INTERIM CONSOLIDATED REPORT

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2022

BNP Paribas Bank Polska S.A. Capital Group

BNP PARIBAS

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SELECTED FINANCIAL DATA

Selected consolidated financial data		in PLN '000		in EUR '000	
Statement of profit or loss	**Note**	**HY 2022 from 01.01.2022 to 30.06.2022**	HY 2021 from 01.01.2021 to 30.06.2021	**HY 2022 from 01.01.2022 to 30.06.2022**	HY 2021 from 01.01.2021 to 30.06.2021
Net interest income	8	**2,152,370**	1,491,728	**463,603**	328,054
Net fee and commission income	9	**595,623**	497,130	**128,292**	109,327
Profit before tax		**818,306**	509,705	**176,256**	112,092
Profit after tax		**535,409**	295,943	**115,323**	65,082
Total comprehensive income		**(175,335)**	123,681	**(37,766)**	27,199
Cash flow		**HY 2022 from 01.01.2022 to 30.06.2022**	HY 2021 from 01.01.2021 to 30.06.2021	**HY 2022 from 01.01.2022 to 30.06.2022**	HY 2021 from 01.01.2021 to 30.06.2021
Total net cash flows		**3,450,044**	1,100,959	**743,112**	242,118
Ratios		**30.06.2022**	30.06.2021	**30.06.2022**	30.06.2021
Number of shares (items)	47	**147,593,150**	147,518,782	**147,593,150**	147,518,782
Earnings per share	18	**3.63**	2.01	**0.78**	0.44
Statement of financial position		**30.06.2022**	31.12.2021	**30.06.2022**	31.12.2021
Total assets		**142,319,932**	131,777,481	**30,406,344**	28,651,016
Loans and advances to customers measured at amortised cost	23	**90,708,889**	85,080,454	**19,379,757**	18,498,164
Loans and advances to customers measured at fair value through profit or loss	24	**1,089,886**	1,219,027	**232,852**	265,040
Total liabilities		**131,130,793**	120,415,850	**28,015,808**	26,180,774
Amounts due to customers	33	**109,413,772**	101,092,941	**23,376,014**	21,979,593
Share capital	47	**147,593**	147,519	**31,533**	32,074
Total equity		**11,189,139**	11,361,631	**2,390,535**	2,470,242
Capital adequacy		**30.06.2022**	31.12.2021	**30.06.2022**	31.12.2021
Total own funds		**14,958,769**	15,502,698	**3,195,908**	3,370,591
Total risk exposure		**98,371,967**	91,651,096	**21,016,957**	19,926,750
Total capital ratio		**15.21%**	16.91%	**15.21%**	16.91%
Tier 1 capital ratio		**10.98%**	12.33%	**10.98%**	12.33%

Selected separate financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**HY 2022 from 01.01.2022 to 30.06.2022**	HY 2021 from 01.01.2021 to 30.06.2021	**HY 2022 from 01.01.2022 to 30.06.2022**	HY 2021 from 01.01.2021 to 30.06.2021
Net interest income	**2,103,786**	1,458,228	**453,138**	320,687
Net fee and commission income	**560,442**	473,915	**120,715**	104,221
Profit before tax	**785,393**	503,120	**169,167**	110,644
Profit after tax	**508,622**	290,664	**109,553**	63,922
Total comprehensive income	**(202,122)**	118,402	**(43,535)**	26,038
Cash flow	**HY 2022 from 01.01.2022 to 30.06.2022**	HY 2021 from 01.01.2021 to 30.06.2021	**HY 2022 from 01.01.2022 to 30.06.2022**	HY 2021 from 01.01.2021 to 30.06.2021
Total net cash flows	**3,739,806**	1,259,165	**805,524**	276,910
Ratios	**30.06.2022**	30.06.2021	**30.06.2022**	30.06.2021
Number of shares (items)	**147,593,150**	147,518,782	**147,593,150**	147,518,782
Earnings per share	**3.45**	1.97	**0.74**	0.43
Statement of financial position	**30.06.2022**	31.12.2021	**30.06.2022**	31.12.2021
Total assets	**136,739,386**	126,361,260	**29,214,072**	27,473,423
Loans and advances to customers measured at amortised cost	**85,303,458**	80,124,751	**18,224,898**	17,420,696
Loans and advances to customers measured at fair value through profit or loss	**1,089,886**	1,219,027	**232,852**	265,040
Total liabilities	**125,545,666**	114,968,617	**26,822,558**	24,996,438
Amounts due to customers	**110,160,410**	101,823,600	**23,535,532**	22,138,453
Share capital	**147,593**	147,519	**31,533**	32,074
Total equity	**11,193,720**	11,392,643	**2,391,514**	2,476,985
Capital adequacy	**30.06.2022**	31.12.2021	**30.06.2022**	31.12.2021
Total own funds	**14,985,826**	15,528,874	**3,201,689**	3,376,283
Total risk exposure	**94,091,908**	87,410,438	**20,102,531**	19,004,748
Total capital ratio	**15.93%**	17.77%	**15.93%**	17.77%
Tier 1 capital ratio	**11.51%**	12.96%	**11.51%**	12.96%

For purposes of data translation into EUR, the following exchange rates are used by the Group:

For items of the statement of financial position, rates of the National Bank of Poland are applied:

- as of 30.06.2022 – EUR 1 = PLN 4.6806
- as of 31.12.2021 – EUR 1 = PLN 4.5994

For items of the statement of profit or loss and the statement of cash flows, the EUR exchange rate is calculated as the arithmetic average of the rates published by the National Bank of Poland as at the last day of each month in the period:

- for the period from 1.01.2022 to 30.06.2022 - EUR 1 = PLN 4.6427
- for the period from 1.01.2021 to 30.06.2021 - EUR 1 = PLN 4.5472

For details on calculation of profit (loss) per share please refer to Note 18.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021 (restated data)	HY 2021 from 01.01.2021 to 30.06.2021 (restated data)
Interest income	8	1,776,129	3,042,204	812,433	1,613,041
Interest income calculated with the use of effective interest rate method		1,689,161	2,882,577	764,953	1,519,655
interest income on financial instruments measured at amortised cost		1,608,096	2,743,726	719,201	1,428,967
interest income on financial instruments measured at fair value through other comprehensive income		81,065	138,851	45,752	90,688
Income of a similar nature to interest on instruments measured at fair value through profit or loss		86,968	159,627	47,480	93,386
Interest expense	8	(626,703)	(889,834)	(53,835)	(121,313)
Net interest income		**1,149,426**	**2,152,370**	**758,598**	**1,491,728**
Fee and commission income	9	361,414	723,720	303,557	607,993
Fee and commission expenses	9	(66,475)	(128,097)	(53,713)	(110,863)
Net fee and commission income		**294,939**	**595,623**	**249,844**	**497,130**
Dividend income		7,161	8,142	1,096	1,455
Net trading income (including result on foreign exchange)	10	118,776	269,610	173,752	331,817
Result on investment activities	11	32,763	30,501	7,389	39,994
Result on hedge accounting	22	(192)	19,524	(17,597)	(18,562)
Result on derecognition		(2,379)	(2,379)	-	-
Net impairment losses on financial assets and contingent liabilities	12	(85,599)	(164,727)	(70,946)	(131,014)
Result on provisions for legal risk related to foreign currency loans	50	(139,703)	(222,737)	(187,119)	(258,977)
General administrative expenses	13	(743,909)	(1,419,515)	(474,430)	(1,041,499)
Depreciation and amortization	14	(107,239)	(206,475)	(100,094)	(198,198)
Other operating income	15	38,175	111,842	57,990	109,674
Other operating expenses	16	(71,940)	(150,705)	(81,064)	(151,900)
Operating result		**490,279**	**1,021,074**	**317,419**	**671,648**
Tax on financial institutions		(106,915)	(202,768)	(83,546)	(161,943)
Profit before tax		**383,364**	**818,306**	**233,873**	**509,705**
Income tax expenses	17	(125,696)	(282,897)	(101,916)	(213,762)
Net profit		**257,668**	**535,409**	**131,957**	**295,943**
attributable to equity holders of the Group		257,668	535,409	131,957	295,943
Earnings (loss) per share (in PLN per one share)					
Basic	18	1.75	3.63	0.89	2.01
Diluted	18	1.75	3.63	0.89	2.01

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Net profit for the period	**257,668**	**535,409**	**131,957**	**295,943**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**(316,663)**	**(711,255)**	**(80,447)**	**(173,476)**
Measurement of gross financial assets measured at fair value through other comprehensive income	(328,747)	(766,046)	(104,769)	(218,426)
Deferred income tax on the valuation of gross financial assets measured through other comprehensive income	62,462	145,549	19,906	41,501
Measurement of cash flow hedge accounting derivatives	(62,195)	(112,047)	6,297	5,104
Deferred income tax on valuation of gross derivatives hedging cash flows	11,817	21,289	(1,881)	(1,655)
Items that will not be reclassified to profit or loss	**662**	**511**	**535**	**1,214**
Actuary valuation of employee benefits	817	631	661	1,499
Deferred income tax on actuarial valuation of gross personnel expenses	(155)	(120)	(126)	(285)
Other comprehensive income (net)	**(316,001)**	**(710,744)**	**(79,912)**	**(172,262)**
Total comprehensive income for the period	**(58,333)**	**(175,335)**	**52,045**	**123,681**
attributable to equity holders of the Group	(58,333)	(175,335)	52,045	123,681

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 June 2022	31 December 2021
Cash and balances at Central Bank	19	4,655,484	4,631,477
Amounts due from banks	20	6,893,371	2,615,150
Derivative financial instruments	21	3,570,283	1,901,919
Adjustment of fair value of hedged and hedging item	22	1,983	65,465
Loans and advances to customers measured at amortised cost	23	90,708,889	85,080,454
Loans and advances to customers measured at fair value through profit or loss	24	1,089,886	1,219,027
Securities measured at amortised cost	25	23,352,086	23,268,041
Securities measured at fair value through profit or loss	26	309,974	347,309
Securities measured at fair value through other comprehensive income	27	7,925,556	9,143,353
Intangible assets	28	739,728	728,475
Property, plant and equipment	29	1,124,977	1,243,523
Deferred tax assets		1,054,515	876,599
Current tax assets		5,260	94
Other assets	31	887,940	656,595
Total assets		**142,319,932**	**131,777,481**
LIABILITIES	Note	30 June 2022	31 December 2021
Amounts due to other banks	32	7,474,093	8,012,244
Derivative financial instruments	21	3,486,584	1,918,032
Adjustment of fair value of hedging and hedged item	22	227,951	44,107
Amounts due to customers	33	109,413,772	101,092,941
Debt securities issued	34	516,076	722,628
Subordinated liabilities	35	4,397,875	4,334,572
Lease liabilities	30	791,094	860,004
Other liabilities	36	2,782,015	1,556,289
Current tax liabilities		214,620	175,681
Provisions	37	1,826,713	1,699,352
Total liabilities		**131,130,793**	**120,415,850**
EQUITY		30 June 2022	31 December 2021
Share capital	47	147,593	147,519
Supplementary capital		9,110,976	9,110,976
Other reserve capital		3,133,766	2,946,115
Revaluation reserve		(1,306,366)	(595,622)
Retained earnings		103,170	(247,357)
retained profit		(432,239)	(423,655)
net profit for the period		535,409	176,298
Total equity		**11,189,139**	**11,361,631**
Total liabilities and equity		**142,319,932**	**131,777,481**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as of 1 January 2022	**147,519**	**9,110,976**	**2,946,115**	**(595,622)**	**(423,655)**	**176,298**	**11,361,631**
Total comprehensive income for the period	**-**	**-**	**-**	**(710,744)**	**-**	**535,409**	**(175,335)**
Net profit for the period	-	-	-	-	-	535,409	535,409
Other comprehensive income for the period	-	-	-	(710,744)	-	-	(710,744)
Distribution of retained earnings	**-**	**-**	**184,526**	**-**	**(8,228)**	**(176,298)**	**-**
Distribution of retained earnings intended for capital	-	-	184,526	-	(8,228)	(176,298)	-
Share issue	**74**	**-**	**-**	**-**	**-**	**-**	**74**
Management stock options*	**-**	**-**	**3,125**	**-**	**-**	**-**	**3,125**
Other adjustments	**-**	**-**	**-**	**-**	**(356)**	**-**	**(356)**
Balance as of 30 June 2022	**147,593**	**9,110,976**	**3,133,766**	**(1,306,366)**	**(432,239)**	**535,409**	**11,189,139**

* for details on the management stock options programme please refer to Note 39

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	Net profit for the period	Total
Balance as of 1 January 2021	**147,419**	**9,110,976**	**2,208,982**	**255,833**	**(425,778)**	**733,095**	**12,030,527**
Total comprehensive income for the period	**-**	**-**	**-**	**(851,455)**	**-**	**176,298**	**(675,157)**
Net profit for the period	-	-	-	-	-	176,298	176,298
Other comprehensive income for the period	-	-	-	(851,455)	-	-	(851,455)
Distribution of retained earnings	**-**	**-**	**731,060**	**-**	**2,035**	**(733,095)**	**-**
Distribution of retained earnings intended for capital	-	-	731,060	-	2,035	(733,095)	-
Share issue	**100**	**-**	**-**	**-**	**-**	**-**	**100**
Management stock options*	**-**	**-**	**6,073**	**-**	**-**	**-**	**6,073**
Other adjustments	**-**	**-**	**-**	**-**	**88**	**-**	**88**
Balance as of 31 December 2021	**147,519**	**9,110,976**	**2,946,115**	**(595,622)**	**(423,655)**	**176,298**	**11,361,631**

* for details on the management stock options programme please refer to Note 39

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	Net profit for the period	Total
Balance as of 1 January 2021	**147,419**	**9,110,976**	**2,208,982**	**255,833**	**(425,778)**	**733,095**	**12,030,527**
Total comprehensive income for the period	**-**	**-**	**-**	**(172,262)**	**-**	**295,943**	**123,681**
Net profit for the period	-	-	-	-	-	295,943	295,943
Other comprehensive income for the period	-	-	-	(172,262)	-	-	(172,262)
Distribution of retained earnings	**-**	**-**	**731,060**	**-**	**2,035**	**(733,095)**	**-**
Distribution of retained earnings intended for capital	-	-	731,060	-	2,035	(733,095)	-
Issue of shares	**100**	**-**	**-**	**-**	**-**	**-**	**100**
Management stock options*	**-**	**-**	**3,689**	**-**	**-**	**-**	**3,689**
Other adjustments	**-**	**-**		**-**	**151**	**-**	**151**
Balance as of 30 June 2021	**147,519**	**9,110,976**	**2,943,731**	**83,571**	**(423,592)**	**295,943**	**12,158,148**

* for details on the management stock options programme please refer to Note 39

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Net profit (loss)		**535,409**	**295,943**
Adjustments for:		**2,317,389**	**1,142,425**
Income tax expenses		282,897	213,762
Depreciation and amortization		206,475	198,198
Dividend income		(8,142)	(1,455)
Interest income		(3,042,204)	(1,613,041)
Interest expense		889,834	121,313
Change in provisions		127,537	240,421
Change in amounts due from banks		(849,785)	(58,117)
Change in assets due to derivative financial instruments		(1,604,882)	603,556
Change in loans and advances to customers measured at amortised cost		(5,406,391)	(4,544,530)
Change in loans and advances to customers measured at fair value through profit or loss		129,141	165,293
Change in amounts due to banks		(1,052,680)	(1,431,525)
Change in liabilities due to derivative financial instruments		1,640,349	(755,090)
Change in amounts due to customers		8,233,080	5,898,856
Change in other assets and current tax assets		(197,148)	193,596
Change in other liabilities and provisions due to deferred tax		976,139	342,611
Other adjustments	40	50,493	860
Interest received		2,734,107	1,716,767
Interest paid		(790,777)	(148,378)
Lease payments for short-term leases not included in the lease liability measurement		(654)	(672)
Net cash flows from operating activities		**2,852,798**	**1,438,368**

CASH FLOWS FROM INVESTMENT ACTIVITIES:		HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Inflows		**47,826,617**	**43,206,439**
Sale and maturity of financial assets		47,814,337	43,180,044
Sale of intangible assets and property, plant and equipment		4,138	24,940
Dividends received and other inflows from investing activities		8,142	1,455
Outflows		**(47,477,308)**	**(43,456,011)**
Purchase of debt securities		(47,335,801)	(43,320,429)
Purchase of intangible assets and property, plant and equipment		(141,507)	(135,582)
Net cash flows from investment activities		**349,309**	**(249,572)**
CASH FLOWS FROM FINANCING ACTIVITIES:		HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Inflows		**1,125,911**	**878,718**
Long-term loans received and subordinated liabilities		1,125,837	878,618
Net proceeds from share issues and return of capital contributions		74	100
Outflows		**(877,974)**	**(966,555)**
Repayment of long-term loans received		(612,086)	(572,387)
Repayment of lease liability		(59,447)	(62,569)
Redemption of debt securities		(206,441)	(331,599)
Net cash flows from financing activities		**247,937**	**(87,837)**
TOTAL NET CASH AND CASH EQUIVALENTS		**3,450,044**	**1,100,959**
Cash and cash equivalents at the beginning of the period		**5,512,816**	**3,705,320**
Cash and cash equivalents at the end of the period:	38	**8,962,860**	**4,806,279**
Effect of exchange rate fluctuations on cash and cash equivalents		89,490	(7,786)

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. IDENTIFICATION DATA

BNP Paribas Bank Polska S.A. („Bank" or „BNP Paribas") is the parent company in the Capital Group of BNP Paribas Bank Polska S.A. („Group").

The registered office of the Bank is located at Kasprzaka 2, 01-211 Warsaw. The Bank is registered in Poland, by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000011571. The duration of the parent and the Group companies is unlimited.

2. DESCRIPTION OF THE CAPITAL GROUP

BNP Paribas operates within the BNP Paribas Capital Group with its registered office in Paris.

As of 30 June 2022, the BNP Paribas Bank Polska S.A. Capital Group comprised BNP Paribas Bank Polska S.A. as the parent and its subsidiaries. The Bank's share in the equity of subsidiaries is presented in brackets:

1. BANKOWY FUNDUSZ NIERUCHOMOŚCIOWY ACTUS SP. Z O.O. in liquidation („ACTUS" 100%),
2. BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. („TFI" 100%),
3. BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING" 100%),
4. BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC" 100%),
5. CAMPUS LESZNO SP. Z O.O. (100%),
6. BNP PARIBAS SOLUTIONS SPÓŁKA Z O.O. in liquidation (100%),
7. BGZ POLAND ABS1 DAC („SPV").

The Bank did not have any capital involvement in BGŻ Poland ABS1 DAC (SPV). The company is controlled by the Bank in connection with the control conditions contained in IFRS 10.

On 28 January 2022, the Extraordinary Shareholders' Meeting of BFN ACTUS Sp. z o.o. passed a resolution to dissolve the Company by way of liquidation. As of 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 liquidation of the Company. As of that date, the Company changed its name to BNP Paribas Solutions Sp. z o.o. in liquidation.

In accordance with the principles of International Financial Reporting Standards, the interim condensed consolidated financial statements covered all Subsidiaries as of 30 June 2022.

3. ACCOUNTING PRINCIPLES APPLIED FOR THE PURPOSE OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the first half of 2022 ended 30 June 2022 were prepared in accordance with the requirements of International Financial Reporting Standards, as adopted by the European Union ("EU IFRS"), in particular, in accordance with IAS 34. The accounting principles applied in the first half of 2022 do not differ from the principles applicable in 2021, which are described in detail in the Consolidated financial statements of Bank BNP Paribas S.A. Capital Group for the year ended 31 December 2021.

The Interim condensed consolidated financial statements do not include all information and disclosures required in annual consolidated financial statements, and, therefore, should be read in conjunction with the Consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended 31 December 2021.

The present Interim condensed consolidated financial statements include the requirements of all International Accounting Standards approved by the European Union ("IAS"), International Financial Reporting Standards ("EU IFRS") and interpretations related to these standards, except for the standards and interpretations listed below that are awaiting approval by the European Union or have been approved, but entered into or will enter into force only after the balance sheet date.

In the period covered by the Interim condensed consolidated financial statements, the Group did not use the option of earlier application of standards and interpretations, which were approved by the European Union, but will enter into force only after the balance sheet date.

3.1. New standards, interpretations and amendments to these standards that have already been issued by the International Accounting Standards Board (IASB) but not yet approved by the European Union

Standards / Interpretations	Date of issue/ publication	Date of entry into force in EU	Approved by the EU	Description of changes
IFRS 17 Insurance Contracts: First application of IFRS 17 and IFRS 9 – comparative data	09.12.2021	01.01.2023	No	The amendments provide a transitional option for comparative information on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities, thereby improving the usefulness of comparative information for users of financial statements. The changes will not significantly affect the Bank's financial statements.
Amendments to IAS 1, Presentation of financial statements - classification of liabilities as short-term and long-term	23.01.2020/ 15.07.2020	01.01.2023	No	Amendments to IAS 1 affect the requirements for presenting liabilities in the statement of financial position. In particular, they explain the difference between classification of liabilities as short-term or long-term ones – the classification shall be based on the rights existing at the end of the reporting period. The prospective approach will be applicable while introducing these amendments. The changes will not significantly affect the Bank's financial statements.
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	07.05.2021	01.01.2023	No	The changes aim to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The changes will not significantly affect the Bank's financial statements.

3.2. New standards, interpretations and amendments to the existing standards, that have been issued by the International Accounting Standards Board (IASB), approved by the European Union but not yet effective and have not been implemented by the Group yet

Standards / Interpretations	Date of issue/ publication	Date of entry into force in EU	Date of approval by EU	Description of changes
Amendments to IAS 8, Definition of accounting estimates	12.02.2021	01.01.2023	02.03.2022	In the amendment to IAS 8 Definition of Accounting Estimates, the definition of change in accounting estimates was replaced by the definition of accounting estimates. According to the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The Board also clarified the new definition through additional guidance and examples of how accounting policies and accounting estimates are related and how a change in valuation technique constitutes a change in accounting estimate. The introduction of the definition of accounting estimates and other amendments to IAS 8 were intended to help entities distinguish between changes in accounting policies and changes in accounting estimates. The change will not significantly affect the Bank's financial statements.
Amendments to IAS 1 and IFRS 2 Practice Statement on Disclosure of accounting policies	12.02.2021	01.01.2023	02.03.2022	The amendments to IAS 1 and IFRS 2 Practice Statement are intended to help preparers decide which accounting policies to disclose in their financial statements. The amendments introduce the requirement to disclose significant information concerning accounting policies instead of significant accounting policies. Explanations and examples have been added on how an entity can identify relevant information on accounting policies. The amendments clarify that accounting policy information may be material by its nature even if the amounts are immaterial and users of financial statements would need it to understand other material information in the financial statements. The changes will not significantly affect the Bank's financial statements.
IFRS 17 "Insurance Contracts", amendments to IFRS 17	18.05.2017, amendments issued on 25.06.2020 amendments published on 23.11.2021	01.01.2023	19.11.2021	IFRS 17 'Insurance Contracts' will replace the IFRS 4 'Insurance Contracts' standard, which allows insurance contracts to continue to be accounted under the accounting rules applicable in national standards and which consequently implies a number of different solutions. IFRS 17 requires consistent recognition of all insurance contracts. Liabilities arising from contracts will be recognised at present values instead of historical cost. The standard is to be applied based on a full retrospective approach (if inapplicable, an entity should use the modified retrospective approach or the fair value approach). The amendments are intended to: - reducing costs by simplifying certain requirements of the standard; - less complicated explanation of financial results; and - facilitating the transition to the new standard by deferring the effective date of the standard to 2023 and introducing additional relief to facilitate the first-time implementation of IFRS 17. The changes will not significantly affect the Bank's financial statements.

3.3. Changes in presentation of financial data

Compared to the Interim condensed consolidated financial statements for the first half of 2021 ended 30 June 2021, the Group changed the presentation of costs resulting from intermediation in the sale of products spread over time using the effective interest rate by transferring from interest expense to interest income on financial instruments measured at amortised cost

	HY 2021 from 01.01.2021 to 30.06.2021	Change	HY 2021 from 01.01.2021 to 30.06.2021 after change
Interest income	1,629,552	(16,511)	1,613,041
Interest expense	(137,824)	16,511	(121,313)
Net interest income	**1,491,728**	**-**	**1,491,728**

The Group considers the presentation changes presented above to better reflect the economic nature of the above items and therefore provide more useful information to the users of the financial statements.

4. GOING CONCERN

The present Interim condensed consolidated financial statements have been prepared assuming that the companies within the Group will continue as a going concern in substantially the same scope, in the foreseeable future, i.e. within at least 12 months from the date of the reporting period end.

5. APPROVAL OF THE FINANCIAL STATEMENTS

The Interim condensed consolidated report of the BNP Paribas Bank Polska S.A. Capital Group for the first half of 2022 ended 30 June 2022 was approved for publication by the Management Board on 10 August 2022.

6. SEASONAL AND CYCLICAL NATURE OF BUSINESS

There are no significant seasonal or cyclical phenomena in the Group's operations.

7. ESTIMATES

The Group makes estimates and assumptions that affect the values of assets and liabilities reported in the following period. Estimates and assumptions, which are subject to ongoing assessment, are based on historical experience and other factors, including expectations of future events that appear reasonable in the circumstances.

a. Impairment of financial assets

The assessment of impairment of financial assets in accordance with IFRS 9 requires estimates and assumptions, especially in the areas of estimates of the value and timing of future cash flows, the value of collaterals established, or the assessment of a significant increase in credit risk.

The assessment of impairment in accordance with IFRS 9 covers financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as well as loan commitments. The recognition of expected credit losses depends on the change in the level of credit risk recorded since the moment of initial recognition of the financial asset. Financial assets are subject to the assessment as to whether there are any events of default.

The requirements of IFRS 9 relating to impairment are based on the model of expected credit loss.

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

i. Stage 1: An allowance due to expected credit losses in 12-month horizon

If the credit risk did not increase significantly from the date of the initial recognition, and the event of default did not occur from the moment of granting the financial instrument, the Group recognizes an allowance for the expected credit loss within the next 12-month horizon.

ii. Stage 2: An allowance due to expected credit losses for the entire lifetime – no event of default identified

In the case of financial instruments, whose credit risk has increased significantly since the moment of their initial recognition, but no event of default occurred, an impairment allowance is created for the entire remaining financing period, considering the probability of the occurrence of the event of default.

iii. Stage 3: An allowance due to expected credit losses for the entire lifetime – event of default

In the case of financial instruments for which the event of default occurred, an allowance for the expected credit loss is created for the entire remaining financing period.

