08.2022	Volodymyr Radin Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>
10.08.2022	Agnieszka Wolska Vice-President of the Management Board	<i>signed with a qualified electronic signature</i>