In order to assess whether there has been a significant increase in credit risk since the initial recognition of the financial instrument (Stage 2), the Group compares the risk of default during the expected period of financing granted as at the balance sheet date and the date of initial recognition.

In the first half of 2022, the Group has implemented a trigger based on an assessment of the relative change in the PD lifetime parameter. The assessment consists of verifying whether the ratio of the cumulative PD at the reporting date determined for the period from the reporting date to the maturity date and the cumulative PD at the initial recognition date determined for the period from the reporting date to the maturity date exceeds the threshold for the relative change in the PD lifetime parameter. If the threshold is exceeded, a significant increase in credit risk is identified (Stage 2). Due to the implementation of the trigger, there was an increase in the exposure in Stage 2 in the amount of PLN 1,108,939 thousand and PLN 27,225 thousand of allowances for expected credit losses were created.

In addition, in order to assess a material increase in credit risk, the Group applies an internal credit risk rating system, information on delay in repayments (over 30 days of delay) and information from internal credit risk monitoring systems, such as warning letters and information about restructuring.

For exposures classified as Stage 2, if in subsequent periods the credit quality of the financial instrument improves and previous conclusions regarding a significant increase in credit risk since initial recognition are reversed, the exposure is reclassified from Stage 2 to Stage 1 and the allowance for expected credit losses for these financial instruments is calculated over a 12-month horizon.

For the purpose of identifying exposures eligible for Stage 3, the Group uses a single definition of defaulted exposures and a definition of impaired exposures, and classification is based on the principles of the default triggers.

The principal event of default is a delay in repayment of more than 90 days (or more than 30 days for exposures with granted facilities) of a material amount of a past due credit obligation. In addition, other indications are taken into account, including in particular:

- restructuring,
- granting of a facility where the exposure is granted a facility or restructured,
- granting of a facility without significant economic loss where at least one of the following conditions is met
  - a large lump sum payment towards the end of the repayment schedule;
  - irregular repayment schedule, with significantly lower payments at the beginning of the repayment schedule;
  - significant grace period at the beginning of the repayment schedule;
  - exposures to an obligor that are subject to distress restructuring on more than one occasion.
- suspicion of fraud (including economic crime or any other criminal offence related to the credit exposure),
- information has been received about the submission of an application for restructuring proceedings within the meaning of the Act on Restructuring Law,
- filing of an application for commencing enforcement proceedings by the Group or becoming aware of the fact that enforcement proceedings against the debtor are being conducted in the amount which, in the opinion of the Bank, may result in the loss of creditworthiness,
- becoming aware of the fact of filing of an application for declaring the debtor bankrupt (liquidation, consumer), putting the debtor into liquidation, dissolution or cancellation of the company, appointment of a curator, appointment of a receiver over the debtor's activity,
- filing of an application for bankruptcy proceedings, a declaration of bankruptcy or becoming aware of the dismissal of the bankruptcy application due to the fact that the debtor's assets are insufficient or sufficient only to meet the costs of the bankruptcy proceedings,
- termination of the credit agreement,
- submission by the Bank of an application to initiate enforcement proceedings against the customer,
- granting of a public moratorium,

- financial difficulties identified during the customer monitoring/review process or on the basis of information obtained from the customer in the course of other activities,
- significant deterioration in customer rating.

In determining the materiality level of a past due credit obligation, the Group takes into account the thresholds contained in the "Regulation of the Minister of Finance, Investment and Development dated 3 October 2019 on the materiality level of a past due credit obligation".

A past due credit commitment is considered material when both materiality thresholds are exceeded together:

1) the amount of past due liabilities exceeds PLN 400 for retail exposures or PLN 2,000 for non-retail exposures, and
2) the share of past due liabilities in the exposure is greater than 1%.

Accordingly, the calculation of the number of overdue days for the purpose of determining a default event starts once both of the aforementioned thresholds are exceeded.

While reclassifying the exposure from Stage 3 to Stage 2 or Stage 1, the Group considers quarantine period, according to which a credit exposure with recognised objective trigger of impairment may only be reclassified into Stage 2 or Stage 1 if the customer has been servicing the receivable on time for a specified number of months. The required quarantine period differs depending on the customer type. Its length is determined by the Group on the basis of historical observations which allow for determining the period after which the probability of default decreases to the level comparable to that of other exposures classified to the portfolio with no indications of impairment.

Description of the methods used to determine the allowance for expected credit losses

The individual valuation is performed by the Group for individually significant financial assets, for which the event of default was identified. It consists in the individual determination of the allowance for expected credit losses. During the individual valuation, the Bank determines expected future cash flows and impairment allowance is calculated as the difference between the present value (balance sheet amount) of a financial asset which is individually significant and the value of future cash flows generated by that asset, discounted using the effective interest method. Cash flows from collateral are taken into account for purposes of estimating future cash flows.

The following assets are measured collectively:

- classified as individually insignificant;
- classified as individually significant, for which the event of default was not identified.

The value of the impairment allowance for the expected credit losses depends on, among others, the type of credit exposure, rating of the client, collateral type and value (for selected portfolios), which translate into the parameters such as the probability of default (PD) parameter, loss given default (LGD) parameter and credit conversion factor (CCF).

The amount of collective impairment allowances is determined with the application of statistical methods for defined exposure portfolios which are homogenous from the perspective of credit risk. Homogeneous exposure portfolios are defined based on, among others, customer segment and type of credit products. The criteria applied by the Group to define homogeneous portfolios are aimed at grouping exposures so that the credit risk profile is reflected as accurately as practicable and, consequently, so as to estimate the level of allowances for the expected credit losses on financial assets as objectively and adequately as possible.

Due to the stabilisation of the situation related to the pandemic and the expected limited impact of COVID in subsequent periods, in the first half of 2022 the Group has fully released provisions related to the negative impact of COVID (amounting to PLN 200,130 thousand).

In the first half of 2022, provisions in the amount of PLN 65,170 thousand were also released, which were created in 2021 in connection with changes in the Code of Civil Procedure affecting expected recovery levels on the portfolio of individual farmers' loans. This solution results from subsequent amendments to the Code of Civil Procedure, which came into force on 26.02.2022 (Journal of Laws of 2022, item 366), and have lifted the restrictions on bailiff enforcement of farms and, as a consequence, the expected decrease in recoveries resulting from the restrictions on bailiff enforcement does not occur.

At the same time, bearing in mind the risks related to the geopolitical and macroeconomic situation in the first half of 2022, the Group has created new provisions for the impact of the economic situation forecasts in the amount of PLN 245,036 thousand. This amount includes:

- provisions related to the update of forecasts of macroeconomic variables included in the IFRS9 model applied in the amount of PLN 67,946 thousand (a provision of PLN 117,477 thousand in the first quarter of 2022 and a release of PLN 49,531 thousand in the second quarter of 2022), and
- additional provisions (in the form of Post Model Adjustments) related to risk factors not directly included in the macroeconomic model in the amount of PLN 177,090 thousand (taking into account the provision created in 2021 in the amount of PLN 9,000 thousand, the balance of the provision for this purpose as at June 30, 2022 amounted to PLN 186,090 thousand).

In addition, the Group reviewed the loan portfolio in order to identify customers that are particularly sensitive to economic disruption. Within the business entities segment, the Group reviewed the portfolio in particular with regard to the impact of the conflict in Ukraine and high inflation, taking into account, inter alia, the sector in which the entity operates, the possibility of passing on an increase in operating costs, the entity's debt ratio and expert assessment. In the case of the retail customer segment, the identification of sensitive customers was carried out, inter alia, on the basis of available indicators constituting indices of the level of debt burden and timely payment of liabilities in other institutions.

As a result of the identification, exposures to sensitive customers were transferred to Phase 2 (significant increase in credit risk), resulting in the creation of impairment allowance of PLN 32,565 thousand and additional provisions (in the form of Post Model Adjustments) in the total amount of PLN 52 340 thousand were allocated (taking into account the provisions related to energy prices in the amount of PLN 15,300 thousand created in 2021, the balance of the additional provision for this purpose as at June 30, 2022 amounted to PLN 67,640 thousand).

Additionally, as at June 30, 2022, the Group maintained PLN 29,500 thousand provision for planned changes in the LGD model (the amount of the allowance did not change compared to the balance at the end of 2021).

Taking into account the above-mentioned elements, in the first half of 2022, the Group released PLN 35 870 of additional provisions (in the form of Post Model Adjustments). The balance of additional provisions as at June 30, 2022 amounted to PLN 283 230 thousand, while the balance as at December 31, 2021 was PLN 319 100 thousand.

Allowances for the expected credit losses on financial assets are back-tested on a regular basis. The models of risk parameters used for purposes of estimating impairment allowances are covered by the model management process, which specifies the principles of their development, approval and monitoring (including model back-testing). Additionally, there is a validation unit in the Group, which is independent of the owners and users of the models. The tasks of the unit include: annual validation of risk parameters considered to be significant. The process of validation covers both qualitative and quantitative approach. The process of estimating impairment allowances is subject to periodic functional control and verified independently by the Bank's internal audit.

In order to calculate the sensitivity of the level of allowances related to the realisation of macroeconomic scenarios, the Bank used the method of changing the weights of the pessimistic, baseline and optimistic scenarios in accordance with their application consistent with IFRS 9.

The impact of particular scenarios is presented in the table below:

Analysis/scenario	The percentage change in the amount of allowance
Pessimistic scenario – considering pessimistic and baseline scenarios only	5%
Optimistic scenario – considering optimistic and baseline scenarios only	-3%
Baseline scenario – uniform distribution of optimistic and pessimistic scenarios	1%

The sensitivity of the level of allowances results directly from the counter-cyclical nature of the calculation of weights assigned to individual macroeconomic scenarios. Countercyclicality is expressed in reducing the weight for the pessimistic scenario as the recession deepens, and in reducing the impact of the optimistic scenario in the event of an "overheating" of the economy.

In addition, the impact of the estimated change in the level of allowances due to scenarios of changes in risk parameters is presented below.

Analysis/scenario	The percentage change in the amount of allowance
PD decrease by 10%	-4%
PD increase by 10%	4%
LGD decrease by 10%	-10%
LGD increase by10%	9%

Adjustment to Recommendation R

In connection with the issuance of the revised Recommendation R by the PFSA, the Bank carried out a process aiming to adapt the Bank's operations to the new regulations. All changes were implemented before the implementation date of Recommendation R, i.e. 1 January 2022, and included, in particular, processes, applied solutions and scope of reporting.

As part of the adjustment to the provisions of the Recommendation, the Bank reviewed, among other things, the currently applied rules for classifying exposures into Stages 2 and 3. In terms of classification into Stage 2, a new trigger was introduced. The trigger assigns all exposures that are more than 90 days past due, where the credit overdue materiality criterion was not met. With regard to the classification into Stage 3, the individual triggers were clarified and aligned with the current external regulations on bankruptcy and restructuring law.

The changes made as part of the aforementioned process had no material impact on the level of allowances at the Bank.

Climate issues

When considering the need to disclose climate-related risks, the Group takes into account the requirements for determining materiality of financial information in paragraph 7 of IAS 1. According to these requirements, the Group should consider both quantitative factors and qualitative factors, as well as the interactions between the factors, when assessing whether or not the information is material.

In 2021, in response to the requirements of the EBA/GL/2020/06 Guideline of 29 May 2020 on lending and monitoring, the Group developed ESG assessment questionnaires, which were implemented in the lending process. According to the timetable for the implementation of the Guidelines, in Phase I the assessment is carried out for Customers for whom new financing or an increase in financing is being processed. The purpose of the assessment is to identify any risks related to ESG factors affecting the financial position of the customers, as well as the impact of the customers' business activities on ESG factors (double materiality principle). Environmental risks are subject to special analysis by the Group. They may materialise through:

1) physical risks related to environmental degradation, as well as climate change, including the occurrence of:
    a) long-term climate change,
    b) extreme weather events,
2) transition (transformation) risks resulting from the need to adapt the economy to gradual climate change, in particular to the use of low-carbon and more environmentally sustainable solutions, including the occurrence of:
    a) regulatory risk (changes in climate and environmental policies),
    b) technological risks (a technology with a less damaging effect on the climate or the environment replaces a more damaging technology, making it outdated),
    c) changes in market sentiment and social norms,
3) liability risk arising from the Group's exposure to counterparties that could potentially be held liable for the negative impact of their activities on environmental, social and corporate governance factors.

The assessment of the impact of long-term climate change and extreme weather events on the activities carried out by customers, is taken into account by the Group, in the process of granting and monitoring loans, in accordance with the following systematics:

Long-term climate changes:	Extreme weather events:
impact of higher temperatures	impact of heat waves
impact of temperature shocks	impact of cold waves
impact of temperature shocks	impact of fires
impact of changing rain/snow-fall patterns and types	impacts of storms, tornadoes, etc.
impact of sea level rise	impact of droughts
impact of water stress (reduced access to water)	impact of heavy rain/snow-falls
impact of soil and coastal erosion	impact of floods
impact of soil degradation	impact of landslides

In the Group's view, the impact of climate and environmental risks does not materially affect the level of credit risk, so the Group does not isolate these risks in the calculation of expected credit losses.

However, the Group recognises that climate and environmental risks may represent a material risk to businesses and a systemic risk to the economy, so it is taking steps to collect relevant data on these risks.

b. Classification of financial instruments

When classifying financial instruments in accordance with IFRS 9, the Bank used the assessment of business models for maintaining financial assets and assessing whether the contractual terms related to a financial asset resulted in cash flows that were solely payment of principal and interest on the principal amount remaining to be repaid.

c. Fair value of derivative instruments

The fair value of derivative instruments which are not quoted on active markets is determined using measurement techniques (e.g. models). Such methods are evaluated and verified periodically by qualified independent employees who have not participated in their development. All models require approval before use as well as calibration to ensure that the results reflect actual data and comparable market prices. The models used at present rely on the data obtained from Reuters and/or Bloomberg information systems. Derivative instruments are measured on the basis of generally acceptable models. Linear instruments are measured using the discounted cash flow method while plain vanilla options using the Black-Scholes model. Other options included in structured deposits are measured either through decomposition into vanilla options or through Monte Carlo simulations.

Credit Valuation Adjustment / Debit Valuation Adjustment (CVA/DVA) is estimated for all derivatives which are active at a specific date. The adjustment (counterparty credit risk exposure and default risk) is determined based on the projected future exposure resulting from the instrument, counterparty rating and collateral provided/accepted.

d. Fair value of securities

Securities, for which no liquid market exists, are measured using the discounted cash flow model. As regards securities classified to the level in the fair value hierarchy, the credit risk margin is a non-observable parameter corresponding to the market margin for instruments with similar characteristics.

e. Impairment of fixed assets

At the end of each reporting period, the Group verifies whether there is any objective impairment trigger concerning its fixed assets. If such triggers have been identified, the Group estimates the recoverable amount. Determination of the value in use of a fixed asset requires the Group to make assumptions as to the estimated amounts, dates of future cash flows that may be generated by the Bank on the fixed asset as well as other factors. When estimating the fair value less costs to sell, the Group relies on available market data or valuations of independent appraisers, which generally are also based on estimates.

f. Provisions for retirement, disability and post-mortem benefit obligations

The Group creates provisions for retirement, disability and post-mortem severance pay ("severance"), in accordance with IAS 19. The provisions are calculated for each employee separately, using the actuarial method of projected unit credit as at the date of valuation. The calculations take a number of factors into account, including macroeconomic conditions, employee turnover, risk of death and others. The basis for calculating the provision for employees is the anticipated value of severance pay which the Group is to pay pursuant from the Remuneration Regulations in force at the Group. The anticipated severance pay is calculated as the resultant of:

- the expected severance base, in accordance with the provisions of the Collective Bargaining Agreement,
- the expected increase in the severance base from the moment of valuation until the payment of severance,
- the recommended proportional dependence on seniority (in accordance with the provisions of the Collective Labour Agreement),
- gradual rights to services, unique for each team and proportional to their seniority at the Group.

The projected value is discounted actuarially at the end of each quarter. In accordance with the requirements of IAS 19, the financial discount rate for calculating the current value of liabilities related to employee benefits is determined on the basis of market yields on treasury bonds whose currency and maturity date are consistent with the currency and the estimated date of the benefit obligations. The actuarial discount is the product of the financial discount, the probability of a person's continued employment at the Group until the severance is required, and the probability of the need for a particular benefit (e.g. the probability of acquiring a disability). The value of annual write-offs and the probability are projected with the use of models which take the following three risks into account:

- possibility of dismissal from work,
- risk of inability to work,
- risk of death.

The possibility of dismissal from work is estimated trough a probability distribution, based on the Group's statistical data. The likelihood of dismissal depends on the age of the employee and is constant throughout each year of work. The risks of death and disability were estimated based on analyses of the latest statistical data on life expectancy in Poland (for men and women) as well as historical data published by the Central Statistical Office and the Social Security Office.

Provisions resulting from actuarial valuation are updated quarterly.

g. Restructuring provision

On 18 December 2020, the Group finalized negotiations with trade union organizations operating in the Group and concluded an agreement on defining the rules with reference to the matters concerning employees in connection with the collective redundancies process resulting from the adaptation of the Group's business model in relation to the change of business environment. In connection with the agreement concluded in December 2020, the Group created restructuring provision to cover the costs of employment reduction. The negotiated collective redundancies programme was implemented on the beginning of 2021.

h. Asset and provision for deferred income tax

The provision for deferred income tax is recognised in the full amount using the balance sheet method, due to positive temporary differences between the tax value of assets and liabilities, and their balance sheet value in the financial statements. Deferred tax assets are recognised for all negative temporary differences, as well as unused tax credits and unused tax losses carried forward to the subsequent years, in the amount in which it is probable that taxable income will be generated that will allow the use of the above mentioned differences, assets and losses. Deferred income tax is determined using tax rates (and regulations) in force or at the end of the reporting period, which are expected to be effective at the time of realization of the related assets due to deferred income tax or settlement of liabilities due to deferred income tax.

If the temporary differences arose as a result of the recognition of an asset or liability resulting from a transaction that is not a business combination and which at the time of the conclusion did not affect the tax or accounting result, the deferred tax is not recognised. In addition, a deferred tax provision is created for positive temporary differences arising from investments in subsidiaries or associates and investments in joint ventures - except the situations when the timing of temporary differences reversal is subject to control by the entity and when it is probable that in the foreseeable future, temporary differences will not be reversed Deferred tax assets in the event of negative temporary differences from investments in subsidiaries or associates and investments in joint ventures, only to the extent that it is probable that in the foreseeable future the abovementioned temporary differences will be reversed and taxable income allowing to offset any negative temporary differences will be generated.

The balance sheet amount of the deferred tax asset is reviewed at the end of each reporting period and is reduced accordingly, and so far as it is no longer probable that taxable income sufficient for partial or total realization of the deferred tax asset will be realized. An unrecognised deferred tax asset is subject to reassessment at the end of each reporting period and is recognised up to an amount that reflects the probability of achieving future taxable income that will allow recovery of that asset. The Group offsets deferred tax assets with deferred tax provisions if and only if it has an enforceable legal title to compensate corresponding receivables and liabilities due to current tax and deferred income tax is related to the same taxpayer and the same tax authority.

Income tax related to the items recognised directly in equity is recognised in equity and in the statement of comprehensive income.
In the first half of 2022 and 2021, current income tax and deferred tax provision were calculated using the 19% rate.

i. Provision for the return of commission due to early repayment of the loan

On 11 September 2019, the CJEU issued a judgment in which it was stated that Article 16 paragraph 1 of the Directive No. 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on consumer loan agreements which repealed Council Directive No. 87/102/EEC should be interpreted in the following way: the consumer's right to reduce the total cost of a loan in the event of earlier repayment includes all costs that have been imposed on the consumer. The CJEU pointed out that a comparative analysis of the different language versions of Article 16 clause 1 of the Directive does not allow to clearly determine the exact scope of the reduction of the total cost of a loan envisaged by this provision, because some language versions of this provision suggest reducing the costs related to the remaining period of the contract, others suggest that the costs associated with this period constitute an indication for calculating the reduction, others still only refer to interest and costs due for the remaining period of the contract.

The judgment was issued following a question referred for a preliminary ruling by the Lublin-Wschód District Court based in Świdnik, which examined three disputes between the company Lexitor, which acquired the claims of three clients, and SKOK Stefczyka, Santander Consumer Bank and mBank, regarding the reduction of the total cost of consumer loans due to their earlier repayment. The Polish court had doubts about the interpretation of Article 16 paragraph 1 of Directive No. 2008/48/EC of the European Parliament and of the Council of 23 April 2008, and therefore asked the CJEU whether this provision concerns all costs or only those related to the duration of the contract.

As a result of the analysis concerning the impact of the judgment on the Group's revenues, in particular on relations expired before the judgment was issued, in 2019 the Group decided to create a provision for a proportional refund of commission in the event of early repayment of the loan in the amount of PLN 48,750 thousand as at 30 June 2022 the provision amounted to PLN 16,347 thousand (as at 31 December 2021 the provision was PLN 19,156 thousand). The provision was estimated based on the estimation of the total amount of the provision for the early repaid loans and the expected percentage of customers who will claim for a refund of the due part of the commission. Assuming that the percentage of customers would be 5 p.p. higher than the assumed level, the amount of the provision would be higher by PLN 12.5 million.

Additionally, the Group created in 2019 a provision of PLN 20,800 thousand to cover the partial reimbursements of loan commissions in the event of their early repayment, for loans repaid after 31 December 2019. The estimate of the provision is based on the difference between the value of commissions to be reimbursed and the balance of unsettled commissions as at the expected date of early loan repayment. Due to increased utilisation of the provision in 2021 (as compared to the estimate made in 2019), based on complex portfolio analysis regarding the rate of early repayments, the required provision has been revalued. As of 30 June 2022 the provision amounted to PLN 9,295 thousand (as of 31 December 2021 the provision amounted to 11,542 thousand).

As a result of the CJEU judgment, the Group has implemented a process whereby a provision for estimated refunds of fees charged is made on an ongoing basis for newly originated loans. This provision is calculated as a percentage of commissions charged to the customer, which reflects the expected average difference between the amounts of commissions to be refunded to customers and the balance of outstanding commissions at the expected time of early repayment of the loan. This percentage is calculated based on the estimated level of early repayments and the expected timing of repayment. In the event of early loan repayment, this provision is released and for newly sold loans a provision will be created on an ongoing basis. As of 30 June 2022, the provision amounted to PLN 21,516 thousand (PLN 18,709 thousand as of 31 December 2021) 5 p.p. increase in the level of early repayments would result in a higher provision within a range from 8% to 13%, depending on the product.

The created provision level is based on estimates of the Group and may be changed.

Simultaneously, the Group recognises its liability due to the proportional reimbursement of commissions in the event of their early repayment in the period from the date of the judgment of the CJEU on 11 September 2019 to 31 December 2019. As of 30 June 2022, this liability amounted to PLN 2,330 thousand (PLN 2,363 thousand as of 31 December 2021).

The above provisions are presented by the Group under Provisions: Provision for litigation, while the Bank presents the liability under Other liabilities: Sundry creditors.

j. Provision for potential claims arising from legal proceedings related to loans in CHF

Provision for potential claims resulting from proceedings related to CHF loan agreements and model used by the Group were presented in Note 50 Litigation and claims.

8. NET INTEREST INCOME

Interest income	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021 (restated data)	HY 2021 from 01.01.2021 to 30.06.2021 (restated data)
Amounts due from banks	83,460	107,416	2,143	3,526
Loans and advances to customers measured at amortised cost, including:	1,374,789	2,338,595	567,944	1,128,528
non-banking financial institutions	10,004	15,945	2,363	4,740
retail customers	634,532	1,094,883	292,586	581,592
economic operators	657,689	1,104,786	249,594	496,023
including retail farmers	144,372	249,424	69,654	138,156
public sector institutions	1,013	2,051	478	972
leasing receivables	71,551	120,930	22,923	45,201
Loans and advances to customers measured at amortised cost through profit or loss	22,480	35,407	1,292	2,747
Debt instruments measured at amortised cost	149,781	297,648	148,975	296,728
Debt instruments measured at fair value through profit or loss	2,134	3,701	1,216	2,368
Debt instruments measured at fair value through other comprehensive income	81,065	138,851	45,752	90,688
Derivative instruments as part of fair value hedge accounting	59,485	114,784	42,929	86,221
Derivative instruments as part of cash flow hedge accounting	2,868	5,735	2,043	2,050
Securities purchased under repurchase agreements	67	67	139	185
Total interest income	**1,776,129**	**3,042,204**	**812,433**	**1,613,041**

Interest expense	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021 (restated data)	HY 2021 from 01.01.2021 to 30.06.2021 (restated data)
Amounts due to banks	(112,212)	(185,055)	(28,149)	(56,538)
Debt securities issued	(5,379)	(8,935)	(5,390)	(14,374)
Amounts due to customers, including:	(293,200)	(370,287)	(14,211)	(28,198)
non-banking financial institutions	(10,751)	(18,461)	(4,198)	(5,602)
retail customers	(107,404)	(131,311)	(8,612)	(19,882)
economic operators	(144,618)	(185,731)	(1,359)	(2,620)
including retail farmers	(833)	(881)	(28)	(61)
public sector institutions	(30,427)	(34,784)	(42)	(94)
Lease liabilities	(3,903)	(6,136)	(950)	(2,146)
Derivative instruments as part of fair value hedge accounting	(197,985)	(293,105)	(2,256)	(15,642)
Derivatives under cash flow hedge accounting	(6,149)	(9,324)	(331)	(332)
Securities sold subject to repurchase agreements	(7,366)	(15,821)	(10)	(21)
Other related to financial assets	(509)	(1,171)	(2,538)	(4,062)
Total interest expense	**(626,703)**	**(889,834)**	**(53,835)**	**(121,313)**
Net interest income	**1,149,426**	**2,152,370**	**758,598**	**1,491,728**

9. NET FEE AND COMMISSION INCOME

Fee and commission income	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
loans, advances and leases	85,889	164,783	74,037	148,371
account maintenance	62,704	133,678	54,597	120,398
cash service	8,530	21,812	8,105	15,092
cash transfers and e-banking	24,278	46,678	20,615	39,620
guarantees and documentary operations	14,764	27,557	11,076	23,264
asset management and brokerage operations	31,879	74,246	41,996	78,503
payment and credit cards	83,280	163,565	56,636	117,389
insurance mediation activity	42,550	75,481	27,571	48,259
product sale mediation and customer acquisition	4,068	8,318	2,968	6,186
other commissions	3,472	7,602	5,956	10,911
Total fee and commission income	**361,414**	**723,720**	**303,557**	**607,993**

Fee and commission expense	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
loans, advances and leases	161	(91)	(134)	(154)
account maintenance	(2,426)	(4,644)	(2,493)	(4,810)
cash service	(5,080)	(11,966)	(4,721)	(8,288)
cash transfers and e-banking	(5,765)	(6,463)	(671)	(1,376)
asset management and brokerage operations	(1,348)	(2,626)	(1,406)	(3,137)
payment and credit cards	(28,471)	(54,145)	(21,837)	(47,332)
insurance mediation activity	(5,085)	(11,480)	(4,576)	(9,518)
product sale mediation and customer acquisition	(5,725)	(11,984)	(7,676)	(14,859)
other commissions	(12,736)	(24,698)	(10,199)	(21,389)
Total fee and commission expense	**(66,475)**	**(128,097)**	**(53,713)**	**(110,863)**
Net fee and commission expense	**294,939**	**595,623**	**249,844**	**497,130**

10. NET TRADING INCOME

Net trading income	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Equity instruments measured at fair value through profit or loss	(11,480)	(10,453)	10,746	16,224
Debt instruments measured at fair value through profit or loss	(684)	(1,896)	37	(919)
Derivative instruments and result on foreign exchange transactions	130,940	281,959	162,969	316,512
Result on financial instruments measured at fair value through profit or loss and foreign exchange differences, total	**118,776**	**269,610**	**173,752**	**331,817**
including margin on foreign exchange and derivative transactions with customers	**195,750**	**374,160**	**139,133**	**273,185**

11. RESULT ON IVESTMENT ACTIVITIES

During the first half of 2022, the Group has not reclassified any financial assets measured at amortised cost to financial assets measured at fair value through other comprehensive income.

Result on investment activities	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Debt instruments measured at fair value through other comprehensive income	(30)	3,286	11,876	26,564
Loans and advances to customers measured at fair value through profit or loss	32,793	27,215	(4,487)	13,430
Result on investment activities, total	**32,763**	**30,501**	**7,389**	**39,994**

12. NET IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS AND PROVISION ON CONTINGENT LIABILITIES

Impairment allowances on financial assets and provision on contingent liabilities

HY 2022 from 01.01.2022 to 30.06.2022	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(4,316)	-	-	(4,316)	-
Loans and advances to customers measured at amortised cost	167,536	(277,174)	(98,092)	(207,730)	(12,839)
Contingent commitments granted	36,622	(17,161)	25,769	45,230	318
Securities measured at amortised cost	129	318	1,642	2,089	1,642
Total net impairment allowances on financial assets and provision on contingent liabilities	**199,971**	**(294,017)**	**(70,681)**	**(164,727)**	**(10,879)**

Impairment allowances on financial assets and provision on contingent liabilities

HY 2021 from 01.01.2021 to 30.06.2021	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(970)	-	-	(970)	-
Loans and advances to customers measured at amortised cost	(94,172)	14,620	(64,792)	(144,344)	8,940
Contingent commitments granted	16,204	11,685	(949)	26,940	849
Securities measured at amortised cost	155	63	(12,858)	(12,640)	(12,858)
Total net impairment allowances on financial assets and provision on contingent liabilities	**(78,783)**	**26,368**	**(78,599)**	**(131,014)**	**(3,069)**

In the first half of 2022, the Bank entered into agreements regarding the sale of credit receivables, described in detail in the Note 43 Loan portfolio sale.

The result on loan portfolio sale is recognised under Result of impairment allowances on financial assets and provisions on contingent liabilities

13. GENERAL ADMINISTRATIVE COSTS

General administrative expenses	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Personnel expenses	(317,380)	(630,717)	(291,353)	(584,147)
Marketing expenses	(32,333)	(52,909)	(27,371)	(48,168)
IT and telecom expenses	(58,490)	(116,751)	(51,367)	(108,228)
Short-term lease and operating costs	(17,450)	(32,217)	(13,911)	(30,049)
Other non-personnel expenses	(116,133)	(220,414)	(65,865)	(131,419)
Business travels	(3,360)	(5,066)	(1,324)	(2,648)
ATM and cash handling expenses	(6,341)	(13,100)	(5,924)	(11,700)
Costs of outsourcing services related to leasing operations	(770)	(1,398)	(590)	(1,347)
Bank Guarantee Fund fee	(188,017)	(339,730)	(13,508)	(117,224)
Polish Financial Supervision Authority fee	(3,635)	(7,213)	(3,217)	(6,569)
Total general administrative expenses	**(743,909)**	**(1,419,515)**	**(474,430)**	**(1,041,499)**

The Other non-personnel expenses line presents costs related to legal services for CHF loan litigation in the amount of PLN 35,046 thousand in the first half of 2022 (the first half of 2021: PLN 10,592 thousand).

14. DEPRECIATION AND AMORTISATION

Amortization	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Property, plant and equipment	(52,543)	(105,787)	(57,682)	(117,660)
Intangible assets	(54,696)	(100,688)	(42,412)	(80,538)
Total amortization	**(107,239)**	**(206,475)**	**(100,094)**	**(198,198)**

15. OTHER OPERATING INCOME

Other operating income	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Sale or liquidation of property, plant and equipment and intangible assets	5,824	7,270	27,777	33,525
Release of write-offs on other receivables	-	-	3,228	4,307
Sale of goods and services	(596)	871	4,407	7,236
Release of provisions for litigation and claims and other liabilities	2,912	36,360	11,261	21,055
Recovery of debt collection costs	4,304	9,321	5,611	11,594
Recovered indemnities	119	223	74	175
Income from leasing operations	12,267	31,647	7,234	17,342
Other operating income	13,345	26,150	(1,602)	14,440
Total other operating income	**38,175**	**111,842**	**57,990**	**109,674**

16. OTHER OPERATING EXPENSES

Other operating income	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Loss on sale or liquidation of property, plant and equipment and intangible assets	(7,926)	(9,424)	(25,477)	(33,027)
Impairment allowance on other receivables	-	-	(3,191)	(6,492)
On account of provisions for litigation and other liabilities	(23,583)	(29,534)	(19,935)	(32,331)
Debt collection	(8,095)	(16,714)	(10,629)	(22,277)
Donations granted	(2,228)	(3,687)	(1,289)	(2,396)
Costs of leasing operations	(7,361)	(22,489)	(2,989)	(9,691)
Indemnities, penalties and fines	(366)	(954)	(739)	(1,009)
Other operating income	(22,381)	(67,903)	(16,815)	(44,677)
Total other operating income	**(71,940)**	**(150,705)**	**(81,064)**	**(151,900)**

17. INCOME TAX EXPENSE

	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Current income tax	(173,808)	(292,554)	(92,145)	(136,271)
Deferred income tax	48,112	9,657	(9,771)	(77,491)
Total income tax expense	**(125,696)**	**(282,897)**	**(101,916)**	**(213,762)**
Profit before income tax	383,364	818,306	233,873	509,705
Statutory tax rate	19%	19%	19%	19%
Income taxes on gross profit	**(72,839)**	**(155,478)**	**(44,670)**	**(97,120)**
Receivables written-off	(14,126)	(21,473)	(4,421)	(13,198)
Representation costs	236	(376)	654	1,261
PFRON	(486)	(918)	(440)	(800)
Prudential fee to the Bank Guarantee Fund	871	(28,825)	(2,567)	(22,273)
Tax on financial institutions	(20,314)	(38,526)	(15,874)	(30,769)
Research and development relief	7,015	7,015	6,780	6,780
Provisions for claims on CHF loans	(14,466)	(30,323)	(35,553)	(49,206)
Provisions for legal risks	(2,925)	2,165	(2,083)	(2,190)
Other differences	(8,662)	(16,158)	(3,742)	(6,247)
Total income / tax expense of the Group	**(125,696)**	**(282,897)**	**(101,916)**	**(213,762)**

18. EARNINGS PER SHARE

	HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Basic		
Net profit	535,409	295,943
Weighted average number of ordinary shares (units)	147,555,009	147,466,367
Basic earnings (loss) per share (in PLN per one share)	3.63	2.01
Diluted		
Net profit used in determining diluted earnings per share	535,409	295,943
Weighted average number of ordinary shares (units)	147,555,009	147,466,367
Adjustments for:		
- stock options	99,753	85,513
Weighted average number of ordinary shares for the diluted earnings per share (units)	147 654,761	147,551,880
Diluted earnings (loss) per share (in PLN per one share)	3.63	2.01

In accordance with IAS 33 the Bank prepares the calculation of diluted net profit per share, taking into account the shares issued conditionally under incentive schemes described in Note 39. The calculation does not take into account those elements of the incentive schemes which had antidilutive effect in the presented reporting periods, and which may potentially affect the dilution of profit per share in the future.

The basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares during the period.

The diluted earnings per share is calculated based on the ratio of net profit to the weighted average number of ordinary shares adjusted as if all potential dilutive ordinary shares had been converted to shares. The Bank has one category of dilutive potential ordinary shares: share options. Dilutive shares are calculated as the number of shares that would be issued if all share options were exercised at the market price determined as the average annual closing price of the Bank's shares.

19. CASH AND CASH BALANCES AT CENTRAL BANK

Cash and cash equivalents	30.06.2022	31.12.2021
Cash and other balances	3,328,946	3,049,607
Account in the National Bank of Poland	1,326,772	1,582,153
Gross cash and cash equivalents	**4,655,718**	**4,631,760**
Impairment allowances	(234)	(283)
Total cash and cash equivalents	**4,655,484**	**4,631,477**

Change of impairment allowances	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Opening balance	**(283)**	**(3)**
Increases due to acquisition or origination	(2,395)	(2,205)
Decreases due to derecognition	2,447	2,189
Net changes in credit risk	(3)	2
Closing balance	**(234)**	**(17)**

20. AMOUNTS DUE FROM BANKS

Amounts due from banks	30.06.2022			31.12.2021		
	Gross balance sheet value	Impairment allowance	Net balance sheet value	Gross balance sheet value	Impairment allowance	Net balance sheet value
Current accounts	2,453,702	(731)	2,452,971	234,103	(52)	234,051
Interbank deposits	1,965,629	(124)	1,965,505	726,430	(25)	726,405
Loans and advances	200,916	(102)	200,814	100,078	(5)	100,073
Other receivables	2,283,119	(9,038)	2,274,081	1,559,982	(5,361)	1,554,621
Total amounts due from banks	**6,903,366**	**(9,995)**	**6,893,371**	**2,620,593**	**(5,443)**	**2,615,150**

Change of impairment allowances on amounts due from banks	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Opening balance	**(5,443)**	**(1,668)**
Increases due to acquisition or origination	(735)	(1,878)
Decreases due to derecognition	612	1,108
Changes resulting from the change in credit risk (net)	(4,242)	(184)
Other changes (including foreign exchange differences)	(187)	24
Closing balance	**(9,995)**	**(2,598)**

As of 30 June 2022 and 31 December 2021, amounts due from other banks were classified as Stage 1.

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments	Nominal value	Fair value	
30.06.2022		Assets	Liabilities
Currency derivatives			
Foreign Exchange Forward (FX Forward + NDF)	18,082,148	737,654	197,050
Currency Swap (FX Swap)	31,685,994	381,884	630,802
Currency Interest Rate Swaps (CIRS)	10,965,727	409,828	457,840
OTC currency options	3,085,429	120,879	94,740
Total currency derivatives:	**63,819,298**	**1,650,245**	**1,380,432**
Interest rate derivatives			
Interest Rate Swap	49,146,978	1,761,409	1,946,390
OTC interest rate options	10,109,738	92,752	94,197
Total interest rate derivatives:	**59,256,716**	**1,854,161**	**2,040,587**
Other derivatives			
OTC commodity swaps	659,731	65,877	65,565
Currency Spot (FX Spot)	3,537,970	-	-
Total other derivatives:	**4,197,701**	**65,877**	**65,565**
Total trading derivatives:	**127,273,715**	**3,570,283**	**3,486,584**
including: measured using models	127,273,715	3,570,283	3,486,584

Derivative financial instruments	Nominal value	Fair value	
31.12.2021		Assets	Liabilities
Currency derivatives:			
Foreign Exchange Forward (FX Forward + NDF)	17,001,834	514,600	191,389
Currency Swap (FX Swap)	24,891,458	223,832	443,129
Currency Interest Rate Swaps (CIRS)	12,752,996	374,796	405,837
OTC currency options	3,073,655	79,587	62,336
Total currency derivatives:	**57,719,943**	**1,192,815**	**1,102,691**
Interest rate derivatives:			
Interest Rate Swap	45,520,032	642,406	749,207
OTC interest rate options	7,166,523	39,727	39,479
Total interest rate derivatives:	**52,686,555**	**682,133**	**788,686**
Other derivatives			
OTC commodity swaps	716,368	26,971	26,655
Currency Spot (FX Spot)	1,313,499	-	-
Total other derivatives:	**2,029,867**	**26,971**	**26,655**
Total trading derivatives	**112,436,365**	**1,901,919**	**1,918,032**
including: measured using models	112,436,365	1,901,919	1,918,032

22. HEDGE ACCOUNTING

As of 30 June 2022, the Group used fair value hedge (**macro fair value hedge**).

Hedging relationship description	The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate.
Hedged items	Fixed-rate PLN, EUR and USD current accounts are the hedged items.
Hedging instruments	Hedging instruments include standard IRS transactions, i.e. plain vanilla IRS in PLN, EUR and USD, in which the Bank receives a fixed interest rate and pays a floating rate based on WIBOR 6M, WIBOR 3M, EURIBOR 6M, EURIBOR 3M, EURIBOR 1M, USD LIBOR 6M, USD LIBOR 3M, USD SFROIS.

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.06.2022	24,764,179	686	2,340,115
31.12.2021	25,073,220	65,465	1,028,790

Presentation of result on the hedged and hedging transactions	The change in fair value of hedging transactions is recognised in the Result on hedge accounting. Interest on IRS transactions and current accounts is recognised in Interest income.

The liabilities in the item "Differences from hedge accounting" include the adjustment of the value of hedged instruments (deposits) amounting to:

30.06.2022 - PLN 2,307,976 thousand
31.12.2021 -PLN 1,083,866 thousand

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 June 2022 and 31 December 2021:

30.06.2022

Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	686	2,340,115	2,202,090	1,000,000	6,009,044	12,391,372	3,161,673	24,764,179
Hedging derivatives - total	**686**	**2,340,115**	**2,202,090**	**1,000,000**	**6,009,044**	**12,391,372**	**3,161,673**	**24,764,179**

31.12.2021

Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	65,465	1,028,790	500,000	545,994	6,189,910	14,700,739	3,136,577	25,073,220
Hedging derivatives - total	**65,465**	**1,028,790**	**500,000**	**545,994**	**6,189,910**	**14,700,739**	**3,136,577**	**25,073,220**

Also included in the assets under "Fair value adjustment of hedged and hedging items" is an adjustment to the value of hedged instruments (loans) amounting to:
30.06.2022 PLN 1,297 thousand

Hedging relationship description	The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate.
Hedged items	The hedged items are: fixed-rate loans in PLN.
Hedging instruments	Hedging instruments are the standard IRS transactions, i.e. plain vanilla IRS, denominated in PLN, in which the Bank receives a floating interest rate and pays a fixed rate based on WIBOR 6M.

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.06.2022	250,000	-	1,399

Presentation of result on the hedged and hedging transactions	The change in fair value of hedging transactions is recognised in the Result on hedge accounting. Interest on IRS transactions and current accounts is recognised in Interest income.

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 June 2022:

30.06.2022

Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	1,399	-	-	-	250,000	-	250,000
Hedging derivatives - total	**-**	**1,399**	**-**	**-**	**-**	**250,000**	**-**	**250,000**

The Group does not apply fair value hedge accounting (micro fair value hedge) as at 30 June 2022. The hedging relationship that existed at 31 December 2021 expired in April 2022.

Hedging relationship description	The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate.
Hedged items	The hedged items were: Fixed rate bond PS0422.
Hedging instruments	Hedging instruments were the standard IRS transactions, i.e. plain vanilla IRS, denominated in PLN, in which the Bank received a floating interest rate and paid a fixed rate based on WIBOR 6M.

IRS	Nominal value	Fair value	
		Assets	Liabilities
31.12.2021	750,000	-	13,817

Presentation of result on the hedged and hedging transactions	The change in fair value of hedging transactions is recognised in the Result on hedge accounting. Interest on IRS transactions and current accounts is recognised in Interest income.

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 31 December 2021:

31.12.2021

Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	13,817	-	-	750,000	-	-	750,000
Hedging derivatives - total	**-**	**13,817**	**-**	**-**	**750,000**	**-**	**-**	**750,000**

Amounts recognised in profit or loss from **fair value hedge** accounting

Fair value hedging	30.06.2022	30.06.2021
Interest income on hedging derivatives	114,784	86,221
Interest expense on hedging derivatives	(293,105)	(15,642)
Change in fair value measurement of hedging transactions presented in Result on hedge accounting, including:	19,524	(18,562)
change in fair value of hedging instruments	(1,202,137)	(341,852)
change in fair value of hedged instruments	1,221,661	323,290

Additionally, the Group applies **cash flow hedge accounting** as of 30 June 2022.

Hedging relationship description	The hedges are used against interest rate risk, specifically no changes in the interest cash flows on the hedged item, resulting from the changes in a specific reference rate.
Hedged items	The hedged items are: floating rate bond WZ1131.
Hedging instruments	Hedging instruments include standard IRS transactions, i.e. plain vanilla IRS in which the Bank receives a fixed rate and pays a floating rate based on WIBOR 6M.

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.06.2022	625,000	-	194,413
31.12.2021	625,000	-	85,365

Presentation of result on hedging and hedging transactions	The change in fair value of derivative hedging instruments designated as hedging of cash flows is recognised directly in the Revaluation reserve in the part constituting the effective part of the hedge. The ineffective part of the hedge is recognised in the statement of profit or loss under Result on hedge accounting.

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 June 2022 and 31 December 2022.

30.06.2022								
Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	194,413	-	-	-	-	625,000	625,000
Hedging derivatives - total	**-**	**194,413**	**-**	**-**	**-**	**-**	**625,000**	**625,000**

31.12.2021								
Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	85,365	-	-	-	-	625,000	625,000
Hedging derivatives - total	**-**	**85,365**	**-**	**-**	**-**	**-**	**625,000**	**625,000**

Cash flow hedges	30.06.2022	30.06.2021
Interest income on hedging derivatives	5,735	2,050
Interest expense on hedging derivatives	(9,324)	(332)

Changes in revaluation reserve due to valuation of derivative hedging instruments in cash flow hedge accounting.

	30.06.2022	30.06.2021
Balance at the beginning of the period	**(85,303)**	**-**
Hedging gains or losses recognised in other comprehensive income during the reporting period	(62,195)	5,104
Balance at the end of the period	**(147,498)**	**5,104**

23. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST

	30.06.2022		
Loans and advances to customers measured at amortised cost	Gross balance sheet amount	Allowance	Net balance sheet amount
Loans and advances for:			
Non-banking financial entities	**734,090**	**(2,053)**	**732,037**
current account loans	712,931	(1,914)	711,017
investment loans	8,878	(5)	8,873
other loans	12,281	(134)	12,147
Retail customers	**40,207,659**	**(978,873)**	**39,228,786**
mortgage loans	27,868,724	(367,615)	27,501,109
other loans	12,338,935	(611,258)	11,727,677
Corporate customers	**47,427,349**	**(1,908,537)**	**45,518,812**
current account loans	22,856,817	(1,239,402)	21,617,415
investment loans	17,339,584	(465,258)	16,874,326
other loans	7,230,948	(203,877)	7,027,071
including retail farmers	**7,506,269**	**(458,574)**	**7,047,695**
current account loans	3,622,020	(249,498)	3,372,522
investment loans	3,871,293	(207,308)	3,663,985
other loans	12,956	(1,768)	11,188
Public sector institutions	**62,697**	**(706)**	**61,991**
current account loans	36,561	(500)	36,061
investment loans	25,811	(200)	25,611
other loans	325	(6)	319
Lease receivables	**5,312,537**	**(145,274)**	**5,167,263**
Total loans and advances to customers measured at amortised cost	**93,744,332**	**(3,035,443)**	**90,708,889**

	31.12.2021		
Loans and advances to customers measured at amortised cost	Gross balance sheet amount	Allowance	Net balance sheet amount
Loans and advances for:			
Non-banking financial entities	**796,517**	**(2,075)**	**794,442**
current account loans	729,310	(1,644)	727,666
investment loans	45,208	(287)	44,921
other loans	21,999	(144)	21,855
Retail customers	**38,817,716**	**(935,977)**	**37,881,739**
mortgage loans	26,710,997	(311,056)	26,399,941
other loans	12,106,719	(624,921)	11,481,798
Corporate customers	**43,354,896**	**(1,860,797)**	**41,494,099**
current account loans	21,236,676	(1,198,743)	20,037,933
investment loans	15,549,486	(449,945)	15,099,541
other loans	6,568,734	(212,109)	6,356,625
including retail farmers	**7,755,784**	**(389,619)**	**7,366,165**
current account loans	3,712,040	(191,153)	3,520,887
investment loans	4,032,732	(197,030)	3,835,702
other loans	11,012	(1,436)	9,576
Public sector institutions	**84,487**	**(1,542)**	**82,945**
current account loans	57,032	(1,240)	55,792
investment loans	27,118	(299)	26,819
other loans	337	(3)	334
Lease receivables	**4,989,351**	**(162,122)**	**4,827,229**
Total loans and advances to customers measured at amortised cost	**88,042,967**	**(2,962,513)**	**85,080,454**

Net loans and advances to customers by stage are presented below:

30.06.2022	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for:	**80,588,142**	**10,190,807**	**2,965,383**	**93,744,332**	**210,933**
Non-banking financial entities	732,197	246	1,647	734,090	92
Retail customers	35,566,864	3,646,645	994,150	40,207,659	44,252
Corporate customers:	39,603,539	6,009,999	1,813,811	47,427,349	166,589
including retail farmers	5,584,337	1,305,453	616,479	7,506,269	2
Public sector entities	62,548	149	-	62,697	-
Lease receivables	4,622,994	533,768	155,775	5,312,537	-
Impairment allowance on loans and receivables for	**(449,894)**	**(783,856)**	**(1,801,693)**	**(3,035,443)**	**(75,473)**
Non-banking financial entities	(360)	(55)	(1,638)	(2,053)	(92)
Retail customers	(126,812)	(252,893)	(599,168)	(978,873)	(2,797)
Corporate customers:	(290,668)	(502,906)	(1,114,963)	(1,908,537)	(72,584)
including retail farmers	(35,426)	(101,237)	(321,911)	(458,574)	-
Public sector entities	(700)	(6)	-	(706)	-
Lease receivables	(31,354)	(27,996)	(85,924)	(145,274)	-
Net loans and advances to customers measured at amortised cost	**80,138,248**	**9,406,951**	**1,163,690**	**90,708,889**	**135,460**

31.12.2021	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for:	**77,810,462**	**7,025,786**	**3,206,719**	**88,042,967**	**222,556**
Non-banking financial entities	794,896	5	1,616	796,517	88
Retail customers	35,339,880	2,350,493	1,127,343	38,817,716	52,581
Corporate customers:	37,247,318	4,234,645	1,872,933	43,354,896	169,887
including retail farmers	5,998,472	1,123,755	633,557	7,755,784	2
Public sector entities	83,411	1,076	-	84,487	-
Lease receivables	4,344,957	439,567	204,827	4,989,351	-
Impairment allowance on loans and receivables for	**(615,798)**	**(507,388)**	**(1,839,327)**	**(2,962,513)**	**(70,908)**
Non-banking financial entities	(752)	(1)	(1,322)	(2,075)	(72)
Retail customers	(107,829)	(206,279)	(621,869)	(935,977)	(4,485)
Corporate customers:	(469,618)	(276,852)	(1,114,327)	(1,860,797)	(66,351)
including retail farmers	(33,289)	(76,937)	(279,393)	(389,619)	-
Public sector entities	(1,342)	(200)	-	(1,542)	-
Lease receivables	(36,257)	(24,056)	(101,809)	(162,122)	-
Net loans and advances to customers measured at amortised cost	**77,194,664**	**6,518,398**	**1,367,392**	**85,080,454**	**151,648**

Impairment allowance for loans and advances measured at amortised cost:

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Balance as of 1 January 2022	**(615,798)**	**(507,388)**	**(1,839,327)**	**(2,962,513)**
Increase due to acquisition or origination	(143,753)	(79,075)	(30,695)	(253,523)
Decrease due to derecognition	16,869	25,805	49,533	92,207
Changes resulting from the change in credit risk (net)	294,427	(224,330)	(225,420)	(155,323)
Use of allowances	190	367	258,115	258,672
Other changes (including foreign exchange differences)	(1,829)	765	(13,899)	(14,963)
Balance as of 30 June 2022	**(449,894)**	**(783,856)**	**(1,801,693)**	**(3,035,443)**

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Balance as of 1 January 2021	**(505,527)**	**(594,339)**	**(2,086,939)**	**(3,186,805)**
Increase due to acquisition or origination	(183,737)	(52,969)	(41,500)	(278,206)
Decrease due to derecognition	27,816	8,891	62,152	98,859
Changes resulting from the change in credit risk (net)	88,044	29,453	(130,918)	(13,421)
Changes arising from updates to the method of estimation used (net)	(26,280)	28,131	21,386	23,237
Use of allowances	-	25	225,162	225,187
Other changes (including foreign exchange differences)	1,390	1,047	9,031	11,468
Balance as of 30 June 2021	**(598,294)**	**(579,761)**	**(1,941,626)**	**(3,119,681)**

Gross amount of foreign currency mortgage loans for retail customers (in PLN ‘000)

Loans by currency	30.06.2022	31.12.2021
CHF	4,395,723	4,531,564
EUR	35,058	36,388
PLN	23,437,213	22,141,389
USD	730	1,656
Total	**27,868,724**	**26,710,997**

Value of CHF loan portfolio

	30.06.2022			
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
Non-banking financial entities	**734,090**	**-**	**(2,053)**	**-**
current account loans	712,931	-	(1,914)	-
investment loans	8,878	-	(5)	-
other loans	12,281	-	(134)	-
Retail customers	**40,207,659**	**4,437,503**	**(978,873)**	**(261,709)**
mortgage loans	27,868,724	4,395,723	(367,615)	(251,397)
other loans	12,338,935	41,780	(611,258)	(10,312)
Corporate customers	**47,427,349**	**64,694**	**(1,908,537)**	**(11,796)**
current account loans	22,856,817	55,539	(1,239,402)	(5,396)
investment loans	17,339,584	8,960	(465,258)	(6,400)
other loans	7,230,948	195	(203,877)	-
including retail farmers	**7,506,269**	**1,084**	**(458,574)**	**(77)**
current account loans	3,622,020	1,044	(249,498)	(77)
investment loans	3,871,293	40	(207,308)	-
other loans	12,956	-	(1,768)	-
Public sector institutions	**62,697**	**-**	**(706)**	**-**
current account loans	36,561	-	(500)	-
investment loans	25,811	-	(200)	-
other loans	325	-	(6)	-
Lease receivables	**5,312,537**	**28,123**	**(145,274)**	**(7,285)**
Total loans and advances	**93,744,332**	**4,530,320**	**(3,035,443)**	**(280,790)**

	31.12.2021			
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
Non-banking financial entities	**796,517**	**-**	**(2,075)**	**-**
current account loans	729,310	-	(1,644)	-
investment loans	45,208	-	(287)	-
other loans	21,999	-	(144)	-
Retail customers	**38,817,716**	**4,575,112**	**(935,977)**	**(230,270)**
mortgage loans	26,710,997	4,531,564	(311,056)	(221,397)
other loans	12,106,719	43,548	(624,921)	(8,873)
Corporate customers	**43,354,896**	**65,713**	**(1,860,797)**	**(10,781)**
current account loans	21,236,676	56,263	(1,198,743)	(5,538)
investment loans	15,549,486	8,915	(449,945)	(5,243)
other loans	6,568,734	535	(212,109)	-
including retail farmers	**7,755,784**	**1,284**	**(389,619)**	**(84)**
current account loans	3,712,040	1,225	(191,153)	(84)
investment loans	4,032,732	59	(197,030)	-
other loans	11,012	-	(1,436)	-
Public sector institutions	**84,487**	**-**	**(1,542)**	**-**
current account loans	57,032	-	(1,240)	-
investment loans	27,118	-	(299)	-
other loans	337	-	(3)	-
Lease receivables	**4,989,351**	**27,917**	**(162,122)**	**(7,274)**
Total loans and advances	**88,042,967**	**4,668,742**	**(2,962,513)**	**(248,325)**

24. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2022	31.12.2021
Subsidized loans	1,089,886	1,219,027
Total loans and advances to customers measured at fair value through profit or loss	**1,089,886**	**1,219,027**

The table below presents a comparison of the fair value of subsidised loans with their gross balance sheet amount, which would have been recognised if the Group - in accordance with the requirements of IFRS 9 - did not reclassify these portfolios to fair value through profit or loss.

	Gross balance sheet value	Fair value
30.06.2022	1,180,462	1,089,886
31.12.2021	1,343,402	1,219,027

Subsidised loans at fair value	Stage 1	Stage 2	Stage 3	Total
30.06.2022	777,971	244,916	66,999	1,089,886
31.12.2021	897,554	244,754	76,719	1,219,027

25. SECURITIES MEASURED AT AMORTISED COST

	30.06.2022		
Securities	Gross balance sheet value	Impairment allowance	Net balance sheet value
issued by domestic banks – covered bonds	5,696	(33)	5,663
issued by domestic banks	3,857,476	-	3,857,476
issued by other financial entities	584,301	-	584,301
issued by central governments – treasury bonds	18,717,228	(93)	18,717,135
issued by non-financial entities – bonds	154,776	(43,184)	111,592
issued by local governments – municipal bonds	76,172	(253)	75,919
Total securities measured at amortised cost	**23,395,649**	**(43,563)**	**23,352,086**

	31.12.2021		
Securities	Gross balance sheet value	Impairment allowance	Net balance sheet value
issued by domestic banks – covered bonds	5,612	(82)	5,530
issued by domestic banks	3,834,998	-	3,834,998
issued by other financial entities	584,844	-	584,844
issued by central governments – treasury bonds	18,642,064	(96)	18,641,968
issued by non-financial entities – bonds	167,813	(45,156)	122,657
issued by local governments – municipal bonds	78,362	(318)	78,044
Total securities measured at amortised cost	**23,313,693**	**(45,652)**	**23,268,041**

30.06.2022	Stage 1	Stage 2	Stage 3	**Total**	including POCI
Securities	**23,244,113**	**-**	**151,536**	**23,395,649**	**147,381**
issued by domestic banks – covered bonds	5,696	-	-	**5,696**	-
issued by domestic banks	3,857,476	-	-	**3,857,476**	-
issued by other financial entities	584,301	-	-	**584,301**	-
issued by central governments – treasury bonds	18,717,228	-	-	**18,717,228**	-
issued by non-financial entities – bonds	3,240	-	151,536	**154,776**	147,381
issued by local governments – municipal bonds	76,172	-	-	**76,172**	-
Impairment allowances on securities	**(401)**	**-**	**(43,162)**	**(43,563)**	**(39,006)**
issued by domestic banks – covered bonds	(33)	-	-	**(33)**	-
issued by central governments – treasury bonds	(93)	-	-	**(93)**	-
issued by non-financial entities – bonds	(22)	-	(43,162)	**(43,184)**	(39,006)
issued by local governments – municipal bonds	(253)	-	-	**(253)**	-
Total net securities measured at amortised cost	**23,243,712**	**-**	**108,374**	**23,352,086**	**108,375**

31.12.2021	Stage 1	Stage 2	Stage 3	**Total**	including POCI
Securities	**23,149,109**	**4,001**	**160,583**	**23,313,693**	**156,428**
issued by domestic banks – covered bonds	5,612	-	-	**5,612**	-
issued by domestic banks	3,834,998	-	-	**3,834,998**	-
issued by other financial institutions	584,844	-	-	**584,844**	-
issued by central governments – treasury bonds	18,642,064	-	-	**18,642,064**	-
issued by non-financial entities – bonds	3,229	4,001	160,583	**167,813**	156,428
issued by local governments – municipal bonds	78,362	-	-	**78,362**	-
Impairment allowances on securities	**(530)**	**(318)**	**(44,804)**	**(45,652)**	**(40,648)**
issued by domestic banks – covered bonds	(82)	-	-	**(82)**	-
issued by central governments – treasury bonds	(96)	-	-	**(96)**	-
issued by non-financial entities – bonds	(34)	(318)	(44,804)	**(45,156)**	(40,648)
issued by local governments – municipal bonds	(318)	-	-	**(318)**	-
Total net securities measured at amortised cost	**23,148,579**	**3,683**	**115,779**	**23,268,041**	**115,780**

26. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments measured at fair value through profit or loss	30.06.2022	31.12.2021
	Balance sheet value	
Treasury bonds issued by central government entities	16,343	27,046
Bonds issued by non-financial entities	32,823	41,286
Bonds convertible for non-financial entities bonds	54,492	51,121
Equity instruments	205,015	226,988
Units	465	47
Certificates issued by non-financial entities	836	821
Total financial instruments measured at fair value through profit or loss	**309,974**	**347,309**

27. SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Securities	30.06.2022	31.12.2021
NBP cash vouchers	449,925	-
Bonds issued by banks	2,169,078	2,608,513
Treasury bonds issued by central governments	2,891,108	4,101,875
Bonds issued by other financial institutions	2,415,445	2,432,965
Securities measured at fair value through other comprehensive income	**7,925,556**	**9,143,353**

The valuation of debt securities measured at fair value through other comprehensive income is based on the discounted cash flow model using current market interest rates, taking into account the issuer's credit risk in the amount corresponding to the parameters observed on the market for transactions with similar credit risk parameters and similar time horizon. The measurement does not take into account assumptions that cannot be observed directly on the market.

28. INTANGIBLE ASSETS

Intangible assets	30.06.2022	31.12.2021
Licenses	630,700	533,757
Other intangible assets	33,448	17,227
Expenditure on intangible assets	75,580	177,491
Total intangible assets	**739,728**	**728,475**

In the first half of 2022, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 124,161 thousand (in the first quarter of 2021: PLN 111,528 thousand), while the net balance sheet amount of the disposed of and liquidated components amounted to PLN 1,055 thousand (in the first half of 2021: PLN 6,722 thousand).

With regard to intangible assets that are not yet available for use, i.e. in progress, the Group identifies impairment triggers on an ongoing basis.

As of 30.06.2022, the Group had significant contractual obligations incurred in connection with the acquisition of intangible assets in the amount of PLN 8,754 thousand (PLN 3,505 thousand as of 31.12.2021).

29. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	30.06.2022	31.12.2021
Fixed assets, including:	432,444	455,206
land and buildings	101,839	104,873
IT equipment	129,339	145,741
office equipment	49,123	52,065
other, including leasehold improvements	152,143	152,527
Fixed assets under construction	4,530	22,970
Right of use, including:	688,003	765,347
land and buildings	662,954	743,564
cars	24,541	21,655
other, including leasehold improvements	508	128
Total property, plant and equipment	**1,124,977**	**1,243,523**

In the first half of 2022, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 16,416 thousand (in the first half of 2021 it amounted to PLN 23,425 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 5,522 thousand (in the first half of 2021 it amounted to PLN 17,720 thousand).

As of 30.06.2022, the Group had significant contractual liabilities incurred in connection with the acquisition of property, plant and equipment in the amount of PLN 5,647 thousand (PLN 391 thousand as of 31.12.2021).

30. LEASES

Group as a lessee

The Group is a party to lease agreements with respect to underlying asset components such as:

- real estate,
- motor vehicles,
- land, including the right of perpetual usufruct of land,
- CDMs,
- equipment items,
- IT equipment.

The lease period of motor vehicles ranges from 1 to 5 years. The contracts contain extension options. The Group also concludes leaseback agreements for motor vehicles.

The Group is a party to real estate lease agreements. The contracts are concluded for a definite period from 1 to 30 years and for an indefinite period. In the case of contracts for an indefinite period, the Group determines the lease period based on the notice period. The agreements provide for variable lease fees depending on the index (e.g. GUS, HICP).

The Group is a party to land lease agreements for an indefinite period, and the right of perpetual usufruct of land received for a period of 40 to 100 years. Lease payments are valorised in accordance with the Land Management Act.

	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Lease expenses recognized in the statement of profit or loss	**(62,749)**	**(68,133)**
- interest on lease liabilities	(6,136)	(2,146)
- depreciation of right of use assets	(56,587)	(65,412)
- expenses related to short-term lease (recognized in general administrative expenses)	(26)	(575)

Undiscounted lease payments by maturity	30.06.2022	31.12.2021
< 1 year	138,314	127,496
1-5 years	459,198	461,962
> 5 years	278,370	312,375
Total	**875,882**	**901,833**

	30.06.2022	31.12.2021
Book value of liabilities due to discounted lease payments	**791,094**	**860,004**

31. OTHER ASSETS

Other assets:	30.06.2022	31.12.2021
Receivables from contracts with customers:		
sundry debtors	279,631	247,178
accrued income	106,894	106,560
payment card settlements	20,314	16,194
social insurance settlements	5,353	6,623
Other:		
interbank and intersystem settlements	303,230	121,977
deferred expenses	83,442	48,056
tax and other regulatory receivables	49,879	48,181
other lease receivables	32,787	36,040
other	82,439	84,690
Total other assets (gross)	**963,969**	**715,499**
Impairment allowances on other receivables from sundry debtors	(76,029)	(58,904)
Total other assets (net)	**887,940**	**656,595**

32. AMOUNTS DUE TO OTHER BANKS

Amounts due to other banks	30.06.2022	31.12.2021
Current accounts	494,103	518,981
Interbank deposits	1,173,665	1,967,290
Loans and advances received	5,734,133	5,351,400
Other liabilities	72,192	174,573
Total amounts due to banks	**7,474,093**	**8,012,244**

"Other liabilities" as at 30.06.2022 did not include liabilities due to securities sold under repurchase agreements (as at 31.12.2021 the amount of such liabilities amounted to PLN 92,809 thousand).

There were no breaches of contractual provisions and covenants related to the financial situation of the Bank and disclosure obligations in the first half of 2022 and 2021.

33. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers	30.06.2022	31.12.2021
NON-BANKING FINANCIAL INSTITUTIONS	**2,466,754**	**1,315,721**
Current accounts	1,507,187	1,200,041
Term deposits	436,555	11,420
Loans and advances received	521,128	101,666
Other liabilities	1,884	2,594
RETAIL CUSTOMERS	**47,432,867**	**44,771,970**
Current accounts	30,459,497	38,430,796
Term deposits	16,496,139	5,880,637
Other liabilities	477,231	460,537
CORPORATE CUSTOMERS	**56,774,010**	**53,418,415**
Current accounts	44,022,770	47,213,927
Term deposits	11,951,472	5,428,183
Other liabilities	799,768	776,305
Incl. RETAIL FARMERS	**2,555,537**	**2,717,618**
Current accounts	2,335,308	2,658,847
Term deposits	201,830	41,112
Other liabilities	18,399	17,659
PUBLIC SECTOR CUSTOMERS	**2,740,141**	**1,586,835**
Current accounts	1,548,070	1,487,523
Term deposits	1,190,325	78,654
Other liabilities	1,746	20,658
Total amounts due to customers	**109,413,772**	**101,092,941**

34. DEBT SECURITIES ISSUED

	30.06.2022	31.12.2021
Debt securities issued	**516,076**	**722,628**

Debt securities issued	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Opening balance	**722,628**	**1,318,380**
Redemption of certificates of deposit	(206,441)	(331,599)
Changes in discount, interests, commission and fees on certificates of deposit amortized using EIR, foreign currency exchange differences	(111)	(125)
Closing balance of debt securities issued	**516,076**	**986,656**

In December 2017, SPV issued bonds for the total amount of PLN 2,180,850 thousand with the maximum original maturity by 27.04.2032. Collateral for the repayment of bonds are receivables from loans and borrowings subject to securitization. The transaction of securitization of the cash and car loan portfolio is described in Note 44.

35. SUBORDINATED LIABILITIES

Subordinated liabilities	30.06.2022	31.12.2021
	4,397,875	**4,334,572**

Change in the balance of subordinated liabilities	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Opening balance	**4,334,572**	**4,306,539**
Change in the balance of interest, commissions and fees settled by EIR	10,473	3,402
Foreign exchange differences	52,830	(43,565)
Closing balance	**4,397,875**	**4,266,376**

36. OTHER LIABILITIES

Other liabilities	30.06.2022	31.12.2021
Liabilities due to contracts with customers		
Sundry creditors	147,986	207,148
Payment card settlements	142,693	158,617
Deferred income	84,015	89,110
Escrow account liabilities	611	581
Social insurance settlements	32,475	34,769
Other liabilities		
Interbank and intersystem settlements	1,242,823	284,944
Provisions for non-personnel expenses	712,421	343,656
Provisions for other employees-related liabilities	180,797	246,935
Provision for unused annual holidays	44,477	42,426
Other regulatory liabilities	69,093	54,689
Other lease liabilities	34,439	28,320
Other	90,185	65,094
Total other liabilities	**2,782,015**	**1,556,289**

37. PROVISIONS

	30.06.2022	31.12.2021
Provision for restructuring	46,706	56,280
Provision for retirement benefits and similar obligations	15,991	15,858
Provision for contingent financial liabilities and guarantees granted	110,667	155,638
Provisions for litigation and claims	1,645,106	1,463,347
Other provisions	8,243	8,229
Total provisions	**1,826,713**	**1,699,352**

Provisions for restructuring	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Opening balance	**56,280**	**82,918**
Provisions recognition	5,280	2,637
Provisions utilization	(14,634)	(24,872)
Provisions released	(220)	(378)
Closing balance	**46,706**	**60,305**

Provision for retirement benefits and similar obligations	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Opening balance	**15,858**	**18,188**
Provisions recognition	1,218	1,088
Provisions utilization	(268)	(530)
Provisions released	(817)	(1,498)
Closing balance	**15,991**	**17,248**

Provisions for contingent financial liabilities and guarantees granted	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Opening balance	**155,638**	**214,443**
Provisions recognition	30,058	69,061
Provisions released	(15,744)	(31,454)
Changes resulting from changes in credit risk (net)	(59,543)	(67,400)
Changes resulting from the update of the estimation method used (net)	-	2,853
Other changes	258	(829)
Closing balance	**110,667**	**186,674**

Provisions for litigation and claims	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Opening balance	**1,463,347**	**335,629**
Provisions recognition	250,410	307,718
Provisions utilization	(137,427)	(15,082)
Provisions released	(4,412)	(2,869)
Other changes, including foreign exchange differences	73,188	2,017
Closing balance	**1,645,106**	**627,413**

Other provisions	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
Opening balance	**8,229**	**8,232**
Provisions recognition	15	7
Provisions utilization	(1)	(13)
Provisions released	-	(14)
Closing balance	**8,243**	**8,212**

38. CASH AND CASH EQUIVALENTS

For the purpose of preparation of the statement of cash flows, the balance of cash and cash equivalents comprises the following balances with maturity shorter than three months.

Cash and cash equivalents	30.06.2022	31.12.2021
Cash and balances at Central Bank (Note 19)	4,655,484	4,631,477
Current accounts of banks and other receivables	2,453,795	234,061
Interbank deposits	1,853,581	647,278
Total cash and cash equivalents	**8,962,860**	**5,512,816**

39. SHARE-BASED PAYMENTS

The Bank has adopted the "Remuneration policy for individuals with a material impact on the risk profile of BNP Paribas S.A.".

The principles and assumptions contained in the Policy guarantee the existence of a rational, balanced and controllable remuneration policy, consistent with the accepted risk level, standards and values of BNP Paribas S.A. and relevant laws and regulations, in particular the Minister of Finance, Funds and Regional Policy Regulation dated 8 June 2021 on the risk management system, internal control system and remuneration policy in banks and recommendations included in the CRD5 Directive.

Pursuant to the current Remuneration policy for Individuals with a significant impact on the Bank's risk profile, from 2020 (excluding persons who have terminated their cooperation with the Bank) the applicable financial instrument in which part of the variable remuneration is paid is ordinary shares (change from phantom shares).

The 2021 variable remuneration convertible into a financial instrument was granted in actual shares of the Bank.

On 9 December 2021, the Supervisory Board approved a modified Remuneration Policy for persons with material impact on the risk profile of BNP Paribas Bank S.A. The changes consisted mainly in adjusting the provisions of the Policy to the Ordinance 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 guidelines contained in the CRD5 Directive and consisted, among others, in extending the deferral period.

Phantom share-based programme

As at 31 December 2019, there was a variable remuneration scheme in force, granted in the form of a financial instrument - phantom shares, which will be settled in subsequent periods.

The variable remuneration granted in form of phantom shares is paid as cash equivalent with a value corresponding to the number of shares granted. The payment shall be made after the expiry of the retention period.

Financial instruments (phantom shares) - programme amendments in the first half of 2022.

	30.06.2022		**31.12.2021**	
	Financial instrument		**Financial instrument**	
	units	value (PLN '000)	units	value (PLN '000)
Opening balance	**117,770**	**5,616**	**220,298**	**11,455**
executed during the period	(54,441)	(3,701)	(98,748)	(5,581)
current valuation *	-	2,390	-	-
expired	-	-	(3,780)	(258)
Closing balance	**63,329**	**4,305**	**117,770**	**5,616**

**change in the value of outstanding phantom shares according to the current phantom share exercise price*

In the first half of 2022, payments in the amount of PLN 3,701 thousand were made due to exercising rights to deferred phantom shares (under the programme for 2017, 2018 and 2019).

The table below presents the terms of the Stock Purchase Plan in 2022.

Type of transaction under IFRS 2	Cash-settled share-based payment transactions
Date of publication of the programme	21 June 2012 - entry into force of the Resolution of the Supervisory Board approving the Remuneration Policy.
Date of commencement of phantom share granting	1 March 2022
End date of phantom share granting	2 March 2022

Programme based on the Bank's shares

There is variable remuneration scheme in place for the Bank's employees with a significant impact on risk profile under the Bank's share-based programme. The variable remuneration is divided into a part granted in the form of a financial instrument (Bank shares) and the remaining part granted in cash.

The right to variable remuneration expressed in the form of the Bank's shares is granted by issuing subscription warrants in a number corresponding to the number of shares granted, one warrant entitles to acquire one share. The payment of the variable remuneration expressed in the form of the Bank's shares, i.e. taking up the Bank's shares through the exercise of rights from subscription warrants, takes place after the expiry of the retention period.

The Bank will grant the participants of the Incentive Scheme subscription warrants, which will result in the right to acquire a new Series M shares issued by the Bank under the conditional share capital increase. The number of Series M shares shall not exceed 576.000. The rights to acquire Series M shares shall be granted taking into account the principles of dividing the variable remuneration into the non-deferred and deferred portions, as defined in the Remuneration Policy and the regulations adopted on its basis. Series M shares will constitute a component of variable remuneration for persons having a significant impact on the Bank's risk profile within the meaning of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021.

In order to implement the Incentive Programme, the Extraordinary General Meeting of the Bank also adopted resolutions on the issue of subscription warrants and conditional increase of the share capital through the issue of Series M shares, depriving the existing shareholders of the subscription right to warrants and to Series M shares, amending the Bank's Articles of Association and dematerialising and applying for the admission of Series M shares to trading on a regulated market.

On 24 April 2020, the Bank obtained a decision of the Polish Financial Supervision Authority on the amendments to the Articles of Association resulting from this Resolution, and on 14 May 2020 the conditional share capital increase was registered by the Court.

The amount and the division into the non-deferred and deferred portions of variable remuneration for employees identified as MRT is determined in accordance with the Bank's Remuneration Policy and regulations adopted on its basis. The regulations contain information on the annual bonus levels assigned to particular appraisals:

1. the part constituting at least 50% is assigned in the form of the Bank's shares (which will be acquired by exercising rights from subscription warrants);
2. the part of variable remuneration not less than 40% of that remuneration is deferred. The deferral period is at least 5 years for Senior Management and a minimum of 4 years and a maximum of 5 years for employees other than Senior Management. The maximum deferral period of 5 years is applied in the case of an assignment of Variable Remuneration that exceeds a particularly high amount.

In order to ensure uniform and lawful conditions for the acquisition of the right to remuneration and its payment, remuneration shall be paid to persons having a material impact on the risk profile of the Bank taking into account the principles of suitability, proportionality and non-discrimination.

The Bank's rules include the possibility to withhold or limit the payment of variable remuneration where the Bank does not meet the combined buffer requirement:

1. The Bank shall be prohibited from paying assigned variable remuneration in excess of the maximum amount to be paid (the so-called MDA) in a situation where the Bank does not meet the combined buffer requirement within the meaning and under the rules set out in *Articles 55 and 56 of the Act on macro-prudential supervision*.
2. In the event when the Bank does not meet the combined buffer requirement, then before the MDA is calculated, the Bank:

- does not undertake commitments to pay variable remuneration or discretionary pension benefits;
- does not make variable remuneration payments if the obligation to pay them arose during the period in which the Bank did not meet the combined buffer requirement.

If the legal relationship between the Bank and a given person having a material impact on the Bank's risk profile ceases to exist or if the position is excluded from the list, the remuneration is paid provided that the requirements specified in the Remuneration Policy for persons having a material impact on the risk profile of BNP Paribas Bank Polska S.A. are met.

A person is entitled to variable remuneration, provided that he/she has not been charged and is not subject to criminal or disciplinary sanctions.

In 2022, for the variable remuneration granted for 2019, 2020 and 2021 and in connection with the forecast of the variable remuneration for 2022, which will be granted in 2023, in the part concerning shares to be issued in the future, the Bank has recognized in the capitals an amount of PLN 3,124 thousand. At the same time, an amount of PLN 13,601 thousand (recognised in the previous years) is presented in capital. The actuarial value of the shares issued in 2022 in the amount of PLN 4,558 thousand is included in the mentioned amounts.

Financial instruments (shares) determined in relation to the deferred part of the variable remuneration for 2019, 2020 and 2021.

	30.06.2022		31.12.2021	
	financial instrument		financial instrument	
	units	value (PLN '000))	units	value (PLN '000)
Opening balance	**108,851**	**7,403**	**68,910**	**4,638**
granted in a given period	37,191	2,718	39,941	2,765
realised in a given period	(24,282)	(1,634)	-	-
Closing balance	**121,760**	**8,487**	**108,851**	**7,403**

The table below presents the terms and conditions of the Share/Warrants Purchase Plan for 2022

Type of transaction under IFRS 2	Share-based payment transactions
Program announcement date	31 January 2020 – entry into force of the Supervisory Board Resolution approving the Remuneration Policy
The commencement date for granting of phantom shares	1 March 2022
End date for granting phantom shares	2 March 2022

40. ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOW

Cash flows from operating activities – other adjustments	HY 2022 period from 01.01.2022 to 30.06.2022	HY 2021 period from 01.01.2021 to 30.06.2021
FX differences from subordinated loans	52,830	(43,565)
Securities measurement through profit or loss	10,284	24,971
Allowance for securities	(2 088)	13,397
Other adjustments	(10,533)	6,057
Cash flows from operating activities – total other adjustments	**50,493**	**860**

41. CONTINGENT LIABILITIES

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

Contingent liabilities	30.06.2022	31.12.2021
Contingent commitments granted	**42,757,182**	**43,750,937**
financial commitments	31,907,000	33,487,647
guarantees	10,850,182	10,263,290
Contingent commitments received	**57,282,567**	**36,321,578**
financial commitments	15,576,089	13,592,590
guarantees	41,706,478	22,728,988

42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Based on the methods used to determine fair value, the Bank classifies particular assets and liabilities into the following categories:

Level 1

Assets and liabilities measured on the basis of market quotations available on active markets for identical instruments.

Level 2

Assets and liabilities measured using valuation techniques based on directly or indirectly observed market quotations or other information based on market quotations.

Level 3

Assets and liabilities measured using valuation techniques where input data is not based on observable market data.

The Group periodically (at least quarterly) assigns individual assets and liabilities to particular levels of the fair value hierarchy. The basis for classification to particular levels of the valuation hierarchy is the input data used for the valuation, i.e. market quotes or other information. The lowest level of input data used for the valuation, having a significant impact on determining the fair value, determines the classification of an asset or liability to a particular hierarchy level.

If the input data is changed to data classified to another level, e.g. as a result of changes in the valuation methodology or changes in market data sources, the Group transfers the asset or liability to the appropriate level of measurement in the reporting period in which the change occurred.

In the first half of 2022, the Group did not make any changes in the method of fair value measurement that would result in the transfer of financial assets and liabilities between levels.

As of 30.06.2022, particular instruments were included in the following valuation levels:

1. the first level: Treasury bonds and bonds issued by European Investment Bank (fair value is determined directly by reference to published active market quotations), quoted shares;
2. the second level: interest rate options in EUR, USD and GBP, FX options, base interest rate and FX swaps maturing within 10 years, FRA maturing within 1 year, FX Forward, NDF and FX swaps maturing within 1 year, commodity swaps maturing within 1 year, interest rate swaps maturing within 10 years, structured instruments (whose fair value is determined using measurement techniques which are based on available, verifiable market data), bonds issued by PFR;
3. the third level: interest rate options in PLN, FX options maturing over 1 year, FX Forward, NDF and FX swaps maturing over 1 year, base interest rate and FX swaps maturing over 10 years, commodity swaps maturing over 1 year, interest rate swaps with residual maturity exceeding 10 years, structured instruments (whose fair value is determined using measurement techniques (models) which are not based on available, verifiable market data), derivatives for which significant Fair Value Correction or Credit Value Adjustment was created and corporate bonds other than CATALYST-listed ones, shares which are not listed on the WSE and other exchanges, subsidised loans (fair value determined using measurement techniques (models) which are not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2.

The table below presents classification of assets and liabilities re-measured to fair value in the Interim condensed consolidated financial statements into three categories:

30.06.2022	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**7,925,556**	**2,766,520**	**2,204,310**	**12,896,386**
Derivative financial instruments	-	2,749,025	821,258	3,570,283
Hedging instruments	-	686	-	686
Financial instruments measured at fair value through other comprehensive income	7,925,556	-	-	7,925,556
Financial instruments measured at fair value through profit or loss	-	16,808	293,166	309,974
Loans and advances to customers measured at fair value through profit or loss	-	-	1,089,886	1,089,886
Liabilities measured at fair value:	-	**5,038,940**	**789,158**	**5,828,098**
Derivative financial instruments	-	2,890,099	596,485	3,486,584
Hedging instruments	-	2,343,254	192,673	2,535,927

31.12.2021	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**9,170,446**	**1,412,875**	**2,093,752**	**12,677,073**
Derivative financial instruments	-	1,347,410	554,509	1,901,919
Hedging instruments	-	65,465	-	65,465
Financial instruments measured at fair value through other comprehensive income	9,143,353	-	-	9,143,353
Financial instruments measured at fair value through profit or loss	27,093	-	320,216	347,309
Loans and advances to customers measured at fair value through profit or loss	-	-	1,219,027	1,219,027
Liabilities measured at fair value:	**-**	**2,440,495**	**520,144**	**2,960,639**
Derivatives	-	1,458,287	459,745	1,918,032
Hedging instruments	-	1,067,573	60,399	1,127,972

In the case of some derivatives there was a change of valuation level from 3 to 2 due to reduction of time to maturity. One transaction migrated from valuation level 2 to level 3 due to the increase of CVA/DVA adjustment.

The fair value of level 2 and 3 financial instruments is determined using the measurement techniques (e.g. models).

The input data used for purposes of valuation of level 2 and 3 instruments include foreign exchange rates, yield curves, reference rates, changes in foreign exchange rates, reference rates, stock market indices and stock prices, swap points, basis spreads, stock market index values and futures prices.

In the case of derivative financial instruments classified to level 3, the unobservable parameters are correlations between stock exchange indices, correlations between exchange rates and stock exchange indices and implied volatilities of shares listed on the WSE and the WIG20 index.

As regards level 3 municipal bonds, the credit risk margin is a non-observable parameter which is replaceable with the market margin for instruments within similar characteristics. The effect of changes in the credit margin on changes in the fair value is considered immaterial.

The table presented below shows changes in the measurement of level 3 assets and liabilities as well as amounts charged to profit or loss and statement of comprehensive income.

30.06.2022	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Derivative financial instruments – liabilities	Hedging instruments – liabilities
Opening balance	**554,509**	**-**	**1,539,243**	**(459,745)**	**(60,399)**
Total gains/losses recognized in:	266,749	-	23,529	1,056,230	253,073
statement of profit or loss	266,749	-	23,529	1,056,230	253,073
Purchase	-	-	3,444	-	-
Settlement / Expiry	-	-	(183,164)	-	-
Closing balance	**821,258**	**-**	**1,383,052**	**596,485**	**192,673**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period					
	266,749	**-**	**23,529**	**1,056,230**	**253,073**

30.06.2021	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Derivative financial instruments – liabilities	Hedging instruments - liabilities
Opening balance	**287,094**	**94,873**	**1,911,704**	**(348,105)**	**-**
Total gains/losses recognized in:	(62,404)	(77,174)	49,545	91,685	7,251
statement of profit or loss	(62,404)	(77,174)	49,545	91,685	7,251
Purchase	-	-	3,431	-	-
Sale	-	-	(786)	-	-
Settlement / Expiry	-	-	(198,670)	-	-
Closing balance	**224,690**	**17,699**	**1,765,224**	**(256,420)**	**7,251**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period					
	(62,404)	**(77,174)**	**49,545**	**91,685**	**7,251**

The Group measures the fair value by discounting all contractual cash flows related to transactions, with the use of yield curves characteristic of each transaction group. Where no repayment schedule is agreed for a product, it is assumed that the fair value is equal to the carrying amount of the transaction, or, in case of revolving products, the curves derived from the liquidity profile of these products and the expected behavioural duration of these exposures are used.

The yield curve used for fair value measurement of liabilities (such as customer and interbank deposits) and receivables (such as loans to customers and interbank deposits) of the Group comprises:

- the credit risk free yield curve;
- the cost of obtaining financing above the credit risk free yield curve;
- the market margin that reflects credit risk for receivables.

The yield curve for fair value measurement of loans is constructed through classification of loans into sub-portfolios depending on the product type and currency as well as customer segmentation. A margin is determined for each sub-portfolio taking into account credit risk. The margin may be determined in two ways: by reference to margins used for each type of loan granted over the past six months or with the use of credit risk parameters of a given customer determined in the process of calculating the impairment of financial instruments.

When using the first approach for foreign currency mortgage loans, the margin for the entire portfolio of a specific type of mortgage loans serves as the basis for determination of a margin reflecting credit risk as no new transactions are concluded. In the case of insufficient amount of loans, which makes it impossible to reliably determine the amount of margin, the average market margin for products of a given type is used. The following table presents the book and fair values of those financial assets and liabilities which have not been presented in the Group's statement of financial position at fair value, along with the measurement classification level. The current credit risk margin and the current liquidity margin, the values of which are not quoted on an active market, are the non-observable parameters for all the categories.

30.06.2022	Book value	Fair value	Level
Financial assets			
Cash and cash balances at Central Bank	4,655,484	4,655,484	3
Amounts due from banks	6,893,371	6,526,024	3
Loans and advances to customers measured at amortised cost	90,708,889	88 613 539	3
Securities measured at amortised cost	23,352,086	18,755,030	1,3
Other financial assets	565,286	565,286	3
Financial liabilities			
Amounts due to banks	7,474,093	7,525,522	3
Amounts due to customers	109,413,772	108,427,880	3
Subordinated liabilities	4,397,875	4,720,438	3
Leasing liabilities	791,094	791,094	3
Other financial liabilities	1,601,027	1,601,027	3
Debt securities issued	516,076	516,076	3

31.12.2021	Book value	Fair value	Level
Financial assets			
Cash and cash balances at Central Bank	4,631,477	4,631,477	3
Amounts due from banks	2,615,150	2,442,241	3
Loans and advances to customers measured at amortised cost	85,080,454	83,996,937	3
Securities measured at amortised cost	23,268,041	21,612,237	1,3
Other financial assets	369,108	369,108	3
Financial liabilities			
Amounts due to banks	8,012,244	7,966,133	3
Amounts due to customers	101,092,941	100,330,112	3
Subordinated liabilities	4,334,572	4,591,245	3
Leasing liabilities	860,004	860,004	3
Other financial liabilities	714,379	714,379	3
Debt securities issued	722,628	722,628	3

a) Amounts due from banks and amounts due to banks

Amounts due from banks and amounts due to banks include interbank deposits and interbank settlements. The fair value of fixed and floating rate deposits/placements is based on discounted cash flows determined by reference to money market interest rates for items with similar credit risk and residual maturity.

b) Loans and advances to customers

The estimated fair value of loans and advances is the discounted value of future cash flows to be received, using the current market rates adjusted by financing cost and by actual or estimated credit risk margins.

The fair value takes into account the impact of taking credit holidays by 50% of eligible customers

c) Securities measured at amortised cost

The fair value of securities measured at amortised cost was determined by reference to the published quoted prices in an active market for quoted securities (first level of measurement or a second level in case of reduced liquidity). However, for unquoted securities, fair value was determined using valuation techniques not based on available market data (third level of measurement).

d) Liabilities due to subordinated loan

Liabilities include subordinated loans. The fair value of the floating rate loan is based on discounted cash flows determined by reference to money market interest rates for items with similar credit risk and residual maturity.

e) Liabilities due to customers

The fair value of fixed and floating rate deposits is based on discounted cash flows determined by reference to money market interest rates adjusted by the actual cost of securing funds over the past three months. For demand deposits, it is assumed that the fair value is equal to their carrying amount.

f) Lease liabilities

The fair value of lease liabilities was determined as equal to their balance sheet value.

g) Debt securities issued

The fair value of the securities issue was estimated using a model that discounts the future cash flows of the investment based on market interest rate curves adjusted for issuer credit risk.

43. LOAN PORTFOLIO SALE

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 amortised cost was PLN 227,708 thousand, the amount of impairment allowances 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 allowances on financial assets and provisions for contingent liabilities.

44. SECURITIZATION

Securitization

In December 2017, the Group performed a securitization transaction on the portfolio of cash and car loans, using the BGZ Poland ABS1 DAC (SPV) subsidiary. The transaction is a traditional securitization involving the transfer of ownership of the securitized receivables to SPV (BGŻ Poland ABS1 DAC based in Ireland). The revolving period was 24 months and ended in December 2019. From January 2020, the transaction is amortised.

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

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

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

In the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of securitized assets. In connection with the above, the Group recognises securitized assets in “Loans and advances to customers” as of 30 June 2022 at gross value of PLN 570,860 thousand.

The Group acts as a servicing entity in the transaction:

Balance sheet values and fair values of financial assets covered by securitization and related liabilities	Balance sheet amount		Fair value	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Assets	570,860	775,591	493,037	706,029
Liabilities	544,160	761,924	544,160	761,924

45. RELATED PARTY TRANSACTIONS

BNP Paribas Bank Polska S.A. operates within the BNP Paribas Bank Polska S.A. Capital Group.

BNP Paribas Bank Polska S.A. is the parent in the BNP Paribas Bank Polska S.A. Capital Group.

The ultimate parent company is BNP Paribas S.A., based in Paris.

As of 30 June 2022, the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company, and its subsidiaries:

1. BANKOWY FUNDUSZ NIERUCHOMOŚCIOWY ACTUS SP. Z O.O. in liquidation („ACTUS”),
2. BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. („TFI”),
3. BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING”),
4. BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC”),
5. CAMPUS LESZNO SP. Z O.O.,
6. BNP PARIBAS SOLUTIONS SPÓŁKA Z O.O. in liquidation,
7. BGZ POLAND ABS1 DAC („SPV”).

All transactions between the Bank and its related parties were entered into as part of daily operations and included mainly loans, deposits, transactions with reference to derivative instruments as well as income and expenses related to advisory and financial intermediation services.

Transactions with shareholders of BNP Paribas Bank Polska S.A. and related parties:

30.06.2022	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
Assets	**8,033,860**	**1,090**	**551,698**	**783**	**8,587,431**
Receivables on current accounts, loans and deposits	5,806,668	1,090	542,942	783	**6,351,483**
Derivative financial instruments	2,226,481	-	-	-	**2,226,481**
Derivative hedging instruments	687	-	-	-	**687**
Other assets	24	-	8,756	-	**8,780**
Liabilities	**14,349,989**	**82,650**	**1,631,288**	**2,488**	**16,066,415**
Loans and advances received	5,122,345	-	611,788	-	**5,734,133**
Current accounts and deposits	941,337	82,650	737,964	2,488	**1,764,439**
Subordinated liabilities	4,116,424	-	281,451	-	**4,397,875**
Derivative financial instruments	1,633,956	-	-	-	**1,633,956**
Derivative hedging instruments	2,535,927	-	-	-	**2,535,927**
Other liabilities	-	-	85	-	**85**
Contingent liabilities					
Financial commitments granted	-	-	242,097	647	**242,744**
Guarantee commitments	109,315	198,648	1,605,644	-	**1,913,607**
Commitments received	1,545,767	307,905	2,368,769	-	**4,222,441**
Derivative instruments (nominal value)	66,564,332	-	-	-	**66,564,332**
Hedging derivative instruments (nominal value)	25,639,179	-	-	-	**25,639,179**
Statement of profit or loss	**(974,019)**	**(261)**	**(52,147)**	**8**	**(1,026,419)**
HY 2022 from 01.01.2022 to 30.06.2022					
Interest income	27,936	74	2,429	16	**30,455**
Interest expense	(154,905)	(335)	(18,458)	(8)	**(173,706)**
Fee and commission income	-	-	1,676	-	**1,676**
Net trading income	(791,772)	-	21	-	**(791,751)**
Other operating income	-	-	4,789	-	**4,789**
General administrative expenses	(55,278)	-	(42,604)	-	**(97,882)**

31.12.2021	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
Assets	**2,583,416**	**4,264**	**346,167**	**841**	**2,934,688**
Receivables on current accounts, loans and deposits	1,585,212	4,264	344,303	811	**1,934,590**
Derivative financial instruments	932,697	-	-	-	**932,697**
Derivative hedging instruments	65,465	-	-	-	**65,465**
Other assets	42	-	1,864	30	**1,936**
Liabilities	**12,383,493**	**29,944**	**1,802,173**	**2,684**	**14,218,294**
Loans and advances received	4,180,119	-	763,972	-	**4,944,091**
Current accounts and deposits	1,978,727	29,944	761,579	2,684	**2,772,934**
Subordinated liabilities	4,058,054	-	276,518	-	**4,334,572**
Derivative financial instruments	1,038,620	-	-	-	**1,038,620**
Derivative hedging instruments	1,127,973	-	-	-	**1,127,973**
Other liabilities	-	-	104	-	**104**
Contingent liabilities					
Financial commitments granted	-	-	295,448	633	**296,081**
Guarantee commitments	105,365	200,134	1,448,341	-	**1,753,840**
Commitments received	812,994	304,155	1,774,204	-	**2,891,353**
Derivative instruments (nominal value)	60,082,978	-	-	-	**60,082,978**
Derivative hedging instruments (nominal value)	26,448,220	-	-	-	**26,448,220**
Statement of profit or loss	**(267,578)**	**4**	**(21,800)**	**-**	**(289,374)**
HY 2021 from 01.01.2021 to 30.06.2021					
Interest income	-	4	89	-	**93**
Interest expense	(51,701)	-	(5,874)	-	**(57,575)**
Fee and commission income	6	-	7,376	-	**7,382**
Fee and commission expense	-	-	(49)	-	**(49)**
Net trading income	(178,471)	-	-	-	**(178,471)**
Other operating income	-	-	9,534	-	**9,534**
General administrative expenses	(37,412)	-	(32,876)	-	**(70,288)**

Remuneration of the Management Board and Supervisory Board

Management Board	HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Short-term employee benefits	10,835	8,884
Long-term benefits	2,757	2,732
Termination benefits	-	855
Share-based payments*	3,314	2,688
Issued shares**	1,405	1,514
Total	**18,311**	**16,673**

*includes a provision for deferred phantom shares and the amount related to the Bank's shares taken up in the future (in accordance with the variable remuneration policy) in the Bank's equity

**the value of shares issued based on actuarial valuation

Supervisory Board	HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Short-term employee benefits	792	765
Total	**792**	**765**

46. OPERATING SEGMENTS

Segment reporting

The Group has identified the following operating segments for reporting purposes and allocated income and expenses as well as assets and liabilities thereto: Retail and Business Banking, Small and Medium-Sized Enterprises (SME), Corporate Banking, Corporate and Institutional Banking (CIB) as well as Other Operations, including ALM Treasury and the Corporate Centre. Additionally, performance related to Agro customers, i.e. individual farmers and agro-food sector enterprises, as well as the Personal Finance segment has been presented. Although the aforesaid segment performance overlaps with that of the basic operating segments, it is additionally monitored separately for purposes of the Group's management reporting. The abovementioned segmentation reflects the principles of customer classification to each segment in line with the business model adopted by the Bank, which are based on such criteria as the entity, finances and type of business activity.

The Group's management performance is monitored by considering all items of the statement of profit or loss of the particular segment, to the level of gross profit, i.e. for each segment revenue, expenses and net impairment losses are reported. Management revenue takes into account cash flows between customer segments and the asset liability management unit, measured by reference to internal transfer prices of funds based on market prices and liquidity margins for each maturity and currency. Management expenses of the segments include direct operating expenses and expenses allocated using the allocation model adopted by the Group. Additionally, the management performance of the segments take into account amounts due to each business line for services between such lines.

The Group's operations are conducted in Poland only. As no considerable differences in the risks, which might be affected by the geographical location of the Bank's branches, can be identified, no geographical disclosures have been presented.

The Group applies consistent, detailed principles to all identified segments. As regards the revenue, in addition to standard items, components of the net interest income of the segments have been identified, to include external and internal revenue and expenses. As regards operating expenses, the Group's indirect expenses are allocated to each segment in the Expense allocation (internal) item. Considering the profile of the Bank's business, no material seasonal or cyclical phenomena are identified. The Group provides financial services, the demand for which is stable, and the effect of seasonality is immaterial.

Description of operating segments

Retail and Business Banking segment covers comprehensive services to retail customers, including private banking customers, as well as business clients (microenterprises), including:

- entrepreneurs whose annual net income for the preceding financial year is below PLN 4 million, conducting full financial reporting, whose credit exposure is lower than PLN 1.2 million,
- entrepreneurs conducting simplified financial reporting,
- housing communities and property managers,
- non-profit organisations,
- individual farmers, regardless of production volume, whose credit exposure is below PLN 3 million, individual farmers, regardless of production volume, whose credit exposure is between PLN 3 million and PLN 4 million, if the collateral on arable lands covers at least 50% of credit exposure,
- diocesan parishes of the Catholic Church,
- legal persons of churches and religious associations with income up to PLN 4 million.

The scope of financial services offered by the Retail and Business Banking Segment includes maintenance of current and deposit accounts, acceptance of term deposits, granting mortgage loans, cash loans, mortgage advances, overdrafts, loans to microenterprises, issuing debit and credit cards, cross-border cash transfers, foreign exchange transactions, sale of insurance products as well as other services of lesser importance to the Group's income. Additionally, the performance of the Retail and Business Banking Segment includes: balances and performance of e-banking (Optima), performance of brokerage services and distribution and storage of investment fund units.

The Retail and Business Banking customers are served by the Bank's Branches and alternative channels, i.e. online banking, mobile banking and telephone banking, e-banking channel (Optima), the Banking Premium channel and Wealth Management (respectively investing assets over PLN 100 thousand and in the minimum amount of PLN 1 million). Selected products are also sold by financial intermediaries active at the country and local level.

Personal Finance is responsible for development of product offering and management of financial services provided to consumers, with the following major products: cash loans, car loans, instalment loans and credit cards. The aforesaid products are distributed through the Retail and Business Banking branch network as well as external distribution channels.

SME Banking provides services to:

- Agro-SME clients preparing full financial reporting in relation to net sales revenues for the previous financial year from PLN 4 million to PLN 60 million and credit exposure below PLN 18 million, agro-producer groups with credit exposure below PLN 40 million and Agro clients from the Group of affiliated entities with net sales revenues between PLN 4 million and up to PLN 80 million and credit exposure below PLN 40 million, as well as agricultural producer groups and organisational units of the National Forest Holding "The State Forests", Agro customers, which are commercial companies owned by legal entities of the Catholic Church with revenues up to PLN 60 million and total credit exposure up to PLN 18 million, and Agro customers that are part of an international group of affiliated entities not serviced by the BNP Paribas Group, with net sales revenues between PLN 4 million and PLN 80 million and credit exposure up to PLN 40 million.
- Non-Agro Customers - a sub--segment that includes entities that maintain full financial reporting, with net sales revenues from the previous financial year ranging from PLN 4 million to PLN 60 million and whose credit exposure does not exceeding PLN 18 million, as well as local government units with a budget of up to PLN 100 million and credit exposure not exceeding PLN 18 million, along with their subsidiaries with revenues below PLN 60 million and credit exposure not exceeding PLN 18 million, legal entities of the Catholic Church with revenue up to PLN 60 million and total credit exposure up to PLN 18 million, legal entities of churches and religious associations other than the Catholic Church, with revenue between PLN 4 million and PLN 60 million, Non-Agro customers belonging to the international group of affiliated entities not serviced by the BNP Paribas Group, with net sales revenue between PLN 4 million and PLN 60 million and credit exposure up to PLN 18 million.
- Agro entrepreneurs (i.e. companies conducting production activities in agriculture) preparing full financial reporting, whose loan exposures were lower than PLN 40 million, as well as individual farmers if their loan exposure is in the range of PLN 4 million to PLN 40 million or in the range of 3 PLN million to 4 PLN million if the collateral on arable lands covers less than 50% of credit exposure;

Corporate Banking offers a wide variety of financial services to large and medium-sized enterprises with net sales revenues exceeding or equal to PLN 60 million or with credit exposure exceeding PLN 18 million (in the case of Agro entrepreneurs with credit exposure exceeding PLN 40 million), and to entities that are part of international capital groups.

Corporate Banking clients are divided into the following groups:

- Polish corporations i.e. Polish entities (or groups of Polish related entities) with annual sales revenues of more than EUR 150 million or large Polish corporations with annual revenues of less than EUR 150 million if characterized by one of the following features: listed company status, cross-selling potential, business growth exceeding 50% in the last 3 years.
- Others: public sector entities, local government units with a budget greater than or equal to PLN 100 million, financial and insurance institutions, foundations and non-profit organisations, legal persons of the Catholic Church and other churches and religious associations, commercial law companies owned by legal persons of the Catholic Church.

Distribution network for Corporate Banking is based on Regional Corporate Banking Centres located in Warsaw, Łódź, Gdańsk, Poznań, Wrocław, Katowice, Kraków and Lublin. As part of the Regional Corporate Banking Centers, there are Corporate Banking Centers located in the largest business centres in Poland, ensuring a wide geographical and sector coverage. After-sales service for the clients of the Corporate Banking segment is also carried out by the Telephone Business Service Center and in the online banking system.

The basic products and services provided to Corporate Customers include cash management and global trade finance services – comprehensive services related to import and export LCs, bank guarantees and documentary collection, supply chain and exports financing, acceptance of deposits (from overnight to term deposits), corporate finance services which involve provision of overdraft facilities, revolving and investment loans as well as agro-business loans), financial market products, to include foreign exchange and derivative transactions for the account of customers, lease and factoring products as well as specialised services such as financing real estate, structured finance services to mid-caps and investment banking and services related to public sector entities: organisation of municipal bond issues, forfaiting, dedicated cash management solutions.

The Corporate and Institutional Banking (CIB) Segment supports sales of products of the Group, dedicated to the largest Polish enterprises including services provided to key clients.

Other Banking Operations are performed mainly through the **ALM Treasury**, the main objective of which is ensuring an appropriate and stable level of funding to guarantee the security of the Bank's operations and compliance with the standards defined in the applicable laws.

The ALM Treasury assumes responsibility for liquidity management at the Bank, setting internal and external reference prices, management of the interest rate risk inherent in the Group's statement of financial position as well as the operational and structural currency risk. The ALM Treasury focuses on both prudential (compliance with external and internal regulations) and optimisation aspects (financing cost management and generating profit on management of the Group's items from the statement of financial position).

The Other Operations segment includes also direct costs of the support functions, which have been allocated to segments in the Expense allocation (internal) item, as well as results that may not be assigned to any of the aforementioned segments (to include equity investment, gains/losses on own accounts and customer accounts not allocated to a specific segment)

	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss for HY 2022 from 01.01.2022 to 30.06.2022*								
Net interest income	1,154,582	144,453	372,548	33,156	447,632	**2,152,370**	228,472	348,030
external interest income	1,524,568	204,025	517,628	127,959	668,024	**3,042,204**	439,365	533,356
external interest expenses	(195,812)	(65,986)	(174,851)	(501)	(452,684)	**(889,834)**	(81,887)	(50,328)
internal interest income	669,107	141,015	374,664	836	(1,185,622)	**-**	145,283	-
internal interest expenses	(843,281)	(134,601)	(344,894)	(95,138)	1,417,914	**-**	(274,288)	(134,998)
Net fee and commission income	323,674	69,056	183,483	20,678	(1,268)	**595,623**	79,056	64,023
Dividend income	-	-	2,854		5,288	**8,142**	255	-
Net trading income	69,573	50,063	179,923	131,324	(161,272)	**269,610**	42,860	36
Result on investment activities	-	-	-	-	30,501	**30,501**	-	-
Result on hedge accounting	-	-	-	-	19,524	**19,524**	-	-
Other operating income and expenses	(16,203)	(770)	(4,356)	-	(17,539)	**(38,863)**	(498)	(9,141)
Net impairment losses on financial assets and contingent liabilities	(2,379)	-	-	-	-	**(2,379)**	-	-
Result on provisions for legal risk related to foreign currency loans	(230,251)	26,706	32,920	9,948	(4,051)	**(164,727)**	(18,447)	(60,566)
Total operating expenses	(696,485)	(95,068)	(263,049)	(63,175)	(301,734)	**(1,419,514)**	(9,538)	(163,494)
Depreciation and amortization	162	-	-	-	(206,637)	**(206,475)**	-	275
Expense allocation (internal)	(328,602)	(89,811)	(84,932)	9,415	493,930	-	-	(55,463)
Operating result	**51,334**	**104,629**	**419,391**	**141,346**	**304,374**	**1,021,074**	**322,160**	**123,700**
Tax on financial institutions	(103,409)	(14,875)	(49,410)	(9,069)	(26,005)	**(202,768)**	-	(23,968)
Profit before income tax	**(52,075)**	**89,754**	**369,981**	**132,277**	**278,369**	**818,306**	**322,160**	**99,732**
Income tax expense						(282,897)		
Net profit for the period						**535,409**		
Statement of financial position for the as of 30.06.2022*								
Segment assets	50,845,673	7,383,903	28,723,852	5,263,810	50,102,692	**142,319,932**	14,728,649	13,974,860
Segment liabilities	62,026,087	15,462,589	37,867,799	-	15,774,319	**131,130,793**	14,330,520	-

*As the figures have been rounded and presented in PLN ‘000, in some cases their total may not correspond to the exact grand total.

	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss for HY 2021 from 01.01.2021 to 30.06.2021*								
Net interest income	831,186	116,375	260,426	24,386	259,355	**1,491,728**	190,100	304,062
external interest income	797,634	83,175	206,993	38,759	486,479	**1,613,041**	192,344	406,005
external interest expenses	(37,287)	(420)	(1,966)	(49)	(81,592)	**(121,313)**	(964)	(17,309)
internal interest income	305,384	60,189	117,815	(167)	(483,221)	**-**	48,850	-
internal interest expenses	(234,545)	(26,569)	(62,417)	(14,157)	337,688	**-**	(50,130)	(84,633)
Net fee and commission income	268,613	63,759	148,951	22,221	(6,414)	**497,130**	72,001	58,580
Dividend income	-	-	1,257	-	198	**1,455**	255	-
Net trading income	50,970	37,661	127,602	81,402	34,182	**331,817**	25,914	53
Result on investment activities	-	-	-	-	39,994	**39,994**	-	-
Result on hedge accounting	-	-	-	-	(18,562)	**(18,562)**	-	-
Other operating income and expenses	(20,114)	(4,155)	(9,113)	135	(8,978)	**(42,226)**	(2,829)	(18,121)
Net impairment losses on financial assets and contingent liabilities	(48,599)	(18,081)	(62,507)	(4,599)	2,773	**(131,014)**	(35,365)	(41,943)
Result on provisions for legal risk related to foreign currency loans	(258,977)	-	-	-	-	**(258,977)**	-	-
Total operating expenses	(526,032)	(65,124)	(130,306)	(43,021)	(277,015)	**(1,041,499)**	(7,664)	(132,014)
Depreciation and amortization	(51,759)	(1,534)	(14,149)	(4,210)	(126,546)	**(198,198)**	(253)	(9,287)
Expense allocation (internal)	(241,522)	(85,712)	(56,415)	6,652	376,997	-	-	(49,479)
Operating result	**6,151**	**41,076**	**265,052**	**82,966**	**276,404**	**671,648**	**245,304**	**115,211**
Tax on financial institutions	(81,886)	(12,803)	(39,796)	(8,038)	(19,420)	**(161,943)**	-	(20,063)
Profit before income tax	**(75,735)**	**28,273**	**225,256**	**74,928**	**256,984**	**509,705**	**245,304**	**95,148**
Income tax expense						**(213,762)**		
Net profit for the period						**295,943**		
Statement of financial position as of 31.12.2021*								
Segment assets	49,983,663	7,587,840	25,076,146	4,599,816	44,530,015	**131,777,481**	14,475,073	13,463,664
Segment liabilities	59,702,047	13,707,750	33,993,707	-	13,012,344	**120,415,850**	10,287,839	-

*As the figures have been rounded and presented in PLN ‘000, in some cases their total may not correspond to the exact grand total. The comparative figures have been restated in connection with the change in the allocation of the subsidiaries' activities to operating segments in 2022. The change in presentation mainly relates to the reclassification of part of the liabilities of the company "LEASING" from Retail Banking to Corporate and SME Banking in the amount of PLN 2.8 billion at the end of 2021.

47. THE SHAREHOLDER'S STRUCTURE OF BNP PARIBAS BANK POLSKA S.A.

The table below presents the Bank's shareholding structure as at 30 June 2022, distinguishing shareholders who held at least 5% of the total number of votes at the general meeting:

Shareholder	Number of shares	Percentage interest in share capital	Number of votes at the general shareholders' meeting	Percentage share in the total number of votes at the general shareholders' meeting
BNP Paribas, total:	128,991,553	87.40%	128,991,553	87.40%
BNP Paribas directly	93,501,327	63.35%	93,501,327	63.35%
BNP Paribas Fortis SA/NV directly	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 of 4 April 2022, the Bank's share capital amounts to PLN 147,593 thousand.

The share capital consists of 147,593,150 shares with the par value of PLN 1.00 each, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 F series shares, 8,000,000 G series shares, 5,002,000 H series shares, 28,099,554 I series shares, 2,500,000 J series shares, 10,800,000 K series shares, 49,880,600 L series shares and 174,232 M series shares.

The four B series shares are preference shares with respect to payment of the full par value per share in the event of the Bank's liquidation, once the creditors' claims have been satisfied, with priority over payments per ordinary shares, which, after the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.

The 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 series shares granted is 74,368 votes and the total number of votes resulting from the M series shares granted is 174,232 votes.

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

Changes in the 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 M series shares in exercise of the rights from the A2 series registered subscription warrants taken up earlier.

Investor commitment of BNP Paribas regarding the liquidity of the Bank's shares

In accordance with the commitment made by BNP Paribas S.A. - the Bank's main shareholder - to the Financial Supervision Authority, submitted on 14 September 2018, the number of the Bank's free float shares should be increased to at least 25% plus one share by the end of 2023 at the latest.

Shareholding of BNP Paribas Bank Polska S.A. shares by members of the Bank's Supervisory Board and members of the Bank's Management Board

The shareholding structure of the Bank and rights to shares owned by the members of the Bank's Management Board and Supervisory Board as at the date of presenting the report for the first quarter of 2022 (10 May 2022) and the report for the first half of 2022 (11 August 2022) are presented below.

The shareholdings of individual members of the Management Board in the Bank and share entitlements have changed since the publication of the previous report, i.e. 10 May 2022.

MEMBER OF THE BANK'S MANAGEMENT BOARD	SHARES[1] 10.05.2022	SUBSCRIPTION WARRANTS[2] 10.05.2022	SHARES[1] 11.08.2022	SUBSCRIPTION WARRANTS[2] 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 Kembłowski	3,195	4,050	3,195	4,050
Kazimierz Łabno	1,862	2,285	1,862	2,285
Magdalena Nowicka	-	2,046	-	2,046
Volodymyr Radin	895	1,230	895	1,230
Agnieszka Wolska	-	614	-	614

1) series M shares subscribed on 4.04.2022 by exercising rights attached to A2 series warrants (A2 series registered subscription warrants were subscribed on 25.03.2021; one warrant entitled to subscribe for one M series ordinary bearer share of BNP Paribas Bank Polska S.A. at the issue price of PLN 1.00 per share); in the case of Mr Przemysław Gdański, the number of series M shares acquired by exercising the rights attached to the A2 series warrants was 9,148, the number of series M shares acquired by exercising the rights attached to the A1 series warrants was 7,489, the number of shares purchased on the WSE share market was 500.

2) series A3 subscription warrants acquired on 25.03.2022 - one series A3 warrant entitles to acquire one series M ordinary bearer share of BNP Paribas Bank Polska S.A., at the issue price of PLN 1.00 per share

Members of the Bank's Supervisory Board did not declare holding any shares/privileges of the Banks as of 30 June 2022 and as at the preparation date of the present Report for the first half of 2022, i.e. 11 August 2022, and there was no change in this respect from the date of presenting the Report for the first quarter of 2021, i.e. 10 May 2022.

48. DIVIDEND PAID

The Group did not pay any dividends for 2021.

49. DISTRIBUTION OF RETAINED EARNINGS

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

50. LITIGATION AND CLAIMS

Legal risk

As of 30 June 2022, there were no proceedings in the court, arbitration tribunal or state administration authorities regarding liabilities or receivables of the Bank, 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. (presently 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 prepared a last resort appeal against the aforesaid court decision and brought it on 25 April 2016. On 25 October 2017, the Supreme Court overruled the judgment of the Court of Appeal and remitted the case. 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 quashed the judgment of the first instance court and remitted the case for re-examination.

Corporate claims against the Bank (interchange fee)

As of 30 June 2022 the Bank received:

- 33 requests for settlement from companies (merchants), due to interchange fees paid in relation to the use of payment cards, (two from companies which submitted their requests twice and, one from the company which submitted its request three times and one from a company which submitted two requests for different payment methods). The total amount of these claims was PLN 1,028.02 million, including PLN 1,018.05 million where the Bank had joint responsibility with other banks.
- 4 requests for mediation before the PFSA. The requests were sent to the Bank by the same entrepreneurs who had previously submitted requests for a settlement attempt. The total value of claims arising from the above applications amounts to PLN 40.29 million, of which PLN 37.79 million relates to joint liability with other banks.

Proceedings regarding recognizing a standard contract as prohibited

On 22 September 2020, the Bank received a decision of the President of the Office of Competition and Consumer Protection (UOKiK) No. DZOIK 14/2020, in which the President of UOKiK:

- found certain provisions of the standard contract (the so-called anti-spreading annex) concerning the principles of determining currency exchange rates illegal and prohibited their application;
- obligated the Bank to inform all customers who are parties to the annex about the decision and its consequences and to post information about the decision and its content on its website;
- imposed a fine on the Bank in the amount of PLN 26,626 thousand payable to the Financial Education Fund.

The Bank appealed against the decision within the statutory deadline. The Bank has established a provision for the above penalty in full amount. The first hearing was set for 29 June 2022. The court requested the Bank to submit additional explanations and documents and adjourned the hearing until 21 September 2022.

Litigation concerning CHF credit agreements in the banking sector

After the judgment of the Court of Justice of the European Union in the CHF-indexed mortgage case (C-260/18), the number of lawsuits related to CHF mortgages against banks is gradually increasing. According to the Association of Polish Banks (ZBP), the number of pending lawsuits related to CHF loan agreements at the end of June 2022 reached over 95 thousand compared to 77 thousand at the end of 2021. During the first six months of 2022, 17,916 new claims related to foreign currency loans were issued against the banks. This resulted in an increase in provisions for these proceedings created by banks having CHF mortgage loan portfolios. The amount of these provisions created by listed banks in 2021 amounted to approximately PLN 7.8 billion, and in the first quarter of 2022 to PLN 0.9 billion, contributing to the total value of provisions created for this purpose in the amount of PLN 18.7 billion at the end of 2021 and PLN 19.6 billion at the end of the first quarter of 2022.

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

The gross balance sheet value of mortgage and housing loans granted to individual customers in CHF as of 30 June 2022 amounted to PLN 4.40 billion, compared to PLN 4.53 billion at the end of 2021.

As of 30 June 2022 the Bank was the defendant in 2,858 (846 new cases in the first half 2022) pending court proceedings (including validly closed cases, clients brought a total of 3,016 claims against the Bank), in which the Bank's customers demanded the annulment of mortgage loan agreements regarding foreign currency loans or loans denominated in CHF, or declaration that the contract is permanently ineffective. The claims are based in particular on a contravention of Article 69 of the Banking Act or on the occurrence of abusive clauses which cause the contract cannot be remained in force (article 353^1 of the Civil Code). The Bank is not a party to any collective claim regarding these loans. The total value of claims pursued in the currently pending cases as of 30 June 2022 was PLN 1,228.72 million (as of 31 December 2021 was PLN 858.03 million), and in legally binding cases PLN 80.82 million (PLN 41.36 million as of 31 December 2021).

The following judgments have been issued in 158 proceedings that have been legally concluded: 46 judgments in favour of the Bank, including 23 proceedings in case of which a settlement agreement was concluded, and in 112 cases the courts ruled against the Bank by declaring the loan agreement invalid or permanently ineffective).

The Bank creates provisions on an ongoing basis for pending litigation involving denominated or foreign currency loans, taking into account the current status of judgments in cases against the Bank and the developing line of case law.

The total value of provisions created as at 30 June 2022 amounted to PLN 1,486.0 million (as at 31 December 2021 it amounted to PLN 1,290.4 million), with an impact on the Bank's income statement of PLN 222.7 million in the first half of 2022 (in 2021 it amounted to PLN 1,045.3 million).

The provision is created in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. Provision for pending cases is calculated on an individual basis, while for future cases using the portfolio method. While calculating the provision, the ank takes into account, inter alia, the number of certificates downloaded by clients for trial purposes, the estimated probability of clients filing cases, the estimated number of future claims, the number of claims 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 signed with customers. The amount of the provision for the estimated settlements was PLN 124.6 million from the total balance of provisions.

It should be stressed that the Polish courts, despite contrary indications arising from CJEU rulings (C-19/20 and C-932/19), in the vast majority rule that credit agreements are invalid or ineffective. 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 be issued in the near future due to the question addressed to the CJEU. A number of Supreme Court judgments have been handed down in recent months; however, written justifications of the judgement are only known in a small number of cases, which does not eliminate uncertainty about the line of case law.

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, 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, the Bank is obliged to return the sum of the principal and interest instalments paid by the client using the historical rate and the Bank writes down the loan exposure.

Should the assumed average loss change by +/- 5%, 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 used to estimate the number of lawsuits lost. A change in this estimate would have the following impact on the estimated loss due to legal risk related to CHF loans.

Parameter	Scenario	Impact on Bank's loss due to legal risk
Percentage of lawsuits lost	+5 p.p.	+ PLN 63 million
	-5 p.p.	- PLN 65 million

The Bank conducted a sensitivity analysis of the model used to estimate the number of future lawsuits. A change in the number of future lawsuits would have the following impact on the estimated loss due to legal risk related to CHF loans.

Parameter	Parameter	Scenario
Percentage of future lawsuits	+20%	+ PLN 99 million
	-20%	- PLN 99 million

Additionally, if 1% of customers with CHF loans filed a lawsuit against the Bank, the loss due to legal risk would increase by approx. 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 the content of judgments in concluded cases. The Bank monitors the number of collected certificates and the changing number of lawsuits in order to update the provision estimate accordingly.

At the same time, the Bank points to the fact that there is a significant discrepancy in both facts (in particular different contractual provisions and scope of information provided to the clients) as well as rulings passed in Poland regarding indexed, denominated and currency loans, which significantly impedes a precise estimation of risk. The Bank monitors the courts' rulings on an ongoing basis and will adjust the level of reserves to the emerging case-law. At the same time, the Bank is aware that the assumptions made are subject to a high degree of uncertainty and are a subjective assessment of the current situation, which may change in the future. In determining the value of the provision, the Bank relies on all information available at the date of signing the Financial Statements.

Significant case law of CJEU and of the Supreme Court on loans in CHF

In 2021, there have been a number of rulings both domestic and those of the Court of Justice of the European Union (CJEU) concerning foreign currency credit agreements, denominated or indexed to a foreign currency. European case law has consistently indicated the need to uphold the contract where there are prohibited clauses in it and to seek other solutions to restore balance to the parties. In contrast, national courts ignore in their rulings this line of jurisprudence by mostly ruling the contract permanently ineffective.

The following important rulings concerning the above issues have been made before the CJEU in recent times:

1) On 29 April 2021, the Court of Justice of the European Union handed down 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, not just to the one considered "a properly informed, sufficiently attentive and reasonable customer".

3) On 2 September 2021 the Court of Justice of the European Union handed down its judgment in Case C-932/19, in which it unequivocally indicated that national courts, when deciding on customers' claims based on a challenge to certain contract terms, may not rely solely on the potentially favourable annulment of the contract for the consumer. It is not permissible for the situation of one of the parties to be regarded by the national courts as the decisive criterion as to the future fate of the contract. The Court reiterates that the fundamental objective of Directive 93/13 is to restore the balance of the parties, including by means of the national provisions in force.

4) On 18 November 2021, the CJEU handed down its judgment in Case C-212/20 in which it indicated that the wording 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 circumspect consumer to understand how the exchange rate applicable to the calculation of instalments is determined, in such a way that the consumer is able to work out for himself the exchange rate applied by the trader at any time;

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

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

(2) if the contract falls due to the unfair terms contained therein, each party has a claim for repayment of the performance made by that party (the so-called two-condition theory) ,

(3) the limitation period for the Bank's claims for reimbursement of the principal begins to run only from the moment when the agreement has become definitively ineffective (the basis for the performance has been lost).

(4) the agreement becomes permanently ineffective from the moment when the borrower, having been informed of all the consequences of the failure of the agreement, including the possible specific negative consequences of such a failure, makes a declaration to not keep the agreement in force. The borrower should be informed of the consequences of the failure of the agreement by the court in the course of the proceedings.

The meeting of the full bench of the Civil Chamber of the Supreme Court concerning the legal issues presented on 29 January 2021 by the First President of the Supreme Court was postponed without a date, following the Supreme Court's formulation of preliminary questions to the CJEU. The preliminary questions are aimed to establish whether the Civil Chamber in its current composition can be regarded as an independent court and thus whether it has the capacity to pass a resolution on the legal questions posed at all.

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

1. If it is concluded that a provision in an index-linked or denominated loan agreement, which relates to the method of determining the exchange rate of the foreign currency, constitutes an illicit contractual term and is not binding on the consumer, may it be assumed that that provision is replaced by another method of determining the exchange rate of the foreign currency which results from legal or customary rules?

If the answer to the above question is negative:

2. If it is not possible to establish a foreign currency exchange rate binding on the parties in a loan agreement indexed to such a currency, can the agreement be binding on the parties in its remaining scope?

3. If it is not possible to establish a foreign currency exchange rate in a loan agreement denominated in a foreign currency, can the parties remain bound by the agreement?

Irrespective of the answers to questions 1 to 3:

4. If a loan agreement is invalid or ineffective, and as a result of such agreement the Bank has disbursed to the borrower the whole or part of the amount of the loan and the borrower has made repayments on the loan, do separate claims for wrongful performance arise in favour of each of the parties, or does only one claim arise, equal to the difference in performance, in favour of the party whose total performance was higher?

5. If a loan agreement is invalid or ineffective as a result of the unlawful nature of certain of its terms, does the limitation period for the Bank's claim for repayment of the amount paid under the loan start to run from the moment at which those sums were paid?

6. If, in the case of the invalidity or ineffectiveness of a loan agreement, either party has a claim for repayment of the performance made under such agreement, may that party also claim remuneration for the use of its funds by the other party?

If the CJEU confirms the ability of the Civil Chamber of the Supreme Court to rule and the Supreme Court passes a resolution, the Bank will analyse the content of the resolution after its publication, including its impact on further case law and the value of the parameters used to determine the value of legal risk provisions. At this moment it is not possible to predict whether the resolution will be adopted and even more its impact on the provisions estimation.

However, it should be noted that on 28 April 2022, the Supreme Court (composed of 3 judges) adopted a resolution, 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. If the provisions meet the criteria for being considered prohibited contractual provisions, they 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 by the Chairman of the PFSA

In December 2020, the Chairman of the Polish Financial Supervision Authority - Jacek Jastrzębski - presented a proposal for a sectoral solution to the CHF loans problem. In simple terms, the Bank would treat a loan in CHF as if it had been granted in PLN and bears interest at the appropriate WIBOR rate plus a margin, which would be historically applied to this type of a loan. Considering the above assumptions, the bank shall perform an appropriate recalculation.

The cost estimate of a potential conversion in line with the assumptions of the PFSA Chairman's proposal is PLN 1.6 billion assuming that the proposal covers the whole 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 the change in the CHF/PLN exchange rate and the revision of the assumptions used in the calculation, and it may also fluctuate for the same reasons in the future. The potential cost was estimated as the difference between the current balance sheet value of foreign currency or CHF-denominated loans and the balance sheet value of hypothetical PLN loans. The amount of the estimated cost of the potential conversion is not a component and does not affect the amount of the provisions for risk related to CHF loans created by the Bank. At the moment of publication of the present Report, the Bank has not decided to offer settlements to customers in the form suggested by the Chairman of the PFSA.

Individual settlements offered by the Bank

Since December 2021, the Bank is involved in individual negotiation processes with its customers with whom the Bank is in dispute or about whom there is a reasonable risk of entering into a dispute. The Bank took this parameter into account when updating the amount of the provision.

As of 5 August 2022, the Bank has made individual settlement proposals to 3,960 Customers and 890 Customers accepted the terms of the proposals presented. This resulted in 665 settlement agreements.

51. RISK MANAGEMENT

The most important changes in the approach to credit risk management, basic measures of market risk, liquidity risk, country and counterparty risk as well as changes in the approach to operational risk management introduced as at the end of June 2022 are described below.

CREDIT RISK

Credit risk is inherent in the core financial operations of the Group, the scope of which includes both lending and providing funding with the use of capital market products. Consequently, credit risk is identified as the risk with the highest potential to affect the present and future profits and equity of BNP Paribas Bank Polska S.A. The materiality of credit risk is confirmed by 76% share in the total internal capital estimated by the Group for purposes of covering major risks involved in the Bank’s operations, in addition to its 89% share in the total value of regulatory capital.

Credit risk management is primarily aimed at implementation of the Group’s strategy through a harmonious increase in the loan portfolio, accompanied by maintenance of the credit risk appetite at an acceptable level.

Credit risk management principles adopted by the Group include:

- each credit transaction requires comprehensive credit risk assessment expressed in internal rating or scoring;
- in-depth and careful financial analysis serves as the basis for regarding the customer’s financial information and collateral-related data as reliable; prudential analyses performed by the Group always take into account a safety margin;

- as a rule, financing is provided to the customer based on its ability to generate cash flows that ensure payment of its liabilities to the Group;
- credit risk assessment is additionally verified by credit risk assessment personnel, independent of the business;
- pricing terms of a credit transaction have to take account of the risk involved in such a transaction;
- credit risk is diversified on such dimensions as geographical regions, industries, products and customers;
- credit decisions may only be taken by competent employees;
- the Group enters into credit transactions only with customers it knows, and long-term relationships are the basis for cooperation with customers;
- the customer and the transactions made with the customer are monitored transparently from the perspective of the customer, in a manner strengthening the relationship between the Bank and the customer.

Concentration risk is the Bank's risk inherent to its statutory operations, which is appropriately defined and managed.

The Management Board assesses the concentration risk policy in terms of its application. In particular, it analyses the efficiency and adequacy of the principles applied in the context of the current and planned operations and risk management strategy. The adequacy of the concentration risk management is reviewed if any material changes are observed in the Group's environment or if the risk management strategy is modified. The appropriate assessment of the concentration risk of the Group is highly dependent on correct identification of all key concentration risks. In justified cases, the Group identifies concentration risk when planning its new activities involving the development and launch of new products, services, expansion to new markets, considerable alterations of products and services or market changes.

Credit portfolio diversification is one of the key credit risk management tools. The Group avoids excessive credit concentration, as it increases the risk. Possible losses pose a considerable threat, and therefore the concentration level should be monitored, controlled and reported to the Group's management. Key concentration risk mitigation tools include risk identification and measurement mechanisms and exposure limits in individual Bank portfolio segments and in subsidiaries. These tools enable internal differentiation of the loan portfolio and mitigation of negative effects of adverse changes in the economy.

A significant concentration area (aspect) is the one whose share in the Group's balance sheet total is equal or higher than 10% or 5% of the net profit planned for a given year. In such cases, a given concentration area (aspect) is subject to analyses, reporting and management under the concentration risk management process.

High concentration of the Group's credit exposures to each entity or group of entities with equity or organizational relationships is one of the potential sources of credit risk. For purposes of its reduction, the Regulation No. 575/2013 specifies the Group's maximum exposure limit. Under Article 395 of the Regulation No. 575/2013: the institution does not assume any exposure to the client or related clients, the value of which, taking into account the effect of limiting credit risk in accordance with Articles 399-403, exceeds 25% of the value of its Tier 1 capital. If a client is an institution or if a group of related clients include at least one institution, the value does not exceed 25% of its Tier 1 capital or of the amount of EUR 150 million, depending on which one of these two amounts is higher, provided that the sum of the exposure to all related non-institutional customers, after taking into account the effect of credit risk mitigation under Articles 399-403, does not exceed 25% of the value of the institution's Tier 1 capital.

The Group's concentration limits are monitored in accordance with Article 387 of the Regulation No. 575/2013. The limits, defined in Article 395 of the Regulation No. 575/2013, had not been exceeded as at the end of June 2022. As at the end of June 2022, the Group's exposure to customers/groups of customers with equity or organizational relationships had not exceeded the concentration limit. The Group's largest exposure represented 22.13% of Tier 1 capital and it was a commitment to the BNP Group entities.

Concentration risk tolerance in the Group is determined by a system of internal limits, including both assumed development directions and speed of the Group's business, an acceptable level of credit risk and liquidity, as well as external conditions, macroeconomic and sectoral perspective. Among others, internal limits for credit concentration risk are determined for:

- selected sectors / industries;
- exposures denominated in foreign currencies;
- customer segments (intra-bank customer segmentation);
- loans secured with a given type of collateral;
- geographical regions;
- average probability of default;
- exposures with a specified rating (the Group's internal rating scale);
- exposures with a specified debt-to-income ratio;
- exposures with a specified loan-to-value ratio.

Activities that limit Group's exposure to concentration risk may include systemic measures and one-off / specific decision and transactions. Systemic measures that limit concentration risk include:

- reduction of the scope of crediting of determined customer types through credit policy adjustment;
- reduction of limits charged with concentration risk;
- diversification of asset types on the level of the Group's statement of financial position;
- change of business strategy to ensure prevention of excessive concentration;
- diversification of accepted collateral types.

Systemic measures that limit concentration risk include:

- reduction of further transactions with a given customer or a group of related customers;
- sale of selected assets/loan portfolios;
- securitization of assets;
- establishing of new collateral types (e.g. credit derivatives, guarantees, sub-participation, and insurance contracts) for existing or new credit exposures.

A concentration analysis by industry, conducted by the Group, focuses on all credit exposures of the Group to institutional customers. The Group defines industries based on Polish statistical classification of economic activities (NACE/PKD 2007). The Group's exposure to industries analysed at the end of June 2022, similarly as at the end of December 2021, is concentrated in the following industries: Agriculture, Forestry, Hunting and Fishing, manufacturing. As at the end of June 2022, the share of manufacturing amounts to 23% and decreased by 1 p.p. as compared to the end of 2021, while the share of agriculture, forestry and fishing decreased by 3 p.p. as compared to the end of 2021 to the level of 19% of industrial exposure.

The table below presents a comparison of the share of impaired loans in industries (gross balance sheet value) as at 30 June 2022 and 31 December 2021.

	Exposure*		Share of non-performing loans	
Sector	30.06.2022	31.12.2021	30.06.2022	31.12.2021
AGRICULTURE, FORESTRY, HUNTING AND FISHING	10,171,312	10,465,499	7.4%	7.4%
MINING AND QUARRYING	32,821	37,820	9.2%	10.6%
INDUSTRIAL PROCESSING	12,083,262	11,796,094	2.5%	2.9%
PRODUCTION AND SUPPLY OF ELECTRICITY, GAS, STEAM, HOT WATER AND AIR TO SYSTEMS	1,714,770	1,625,848	0.2%	0.3%
WATER SUPPLY; SEWAGE AND WASTE MANAGEMENT AS WELL AS REMEDIATION ACTIVITIES	205,172	178,067	1.6%	1.9%
CONSTRUCTION	3,243,289	2,523,808	5.6%	7.0%
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES, INCLUDING MOTORBIKES	8,008,953	7,210,738	3.9%	4.9%
TRANSPORT AND STORAGE	2,500,587	2,091,731	2.4%	3.1%
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	258,345	257,179	22.8%	19.3%
INFORMATION AND COMMUNICATION	1,902,227	1,066,367	0.7%	1.3%
FINANCIAL AND INSURANCE ACTIVITIES	1,323,839	971,971	5.4%	7.6%
REAL ESTATE ACTIVITIES	5,594,514	5,134,198	2.0%	2.2%
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	3,606,315	3,140,265	1.2%	1.4%
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	915,306	1,038,545	4.4%	4.6%
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	61,225	82,711	0.0%	0.0%
EDUCATION	84,990	86,123	9.4%	9.9%
HEALTH CARE AND SOCIAL ASSISTANCE	761,328	755,823	2.3%	2.5%
CULTURE, ENTERTAINMENT AND RECREATION ACTIVITIES	16,074	17,343	13.3%	18.5%
OTHER ACTIVITIES	109,985	108,059	3.9%	5.1%
Total	**52,594,314**	**48,588,189**	**3.8%**	**4.3%**

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

The Group also manages the risk of collateral concentration. For this purpose, the Group introduced limits for the involvement of particular types of collateral, ensuring their appropriate diversification. As at the end of June 2022, as well as at the end of 2021, the limits were not exceeded.

The structure of overdue receivables

The purpose of repayment overdue analysis is to indicate the level of potential credit loss (in respect of receivables without impairment). The higher delinquency in repayment, the more likely it is to identify an objective impairment trigger in the future. An increase in the delay in repayment above zero days increases the chance of identifying impairment trigger, but does not itself constitute grounds for giving this trigger. In the case of exposures overdue below 91 days, the impairment trigger may, however, be identified based on additional information about the economic and financial situation of the client.

The structure of the loan portfolio (measured at amortised cost and measured at fair value through profit or loss) divided into impaired exposures and not impaired exposures along with the level of arrears in repayment are presented in the tables below.

	30.06.2022					
Structure of overdue receivables (net balance sheet value)*	without impairment				with impairment	Total
	0 days	1-30 days	31-60 days	61-90 days		
Mortgage loans and advances	27,392,066	57,798	7,431	3,849	216,458	27,677,602
Cash loans	8,859,771	81,373	9,615	3,952	143,670	9,098,382
Car loans	1,743,176	6,966	1,476	586	11,233	1,763,437
Credit cards	920,269	10,076	1,330	472	19,552	951,699
Investment loans	23,086,628	334,472	20,464	859	333,624	23,776,046
Limits in current account	12,095,781	196,069	11,508	5,321	124,587	12,433,267
Working capital loans to companies	9,350,648	393,205	8,622	6,892	291,872	10,051,239
Leasing	4,829,113	255,343	8,083	4,873	69,129	5,166,542
Other	833,289	23,627	2,629	452	20,565	880,562
Total	**89,110,741**	**1,358,930**	**71,159**	**27,256**	**1,230,689**	**91,798,775**

	31.12.2021					
Structure of overdue receivables (net balance sheet value)*	without impairment				with impairment	Total
	0 days	1-30 days	31-60 days	61-90 days		
Mortgage loans and advances	26,290,199	22,813	5,965	782	269,685	26,589,444
Cash loans	8,497,311	60,781	9,149	3,176	175,663	8,746,080
Car loans	1,736,309	4,433	1,650	442	12,836	1,755,670
Credit cards	1,005,430	8,466	1,560	438	22,489	1,038,383
Investment loans	20,942,964	312,572	10,756	655	374,149	21,641,096
Limits in current account	10,398,990	73,858	6,663	1,068	160,716	10,641,295
Working capital loans to companies	9,779,339	88,918	5,106	1,459	308,431	10,183,253
Leasing	4,506,032	127,264	88,526	2,445	98,789	4,823,056
Other	834,864	11,155	13,824	8	21,353	881,204
Total	**83,991,438**	**710,260**	**143,199**	**10,473**	**1,444,111**	**86,299,481**

*Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

With regard to the mortgage loan portfolio, the Bank defines the DTI (debt to income) ratio as the ratio of the monthly credit charges and financial charges, which are permanent and irrevocable in nature, and the instalment of the requested Loan (taking into account the interest rate risk buffer) to the amount of average monthly net income. In accordance with the mortgage lending policy, the Bank sets maximum DTI levels at 0.65 or 0.50, depending on the customer's income, and follows the requirements of Recommendation S. The Bank monitors the level of DTI/DSTI ratios during annual credit policy reviews as well as through dedicated ad hoc analyses.

The Bank has noticed increasing DTI/DSTI ratios, which is a result of rising interest rates and increasing instalments for mortgages. In 2022, credit policy changes were introduced to limit the availability of mortgages with DTI ratios exceeding 50% for selected customer groups. At the same time, the business offer was restricted resulting in a significant reduction in loan production.

As at 30.06.2022, the Bank does not observe increased credit risk for new loan production as well as for the existing mortgage loan portfolio. Both Vintage ratios and NPL (non-performing loan) levels in the mortgage segment are stable, at the levels not higher than those observed in the Polish banking market.

Forbearance practices

The Group treats its exposures as forborne if the obligor is provided with a forbearance due to economic reasons (financial difficulties), including any forbearance granted for exposures with identified impairment triggers. In case the forbearance is granted for a customer with a material economic loss, the Bank classifies such a customer as default.

A facility is understood as the occurrence of at least one of the following events:

- a change to the repayment schedule, especially extending the loan maturity date;
- cancellation of overdue amounts (e.g. capitalization of an overdue amount, which can be repaid at a later date);
- redemption of principal, interest or fees;
- consolidation of loans into one new product, if the amounts of payments of the consolidated loan are lower than the sum of payments of these loans separately before the consolidation occurred;
- decrease of the base interest rate or margin;
- originating a new loan to repay the existing debt;
- conversion of an existing credit,
- amendment or waiver of significant provisions of the agreement (e.g. a condition of the agreement that was breached as a result of financial difficulties),
- additional collateral presented by the Borrower (if present together with another event meeting the definition of a facility) or sale of the collateral agreed with the Bank, with the proceeds from the repayment of the collateral being used to repay the Bank's loan obligation.

Only in the period of customer's financial difficulties or, in the period when, due to changes on the market, such difficulties may occur, i.e.:

- the exposure is subject to debt collection; or
- the exposure is not subject to debt collection but there is evidence (provided by the customer or obtained in the decision-making process) that the customer is facing financial difficulties or may be facing them in the near future.

A material economic loss is defined by the Bank as the drop of present value of expected cash flows, resulting from forbearance granted, equal or higher than 1%. The drop of the present value is calculated in accordance with the below formula:

$$\frac{NPV_0 - NPV_1}{NPV_0}$$

where:

NPV0 – the present value of expected cash flows (including interest and fees / commissions) prior to the introduction of changes in loan terms, discounted with the original effective interest rate ,

NPV1 – the present value of expected cash flows (including interest and fees / commissions), after the introduction of changes in the loan terms, discounted using the original effective interest rate. In the case of consolidation of many loans for the original interest rate for the purpose of assessing the significance of economic loss, the average EIR weighted with the gross balance sheet exposure at the moment of granting the facility is assumed.

The change in the present value of expected cash flows shall be calculated at the level of single exposure.

In justified cases resulting from complex restructuring measures for a given client (e.g. priority repayment of loans with a collateral of a low value), it is permissible to calculate NPV at the level of a client.

The "forborne" status is no longer assigned if the following conditions have been satisfied:

- exposure reclassified to performing portfolio as a result of the analysis of financial situation (in case of corporate portfolio), which proved that the customer does not meet the criteria for being classified to the impaired portfolio;
- the exposure has not been considered impaired for 24 months in a row;
- none of the exposures to the customer are past due by more than 30 days;
- the obligor has been making regular and considerable payments for at least a half of the trial period.

The granted exposures covered by statutory credit vacations (moratoria) are transferred to Stage 3 (during the pandemic period, an additional impairment trigger was introduced). They are allocated to Stage 3 taking into account the Bank's quarantine rules. Given the absence of new COVID-related non-statutory moratoria and the expected limited impact of the pandemic in future periods, the Bank has discontinued the enhanced classification criteria for Stage 2 exposures subject to non-statutory moratoria.

In the second quarter of 2022, the Group no longer participated in any support programmes, under non-statutory moratoria, related to the COVID-19 pandemic due to their official cessation after 31 March 2021, but continues granting statutory moratoria and monitors the behaviour of exposures supported by moratoria, both statutory and non-statutory.

30.06.2022

Loans and advances to customers subject to a moratorium	Number of clients to which the moratorium was granted	Loans subject to ongoing and expired moratoria	including statutory moratoria	including ongoing moratoria	
				without impairment	with impairment
Gross value	**33,624**	**5,074,368**	**290,822**	**-**	**25,544**
Retail customers	25,935	2,742,660	290,304	-	25,043
Corporate clients:	5,862	1,873,643	518	-	501
including retail farmers:	1,330	422,284	195	-	-
Public sector institutions:	2	991	-	-	-
Leasing receivables	1,825	457,074	-	-	-
Allowance	x	**(405,042)**	**(65,991)**	**-**	**(6,308)**
Retail customers	x	(197,443)	(65,926)	-	(6,061)
Corporate clients:	x	(174,124)	(65)	-	(247)
including retail farmers:	x	(42,550)	(31)	-	-
Public sector institutions:	x	(34)	-	-	-
Leasing receivables	x	(33,441)	-	-	-
Loans and advances to customers subject to the moratorium, total	**33,624**	**4,669,326**	**224,831**	**-**	**19,236**

31.12.2021

Loans and advances to customers subject to a moratorium	Number of clients to which the moratorium was granted	Loans subject to ongoing and expired moratoria	including statutory moratoria	including ongoing moratoria	
				without impairment	with impairment
Gross value	**37,232**	**5,709,313**	**255,747**	**126**	**12,704**
Retail customers	28,547	2,960,346	255,374	126	12,486
Corporate clients:	6,546	2,213,339	373	-	218
including retail farmers:	1,411	460,274	218	-	218
Public sector institutions:	2	1,041	-	-	-
Leasing receivables	2,137	534,587	-	-	-
Allowance	x	**(396,475)**	**(71,923)**	**(10)**	**(3,666)**
Retail customers	x	(207,870)	(71,904)	(10)	(3,647)
Corporate clients:	x	(153,253)	(19)	-	(19)
including retail farmers:	x	(35,025)	(19)	-	(19)
Public sector institutions:	x	(201)	-	-	-
Leasing receivables	x	(35,151)	-	-	-
Loans and advances to customers subject to the moratorium, total	**37,232**	**5,312,838**	**183,824**	**116**	**9,038**

30.06.2022	Residual term for ongoing moratoria	
Gross value	Total	up to 3 months
Retail customers	25,043	25,043
Corporate clients:	501	501
Loans and advances to customers subject to the moratorium, total	**25,544**	**25,544**

31.12.2021

	Residual term for ongoing moratoria	
Gross value	Total	up to 3 months
Retail customers	12,612	12,612
Corporate clients:	218	218
including retail farmers:	218	218
Loans and advances to customers subject to the moratorium, total	**12,830**	**12,830**

30.06.2022

Loans and advances to customers covered by public guarantee programs	Number of customers who received a public guarantee	Value	Including: residual maturity of the public guarantee				
			up to 6 months	6-12 months	1-2 years	2-5 years	above 5 years
Gross value	**5,954**	**2,736,423**	**621,388**	**830,253**	**828,089**	**183,707**	**272,986**
Corporate clients:	5,954	2,736,423	621,388	830,253	828,089	183,707	272,986
including retail farmers:	272	65,555	944	4,538	21,036	38,641	396
Allowance	x	**(29,056)**	**(2,988)**	**(9,281)**	**(6,259)**	**(4,870)**	**(5,658)**
Corporate clients:	x	(29,056)	(2,988)	(9,281)	(6,259)	(4,870)	(5,658)
including retail farmers:	x	(154)	-	(4)	(29)	(75)	(46)
Total loans and advances to customers covered by public guarantee programs (net)	**5,954**	**2,707,367**	**618,400**	**820,972**	**821,830**	**178,837**	**267,328**

31.12.2021

Loans and advances to customers covered by public guarantee programs	Number of customers who received a public guarantee	Value	Including: residual maturity of the public guarantee				
			up to 6 months	6-12 months	1-2 years	2-5 years	above 5 years
Gross value	**5,306**	**2,519,663**	**173,596**	**997,446**	**997,298**	**150,263**	**201,060**
Corporate clients:	5,306	2,519,663	173,596	997,446	997,298	150,263	201,060
including retail farmers:	245	60,173	216	1,508	8,040	50,409	-
Allowance	x	**(24,226)**	**(1,329)**	**(9,160)**	**(7,869)**	**(2,372)**	**(3,496)**
Corporate clients:	x	(24,226)	(1,329)	(9,160)	(7,869)	(2,372)	(3,496)
including retail farmers:	x	(260)	(10)	(1)	(144)	(105)	-
Total loans and advances to customers covered by public guarantee programs (net)	**5,306**	**2,495,437**	**172,267**	**988,286**	**989,429**	**147,891**	**197,564**

As at 30 June 2022 the value of expired moratoriums amounted to PLN 5,048,824 thousand (PLN 5,696,483 thousand as at 31 December 2021).

Due to the ongoing war in Ukraine and the economic sanctions issued against Russia and Belarus, the Group has analysed exposures directly linked to these countries and on this basis has not identified material exposures in both the corporate and retail client portfolios.

At the same time the Group actively analyses and monitors clients whose business activities are linked to the economies of the above countries and thus may be exposed to the effects of war and imposed sanctions. The Group, on the basis of information on the type of business conducted and financial information and indicators, has selected groups of customers whose business may be the most exposed to risk. These customers represent less than 5% of the Group's institutional customer portfolio and are subject to further in-depth analysis and the effects of this analysis will be recognised in future periods.

COUNTRY RISK

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

The Bank's policy concerning country risk has been conservative. Country limits have been reviewed periodically and the limit level modified to precisely match the anticipated business needs and risk appetite of the Bank.

As at the end of first half of 2022, 48% of the Bank's exposure to countries other than Poland were transactions related to the Bank's foreign lending activities. Treasury transactions (including placement and derivative transactions) accounted for 37% while the remaining part, i.e. 15% was related to foreign trade transactions (letters of credit and guarantees). France accounted for 55%, Luxembourg for 17%, the Netherlands for 8%, Austria for 6% and Belgium for 4%. The remaining exposure was concentrated in Germany, Great Britain and Italy.

The Bank had no material credit exposures in Russia, Ukraine or Belarus.

COUNTERPARTY RISK

Counterparty risk is the credit risk concerning the counterparty transactions in case of which the amount of liability may change in time depending on market parameters.

The counterparty risk was calculated for the following types of transactions contained in the trading portfolio of the Bank: foreign exchange transactions, interest rate swap transactions, FX options, interest rate options and commodity derivatives.

In connection with the COVID-19 pandemic and the war in Ukraine and the economic sanctions taken against Russia and Belarus, the Bank is observing increased volatility in market risk parameters, which results in a fluctuation of counterparty risk exposure. The Bank assesses the counterparty risk on an on-going basis by reviewing the credit portfolio of customers with such risk. The Bank maintains the application of its basic principle "Know your customer". Due to the unique situation, some customers were requested to provide additional information related to the change in their business conditions. In risk assessment, the Bank also takes into account the higher volatility of the abovementioned parameters concluding new transactions.

The Bank has not observed significant changes in the counterparty risk materialisation so far.

INTEREST RATE RISK IN BANKING PORTFOLIO

As part of interest rate risk management in the banking portfolio, the Bank distinguishes structural elements consisting of interest-free current accounts and the Bank's capital as well as other commercial items. In terms of structural elements, the Bank secures a significant portion of long-term positions (bonds, interest rate exchange transactions). Regarding other commercial items, the Bank plans to reduce interest rate risk.

In order to limit the volatility of the Bank's result, fair value hedge accounting and cash flow hedge accounting are applied. The type of hedging relationship depends on the current balance sheet structure and the interest rate risk profile of the banking book.

The use of interest rate limits remained stable in the first half of 2022.

The table below presents - in PLN thousand - the sensitivity of interest income over a period of 1 year to an immediate shift in market rates by 100 basis points, assuming the most likely change in the product structure, especially in the corporate segment.

Immediate shift of interest rates by 100bps:	30.06.2022	31.12.2021
Up	218,137	204,081
Down	(183,385)	(196,869)

The COVID-19 pandemic and the war in Ukraine did not generally affect the way interest rate risk is managed in the banking book.

Impact of IBOR Reform on BNP Paribas Bank Polska S.A.

In 2021 BNP Paribas Bank Polska S.A. (the "Bank") completed a project related to the implementation of IBOR Reform and adjustment to the requirements of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "BMR Regulation").

As part of the project, the Bank informed its customers about the liquidation of LIBOR rates, announced in March last year, for EUR, GBP, CHF, JPY and USD (ON, SW, 2M, 1Y) at the end of 2021 and LIBOR USD (1M, 3M, 6M) on 30.06.2023, and identified balance sheet and off-balance sheet items based on CHF LIBOR, GBP LIBOR, USD LIBOR indices.

As at 30.06.2022. The Bank held:
- USD LIBOR-based financial assets of USD 70.8 million, of which USD 13.4 million maturing beyond 30.06.2023,
- USD LIBOR based financial liabilities of USD 0.4 million maturing in full before 30.06.2023,
- CHF LIBOR-based financial assets of CHF 8.5 million,

The Bank did not hold any CHF LIBOR-based financial liabilities, neither GBP LIBOR-based financial assets nor liabilities.

As at 30.06.2022 the Bank also held interest rate swaps (IRS) under fair value hedge accounting based on USD LIBOR for USD 70.0 million, of which USD 55.0 million matures beyond 30.06.2023. As at 30.06.2022, the Bank did not have hedging relationships based on CHF LIBOR and GBP LIBOR or currency interest rate swaps (CIRS), which require LIBOR to be swapped for alternative rates.

Based on Article 23 b of the BMR Regulation, the European Commission has been given the power to set a substitute index. On this basis, Commission Implementing Regulation (EU) 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR was published on 22 October 2021. The Regulation shall apply to contracts (including loan agreements) and financial instruments that use CHF LIBOR rates and which did not have appropriate fallback clauses as at the date when the Regulation entered into force. According to the Regulation, as of 1 January 2022, a substitute - SARON Compound (SARON Compound Rate) will be used by law in place of LIBOR CHF with an appropriate adjustment. As a consequence, the continuity of agreements, including loan agreements in which LIBOR CHF was an element of the calculation of the loan interest rate, will be preserved, without the need to amend them individually. The Bank converts LIBOR rates to SARON Compound rates in accordance with the individual interest payment schedule for each loan.

Due to contractual provisions (extended periods of stabilisation of billing rates, i.e. application of a single rate for subsequent billing periods), LIBOR CHF, LIBOR GBP and LIBOR USD rates may be applied to the settlements occurring after the date of the announced cessation for these indices. These indices are replaced: LIBOR CHF by SARON (Swiss Averaged Rate Overnight) administered by SIX Swiss Exchange, LIBOR GBP by SONIA (Sterling Overnight Index Average) administered by the Bank of England and LIBOR USD by SOFR (Secured Overnight Financing Rate) administered by the Federal Reserve Bank of New York. The Bank confirmed its operational and systemic readiness to replace the liquidated LIBOR rates and thus completed the tasks that were planned under the dedicated project. The Bank withdrew from selling products in which the reference rate is LIBOR.

The Bank has a Contingency Plan for the continuity of benchmarks used in financial contracts and instruments, uses so-called "fallback clauses" to regulate the establishment of substitute (alternative) indicators to those currently in use, and has developed appropriate changes to the IT systems that allow for a multi-variant use of indicators in the event of cessation of the development of a given reference indicator.

In the case of hedging instruments, the Bank, as recommended by the PFSA, has joined the ISDA IBOR Fallbacks Supplement and Protocol and is actively working with its counterparties to introduce the rules in line with this methodology.

The Bank assesses that the introduction of fallback clauses in customer documentation in the form of annexes and amendments to regulations, the use of Term Rates for selected indices, the entry into force of the Commission's Implementing Regulation and the accession to the ISDA IBOR Fallbacks Supplement and Protocol significantly reduce uncertainty about the timing and amounts of cash flows for the SOFR, SONIA and SARON indices.

In connection with the planned reform of reference indices leading to the replacement of the WIBOR interest rate reference index with a new reference index, a National Working Group ("NWG") has been established to prepare a "roadmap" and a schedule of activities for the smooth and safe implementation of the changes in this respect. Representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund, the Warsaw Stock Exchange, the National Depository for Securities, Bank Gospodarstwa Krajowego, the WSE Benchmark, as well as top commercial banks, cooperative bank associations, investment fund associations and insurance companies, industry organisations comprising financial market entities, participate in the work of the NWG. International or foreign institutions may also be invited to participate in the work of the NWG. The work of the NWG is supervised and coordinated by the Steering Committee, which includes the Ministry of Finance, the Office of the Financial Supervision Authority, the WSE Benchmark, the Polish Development Fund and ING Bank Śląski as a representative of the financial sector. The Bank is participating in the work related to the WIBOR reform and is preparing to adjust its activities accordingly.

As at 30.06.2022, the Bank has identified:

- financial assets based on WIBOR in the amount of PLN 55,026.8 million,

- financial liabilities based on WIBOR and WIBID in the amount of PLN 8,648.6 million,

The Bank also held interest rate swaps (CIRS/IRS) based on WIBOR in the amount of:

- PLN 2,850.0 million on the asset side, of which PLN 2,150.0 million under fair value hedge accounting

- PLN 21,734.5 million on the liability side, of which PLN 20,434.5 million under fair value hedge accounting.

The Bank assumes that the replacement of the WIBOR interest rate reference index with a new reference index will be carried out in an orderly manner, in accordance with the formal requirements of the BMR Regulation, and will include all instances of the reference index used in the contracts and financial instruments indicated in the BMR Regulation. In the Bank's view, it is of utmost importance to establish a spread adjustment and to determine the method for determining such spread adjustment, in order to take into account the effects of a change in the reference index. In the Bank's view, all of the above-mentioned aspects would ensure that a number of risks associated with the planned reform are minimised. A hasty and disorderly implementation of the reform may cause:

- the lack of a transition period to allow an efficient derivatives market to take shape for the new indicator,
- high uncertainty regarding the valuation of on-balance sheet and off-balance sheet items,
- early closure of IRS contracts by central clearing houses in the case of absence of valuation options,
- abrupt and difficult to manage changes in financial institutions' interest rate risk exposures,
- questioning of flows arising from the application of spread adjustments that do not ensure economic equivalence in settlements between parties.

The Bank assesses that the potential risks that may materialise during the implementation of the reform related to the replacement of the WIBOR interest rate with the new reference rate may consequently lead to significant systemic disruptions in the functioning of the entire national economy. Having this in mind, the Bank is of the view that the transition process from WIBOR to the new reference rate should be staggered over the coming years, allowing the planned change to be implemented in a safe and orderly manner.

At present, it is not possible to identify any rationale for ending the publication of the EURIBOR index. Thus, the flows resulting from this index are exchanged between the counterparties under the current rules.

MARKET RISK

Exposure to market risk in the trading book in the first half of 2022 was kept at a relatively low level. Interest rate risk in the trading book, measured by sensitivity to 1 basis point movement of interest rate curves in the reported period, amounted a maximum of PLN 80 thousand and EUR 35 thousand. The VaR measure of interest rate risk increased compared to the previous half-year by approximately 33%, to PLN 2.8 million, which did not result from an increase in open positions but from increased volatility in financial markets and in particular from a series of increases in interest rates in PLN. Nevertheless the average utilisation of the VaR limit for the open interest rate position in the trading book was at the level of below 40% of the allocated limits.

Foreign exchange risk was kept at a low level, i.e. around 24% of the limit utilisation, and similarly to interest rate risk, and as in the previous half-year (13% on average) it did not make a significant contribution to the overall risk level. The Bank maintained a small open position in foreign exchange and interest rate options to ensure servicing of customer transactions.

The war that started in February, pandemics and the issues related to climate risk did not have a direct significant impact on the level of market risk, other than an increase in market interest rates as a countermeasure to rising inflation, materialising for various reasons. As part of actions taken, the Bank prepared to offer the opportunity to purchase Ukrainian Hryvnia banknotes for the refugees from Ukraine in limited volumes consistent with its current resale ability.

LIQUIDITY RISK

During the first half of 2022, the Bank maintained supervisory measures of short- and long-term liquidity above regulatory and internal limits. The LCR was on average 134.2% during the two quarters of the year. The maximum LCR was 151% and the minimum 119%.

The main sources of funding are liabilities to customers and the Bank's capital. To a lesser extent medium and long-term credit lines received, including subordinated loans, mainly from the BNP Paribas Group.

Throughout the period, the Bank's liquidity ratios were at a very safe level. During the first half of the year, the Bank recorded a significant increase in corporate deposits and slightly lower increase in retail deposits. Loans grew mainly for corporate customers, while in the case of retail customers this increase was significantly lower, which is mainly due to increases in market interest rates and a reduction in the creditworthiness of customers especially in the case of mortgages. The Bank aimed at a higher total increase in deposits than in loans, among other things due to changes in the amount of the obligatory reserve the Bank has to maintain in its NBP account. Funds acquired from non-banking customers continue to be the primary source of funding. The pandemic situation no longer has an impact on the Bank's liquidity, and interest in loans was gradually recovered in the previous year but decreased significantly due to loan costs – increased market interest rates from the level of 1.75% at the end of 2021 to 6% at the end of June 2022.

Following the outbreak of the war in Ukraine in February 2022, the Bank mainly recorded increased interest in cash withdrawals, both in branches and ATMs, not only of the Bank but of the entire Euronet network. The highest demand for cash continued until mid-March. During this period the Bank also increased cash supply in currencies to other Polish banks.

In the second quarter, the situation was already stable and the Bank did not observe an increased demand for cash.

OPERATIONAL RISK

The Bank's operational risk is defined in accordance with the requirements of the Polish Financial Supervision Authority included in Recommendation M as the risk of incurring a loss through the fault of inappropriate or unreliable internal processes, people, technical systems or as a result of external factors. It comprises legal but not strategic risk. Operational risk as such is inherent in any banking operations. The Bank identifies the risk as permanently significant.

Operational risk is managed with a view to reducing the losses and costs resulting from the aforesaid risk, ensuring top quality of the services provided by the Group in addition to security and compliance of the Group's operations with the applicable laws and standards.

Procedures

Operational risk management consists in employment of measures aimed at operational risk identification, analysis, monitoring, control, reporting and mitigating. Such measures take into account the structures, processes, resources and scopes of responsibilities for the said processes at various organizational levels, at three lines of defence. The operational risk management strategy has been described in the Operational Risk and Internal Control Management Strategy of BNP Paribas Bank Polska S.A., which is reviewed annually and approved by the Management Board of the Bank and accepted by the Supervisory Board. The Operational Risk Policy of BNP Paribas Bank Polska S.A., adopted by the Management Board of the Bank, constitutes organizational framework and standards for operational risk management. It addresses all aspects of the Bank's operations in addition to defining the Bank's objectives and the methods of their achievement as regards the quality of operational risk management as well as compliance with legal requirements set out in the recommendations and resolutions issued by national financial supervision authorities. The Bank's operational risk management objectives include, in particular, compliance with high operational risk management that guarantee security of customer deposits, the Bank's equity, stability of its financial performance as well as maintenance of the operational risk level within the range of the operational risk appetite and tolerance defined by the Bank. When developing the operational risk management system, the Bank complies with the applicable legal requirements, in particular, with the recommendations and resolutions of the national financial supervision authorities and the standards adopted by the BNP Paribas Group

In accordance with the Policy, the Bank's operational risk management instruments include:

- identification and assessment of operational risk, including through gathering information on operational events, assessment of the risk in processes and products, operational risk and control self-assessment, operational risk assessment for contracts with external suppliers (outsourcing) and determination of key risk indicators;
- setting the operational risk appetite and limits at the level of the whole Bank and individual business areas; analysing operational risk, including analysis of operational risk scenarios, its monitoring and ongoing control;
- operational risk reporting.

Compliance with the operational risk strategy is verified by the Bank's Management Board periodically and, if necessary, the required adjustments are made in order to improve the processes of operational risk management. To this end, 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 methods of operational risk management. In particular, both the Bank's Management Board and Supervisory Board are informed on a regular basis of the development of the operational risk appetite measures set out in the Operational Risk Management Strategy.

Internal environment

The Bank precisely defines the roles and responsibilities in the operational risk management process, considering its organizational structure. The Operational Risk Department, operating within the risk management area, has comprehensive oversight of the organisation of operational risk management standards and methods within the second line of defence. Development and implementation of the Bank's strategy with respect to insurance as a risk mitigation technique is the responsibility of the Real Estate and Administration Department, while the Security and Management of Business Continuity Division is in charge of business continuity management.

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 Group's operations and is involved in court and administrative proceedings which affect the Group. The Compliance Monitoring Department is responsible for daily non-compliance risk analysis in addition to development of appropriate risk controls and their improvement.

Considering the elevated level of external and internal risks related to fraud and offense against the assets of the Bank and its customers, the Bank has been extending the scope of and improved its processes aimed at counteracting, detecting and examining such cases. The Anti-Fraud Department, as the second line of defence, supervises the activities carried out 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 respect.

Risk management

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 Operational Risk Management Policy of BNP Paribas Bank Polska S.A., the 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 an assessment of the level of significance of this risk, understood as the scale and structure of operational risk exposures, determining the exposure levels to this risk (i.e. operational losses), expressed in 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 organizational 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." document, approved by the Bank's Management Board. This document describes the main principles, organizational framework and standards for the functioning of the control environment at the Bank, complying with the PFSA requirements provided in Recommendation H and the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and the internal control system, the remuneration policy in banks. Detailed internal regulations concerning specific areas of the Bank's activity are adapted to the specifics of the Bank's operations. The appropriate organizational 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 at the Bank is based on the 3 defence lines model, which consists of:

- 1st line of defence, which consists of organizational units from particular areas of banking and support areas,
- 2nd line of defence, which consists of organizational units responsible for risk management, regardless of the risk management related to the first line defence, and the compliance unit,
- 3rd line of defence, which is independent and objective internal audit unit.

The Bank ensures internal control through independent monitoring of compliance with control mechanisms, including on-going verification and testing.

Monitoring and reporting

The Bank periodically monitors the efficiency of the operational risk management system and its appropriateness for its current risk profile. The organization 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 unbiased opinions supporting achievement of the Bank's objectives. The operational risk management system is overseen, and its appropriateness and efficiency are assessed by the Supervisory Board.

Capital requirements due to operational risk

The Bank estimates its regulatory capital necessary to cover operational risk in accordance with the applicable regulations. The said calculation is performed using the standard approach (STA). Requirements regarding Bank's subsidiaries, to be disclosed in the consolidated financial statements, are determined in accordance with the base indicator method (BIA).

Subsidiaries

In accordance with supervisory regulations, the Bank supervises the operational risk related to the activities 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 activity of an entity and its business profile, in accordance with the rules in force in the Group.

Pandemic-related risks

As part of operational risk management, the Bank conducts activities in the area of ongoing risk analysis related to the pandemic of the COVID-19 pandemic, and undertakes appropriate measures to ensure the safety of employees and clients of the Bank and to ensure uninterrupted implementation of processes related to the conducted business activities.

Risks arising from the war in Ukraine

In terms of operational risk management, the Bank analyses the risks related to the consequences of the war activities in Ukraine (including, in particular, cyber or physical attacks targeting the payment or banking infrastructure that may result in business continuity disruptions) on an ongoing basis, and takes appropriate measures to ensure the security of both the Bank's employees and customers and to ensure the uninterrupted execution of processes related to its operations.

CAPITAL ADEQUACY

Own funds and capital ratios

Capital adequacy management is aimed to ensure the Bank's and the Capital Group's compliance with macro-prudential regulations defining capital requirements related to the risks incurred by the Bank, quantified in the form of the capital ratio.

Since 1 January 2014, banks have been subject to new principles applicable to calculation of capital ratios, following the implementation of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on macro-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 eligible liabilities requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

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 some SME loans, a temporary partial exclusion from the calculation of Common Equity Tier 1 items of the amount of unrealised profits or losses measured at fair value through other comprehensive income in relation to the COVID-19 pandemic.

As at 30 June 2022, the adjustment related to the temporary partial exclusion from the calculation of common equity tier 1 items of the amount of unrealised profits or losses measured at fair value through other comprehensive income in relation to pandemic COVID-19 amounted to 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 as regards the deduction of software assets from Common Equity Tier 1 items, entered into force.

As at 30 June 2022, the adjustment to Tier 1 capital related to other intangible assets amounted to PLN 443,083 thousand.

The capital ratios, capital requirements and equity have been calculated in accordance with the aforesaid Regulation with the use of national options.

Pursuant to the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial sector (Journal of Laws 2015, item 1513, as amended), an additional 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) determined that a systemic risk buffer of 3% is introduced as of 1 January 2019.

The Financial Supervision Authority, in a release 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, it confirmed the identification of ten banks as other systemically important institutions (O-SII).

As a result of the review, the Commission concluded that there are no reasons justifying the repeal or amendment of its previous decision of 4 October 2016, as amended by the Commission decision of 19 December 2017, concerning imposition of a buffer for another systemically important institution on the Bank (on a consolidated and separate basis) in the amount of 0.25% of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013.

On 19 March 2020, the Regulation of the Minister of Finance (Journal of Laws of 2020, item 473) of 18 March 2020 repealing the regulation on the systemic risk buffer came into force. The regulation repealed the Regulation of the Minister of Development and Finance of 1 September 2017 regarding the systemic risk buffer (Journal of Laws of 2017, item 1776), which pursuant to art. 1 paragraph 1 introduced the systemic risk buffer rate of 3% of the total risk exposure calculated in accordance with art. 92 paragraph 3 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on macro-prudential requirements for credit institutions and investment firms and amending Regulation No. 648/2012 (Official Journal of the EU L 176 of 27 June 2013, p. 1, as amended 2), on a separate and consolidated basis.

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

The level of Tier I capital ratio (Tier I) and the total capital ratio (TCR) on a consolidated level, were above the requirements for the Capital Group as at 30 June 2022.

At the same time, the Capital Group meets the legal requirements under the Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial sector.

30.06.2022	The minimum supervisory consolidated solvency ratios of the Group	Consolidated capital adequacy ratios of the Group
CET I	7.86%	10.98%
Tier I	9.36%	10.98%
Total Capital Ratio	11.36%	15.21%
31.12.2021		
CET I	7.25%	12.33%
Tier I	8.75%	12.33%
Total Capital Ratio	10.75%	16.91%

Requirement of a minimum level of own funds and eligible liabilities (MREL)

On 3 June 2022, the Bank received an announcement from the Bank Guarantee Fund ("BFG") regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board ("SRB"), Central Bank of Hungary, Finanstilsynet, Bank of England and BFG, on the minimum level of own funds and eligible liabilities ("MREL").

The joint decision indicates that the Group's restructuring plan envisages a Single Point of Entry (SPE) strategy for the mandatory restructuring. The Group's preferred tool for mandatory restructuring is the open bank bail-in tool.

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 Articles 429 and 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 MREL target:

- in relation to TREA: 11.99% at the end of 2021 and 13.99% at the end of 2022,
- in relation to TEM: 3.00% at the end of 2021 and 4.46% at the end of 2022.

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

The Bank definitely complies with the defined MREL-TREA and MREL-TEM requirements as at 30 June 2022.

Commercial Bank Protection Scheme

A group of 8 commercial banks ("Participating Banks"): BNP Paribas Bank Polska SA (the "Bank"), ING Bank Śląski SA, Alior Bank SA, Bank Millennium SA, Bank Polska Kasa Opieki SA, mBank SA, Powszechna Kasa Oszczędności Bank Polski SA and Santander Bank Polska SA decided to establish the Commercial Bank Protection Scheme ("CBPS"). On 14 June 2022, the Participating Banks established a joint stock company as the management entity of the Protection System (the "Management Unit"). The establishment of the Management Unit received approval from the Polish Financial Supervision Authority and approval for concentration from the President of the Competition and Consumer Protection Office. On 1 August 2022 the company was registered in the KRS.

The share capital of the Management Unit is PLN 1,000,000. The Bank subscribed for 9,441 shares in the Management Unit, with a total nominal value of PLN 94,410, representing 9.4% of its share capital.

The purpose of the protection scheme is:
a) to ensure the liquidity and solvency of Participating Banks under the terms and conditions and to the extent set out in the protection scheme agreement; and
b) to promote:

(i) the compulsory restructuring by the Bank Guarantee Fund ("BFG") of a bank that is a joint stock company; and
(ii) the acquisition of a bank that is a joint stock company pursuant to Article 146b(1) of the Banking Law.

Other national banks may join the CBPS, provided that they meet the conditions set out in the applicable legislation and in the protection scheme agreement.

An Assistance Fund will is established in the Management Unit to provide resources to finance the tasks of the Protection Scheme. The Assistance Fund will was created from the contributions of the Participating Banks in the amount of 0.4% of the guaranteed funds of the respective bank covered by the mandatory deposit guarantee scheme referred to in Article 2(34) of the Bank Guarantee Fund, Deposit Guarantee Scheme and Forced Restructuring Act of 10 June 2016 (the "BFG Act").

Based on the level of the Bank's guaranteed funds at the end of the first quarter of 2022, which amounted to PLN 47,004,279 thousand, on 5 August 2022 the Bank has paid pay into the Assistance Fund the amount of PLN 188,017 thousand, which has been charged to the Bank's results (general administrative costs) in the second quarter of 2022.

Further contributions to the Assistance Fund will require a unanimous resolution of the General Meeting of the Management Unit.

Pursuant to the provision of Article 287(2) et seq. of the BFG Act, the BFG Council may decide to reduce the level of funds of the deposit guarantee scheme in banks, taking into account, inter alia, the amount of funds collected by the protection scheme. In addition, in accordance with the provision of Article 15(1h)(5) of the Corporate Income Tax Act of 15 February 1992, the contributions of the participants of the protection system to the Assistance Fund are tax deductible.

The liability of each Participating Bank, including BNP Paribas Bank Polska SA, for obligations related to its participation in the protection scheme is limited to the amount of contributions that the respective Participating Bank is obliged to make in order to acquire shares in the Management Unit and contributions that the respective Participating Bank is obliged to make to the Assistance Fund.

Each Participant Bank will be able to terminate the protection scheme agreement by giving 24 months' notice. Upon termination, the agreement will continue to apply to the remaining Participating Banks.

52. MANAGEMENT OF BNP PARIBAS BANK POLSKA S.A.

Composition of the Bank's Supervisory Board as of 30 June 2022:

FULL NAME	OFFICE HELD IN THE MANAGEMENT BOARD OF THE BANK
Lucyna Stańczak-Wuczyńska	Chairman of the Supervisory Board independent member
Jean-Paul Sabet	Vice-Chairman of the Supervisory Board
Francois Benaroya	Vice-Chairman of the Supervisory Board
Jarosław Bauc	Independent Member of the Supervisory Board
Małgorzata Chruściak	Independent Member of the Supervisory Board
Géraldine Conti	Member of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Magdalena Dziewguć	Independent 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	Independent Member of the Supervisory Board

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

Composition of the Bank's Management Board as of 30 June 2022:

FULL NAME	OFFICE HELD IN THE MANAGEMENT BOARD OF THE BANK
Przemysław Gdański	President of the Management Board
Jean-Charles Aranda	Vice-President of the Management Board
André Boulanger	Vice-President of the Management Board
Przemysław Furlepa	Vice-President of the Management Board
Wojciech Kembłowski	Vice-President of the Management Board
Kazimierz Łabno	Vice-President of the Management Board
Magdalena Nowicka	Vice-President of the Management Board
Volodymyr Radin	Vice-President of the Management Board
Agnieszka Wolska	Vice-President of the Management Board

There were no changes in the composition of the Bank's Management Board in the period from 1 January to 30 June 2022.

53. MAJOR EVENTS IN THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN THE FIRST HALF OF 2022

I. CORPORATE EVENTS

4.01.2022	**Extraordinary General Meeting of Shareholders** - adoption of resolutions, inter alia, on: • adoption for implementation by the Bank of the rules contained in "Code of Best Practice for WSE Listed Companies 2021", • adoption of the Policy for appointing and dismissing members of the Bank's Supervisory Board and the Policy for assessing the adequacy of the Bank's Supervisory Board members, • amendments to the Bank's Statutes and adoption of the Regulations of the General Meeting.
18.01.2022	**Rating of the Bank by Fitch Ratings** • Long-Term Issuer Default Rating (IDR) of 'A+' with a stable outlook, • Viability Rating (VR) of 'bbb-', • Shareholder Support Rating (SSR) at 'a+'.
28.01.2022	**Liquidation of a subsidiary BFN ACTUS Sp. z o.o.** Extraordinary Shareholders' Meeting of BFN ACTUS Sp. z o.o. adopted a resolution to dissolve the company by liquidation. As of 1 February 2022, the company changed its name to Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. in liquidation.
11.02.2022	**Imposition by the Financial Supervision Authority (FSA) of a capital charge recommended under Pillar II (P2G)** The FSA recommended that the Bank maintain at the individual and consolidated level own funds to cover the additional capital charge (P2G) of 0.61 p.p. in order to absorb potential losses arising from stress events.
1.03.2022	**Entry into the National Court Register a part of the amendments to the Statute of BNP Paribas Bank Polska S.A.** adopted by the Extraordinary General Meeting of the Bank on 4 January 2022.
1.03.2022	**Liquidation of a subsidiary BNP Paribas Solution Sp. z o.o.** Extraordinary General Meeting of Shareholders of BNP Paribas Solutions Sp. z. o.o. decided to open liquidation of the company.
3.03.2022	**Proposal of the Management Board of the Bank regarding the distribution of the net profit for 2021** Recommendation of the Bank's Management Board was to allocate the entire net profit of the Bank for the financial year 2021 in the amount of PLN 184,526 thousand to reserve capital. The Bank's Supervisory Board gave a positive opinion on the Management Board's proposal, which will be submitted to the Bank's Annual General Meeting. At the same time, the Management Board decided to apply to the FSA for permission to include the amount of the profit for 2021 in own funds.
21.03.2022	**Strategy of BNP Paribas Bank Polska S.A. for the years 2022-2025** Management Board of the Bank informed about the main objectives of the development strategy of the Bank and BNP Paribas Bank Polska S.A. Group for the years 2022-25, adopted on 21 March 2022 by the Bank's Supervisory Board. Key financial targets 2025: • *return on equity (ROE) ratio: ~12%,* • *cost/income ratio: max. 48%,* • *share of sustainable financing: 10%.*
4.04.2022	**Issue of M series shares under the conditional share capital increase and change in the value of the share capital of BNP Paribas Bank Polska S.A.** In accordance with the statements of Krajowy Depozyt Papierów Wartościowych S.A. (National Securities Depository) (No. 513/2021 of 31 March 2021 and No. 311/2022 of 31 March 2022) and a resolution of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange)

	(No. 348/2021 of 31 March 2021), on 4 April 2022, on the basis of the settlement orders referred to in § 6 of the Detailed Rules for the National Securities Depository, 74,368 M series ordinary bearer shares of the Bank were registered in the NDS and admitted to trading by the WSE with a nominal value of PLN 1 each, and series M shares were recorded on the eligible persons' securities accounts. Series M shares were subscribed for in exercise of the rights from previously subscribed A2 series registered subscription warrants, each of whom entitled to subscribe for one series M share. At the same time, **the Bank's share capital was increased** from PLN 147,518,782 to **PLN 147,593,150**, which is divided into 147,593,150 shares with a nominal value of PLN 1 each.
14.04.2022	**Determination of the amount of annual contribution to the banks' forced restructuring fund for the year 2021 by the Bank Guarantee Fund (BGF) for BNP Paribas Bank Polska S.A. in the amount of PLN 125,919 thousand.** In total, the contributions to the BGF booked by the Bank as expenses for the first quarter of 2022 amounted to PLN 151,713 thousand (i.e. the aforementioned contribution plus the contribution to the banks' guarantee fund due for the first quarter of 2022 in the amount of PLN 25,794 thousand).
23.05.2022	**Decisions of the Polish Financial Supervision Authority to approve the inclusion of net profit for 2021,** at a separate (PLN 184,526 thousand) and consolidated (PLN 176,298 thousand) levels**, in Tier 1 capital**
3.06.2022	**Determination of a minimum level of own funds and eligible liabilities (MREL) by the BGF for the Bank** on an individual level**:** • 15.99% of the total risk exposure (TREA) measure and • 5.91% of the total exposure measure (TEM). This requirement should be achieved by 31 December 2023. MREL interim targets: in relation to TREA the targets are: 11.99% as of the date of receipt of the BGF letter and 13.99% at the end of 2022, while in relation to TEM: 3.00% as of the date of receipt of the BGF letter and 4.46% at the end of 2022.
7.06.2022	**Consent to participate in the establishment of the protection system referred to in Article 4(1)(9a) of the Act of 29 August 1997 - Banking Law**
27.06.2022	**General Shareholder's Meeting**

II. WAR IN UKRAINE - THE BANK'S FAST AND COMPREHENSIVE REACTION TO THE CRISIS SITUATION

Information on the impact of the war in Ukraine on the Bank's business activities, including actions taken for the benefit of Ukrainian Clients and the Bank's social initiatives and employees, are described in the Management Board's Report on the Activities of the BNP Paribas Bank Polska S.A.Capital Group. in the first half of 2022, while activities supporting the Bank's customers and the impact of the war on risk management at the Bank are described in Note 51 Risk Management

54. SUBSEQUENT EVENTS

15.07.2022

Adoption and impact of the Crowdfunding for Business Ventures and Borrower Assistance Act

Following the enactment of the Crowdfunding for Business Ventures and Borrower Assistance Act (the "Act"), allowing customers to suspend the performance of mortgage loan agreements granted in PLN from 1 August 2022 to 31 December 2023 (the "Suspension"), on 15 July 2022 the Management Board of the Bank approved an estimate of the impact of the mentioned Act on the Bank's results and operations.

In accordance with the International Financial Reporting Standard 9 ("IFRS 9"), the impact estimate is based on calculating the projected gross carrying value of the mortgage portfolio based on cash flows, taking into account the possibility of suspension, discounted at the original effective interest rate, which is then recognised in the income statement (net interest income).

Assuming that between 50 and 65% of customers eligible to apply for a suspension will take advantage of this option, the estimated total negative impact on the Bank's result could be between approximately PLN 700 million and PLN 915 million. The Bank's Management Board approved the recognition of PLN 700 million in July 2022.

At the same time, the Bank estimates that additional contributions to the Borrower Support Fund may amount to around PLN 50 million and will be booked in the third quarter of 2022. This estimate is based on the market share of the gross housing loan portfolio where the delay in principal or interest repayment exceeds 90 days, and assuming that no lender is exempted from making the contribution.

The Bank is aware that the assumptions made reflect the Bank's subjective assessment and are subject to a high degree of uncertainty. Accordingly, these assumptions are subject to revision. The Bank will report on the actual impact of the Act on the Bank's performance in periodic reports.

5.08.2022

Rating action taken by Fitch Ratings

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.

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Interest income	1,696,733	2,907,707	786,559	1,562,320
Interest income calculated with the use of effective interest rate method	1,609,886	2,748,288	738,940	1,468,749
interest income on financial instruments measured at amortised cost	1,528,821	2,609,437	693,188	1,378,061
interest income on financial instruments measured at fair value through other comprehensive income	81,065	138,851	45,752	90,688
Income of a similar nature to interest on instruments measured at fair value through profit or loss	86,847	159,419	47,619	93,571
Interest expense	(572,166)	(803,921)	(45,103)	(104,092)
Net interest income	**1,124,567**	**2,103,786**	**741,456**	**1,458,228**
Fee and commission income	350,107	692,295	293,788	588,580
Fee and commission expense	(68,063)	(131,853)	(57,619)	(114,665)
Net fee and commission income	**282,044**	**560,442**	**236,169**	**473,915**
Dividend income	7,161	8,142	2,074	2,433
Net trading income (including result on foreign exchange)	118,666	269,643	173,791	331,974
Result on investment activities	29,822	27,560	7,389	39,994
Result on fair value hedge accounting	(192)	19,524	(17,597)	(18,562)
Result on derecognition	(2,379)	(2,379)	-	-
Net impairment losses on financial assets and contingent liabilities	(86,069)	(158,428)	(61,289)	(117,590)
Result on provisions for legal risk related to foreign currency loans	(139,703)	(222,737)	(187,119)	(258,977)
General administrative expenses	(718,282)	(1,369,085)	(465,786)	(1,017,115)
Depreciation and amortization	(107,289)	(206,553)	(99,741)	(197,432)
Other operating income	28,026	91,011	60,297	104,436
Other operating expenses	(64,028)	(132,765)	(70,855)	(136,241)
Operating result	**472,344**	**988,161**	**318,789**	**665,063**
Tax on financial institutions	(106,915)	(202,768)	(83,546)	(161,943)
Profit before tax	**365,429**	**785,393**	**235,243**	**503,120**
Income tax expenses	(122,766)	(276,771)	(102,050)	(212,456)
Net profit	**242,663**	**508,622**	**133,193**	**290,664**
attributable to equity holders of the Group	242,663	508,622	133,193	290,664
Earnings (loss) per share (in PLN per one share)				
Basic	1.64	3.45	0.90	1.97
Diluted	1.64	3.44	0.90	1.97

Interim condensed separate statement on comprehensive income

	2Q 2022 from 01.04.2022 to 30.06.2022	HY 2022 from 01.01.2022 to 30.06.2022	2Q 2021 from 01.04.2021 to 30.06.2021	HY 2021 from 01.01.2021 to 30.06.2021
Net profit for the period	**242,663**	**508,622**	**133,193**	**290,664**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**(316,663)**	**(711,255)**	**(80,447)**	**(173,476)**
Measurement of gross financial assets measured at fair value through other comprehensive income	(328,747)	(766,046)	(104,769)	(218,426)
Deferred income tax on the valuation of gross financial assets measured through other comprehensive income	62,462	145,549	19,906	41,501
Measurement of cash flow hedge accounting derivatives	(62,195)	(112,047)	6,297	5,104
Deferred income tax on valuation of gross derivatives hedging cash flows	11,817	21,289	(1,881)	(1,655)
Items that will not be reclassified to profit or loss	**662**	**511**	**535**	**1,214**
Actuary valuation of employee benefits	817	631	661	1,499
Deferred income tax on actuarial valuation of gross personnel expenses	(155)	(120)	(126)	(285)
Other comprehensive income (net)	**(316,001)**	**(710,744)**	**(79,912)**	**(172,262)**
Total comprehensive income	**(73,338)**	**(202,122)**	**53,281**	**118,402**
attributable to equity holders of the Group	(73,338)	(202,122)	53,281	118,402

Interim condensed separate statement on financial position

ASSETS	30 June 2022	31 December 2021
Cash and balances at Central Bank	4,655,473	4,631,410
Amounts due from banks	6,822,548	2,254,621
Derivative financial instruments	3,570,283	1,901,919
Adjustment of hedged and hedging item fair value	1,983	65,465
Loans and advances to customers measured at amortised cost	85,303,458	80,124,751
Loans and advances to customers measured at fair value through profit or loss	1,089,886	1,219,027
Securities measured at amortised cost	23,352,086	23,268,041
Securities at fair value through profit or loss	293,166	320,216
Securities measured at fair value through other comprehensive income	7,925,556	9,143,353
Investments in subsidiaries	125,092	122,033
Intangible assets	754,752	744,169
Property, plant and equipment	1,114,866	1,233,221
Deferred tax assets	901,138	719,650
Other assets	829,099	613,384
Total assets	**136,739,386**	**126,361,260**
LIABILITIES	30 June 2022	31 December 2021
Amounts due to other banks	1,711,626	2,621,155
Derivative financial instruments	3,486,584	1,918,032
Adjustment of hedging and hedged item fair value	227,951	44,107
Amounts due to customers	110,160,410	101,823,600
Subordinated liabilities	4,397,875	4,334,572
Lease liabilities	790,877	860,009
Other liabilities	2,730,084	1,504,486
Current tax liabilities	214,620	164,660
Provisions	1,825,639	1,697,996
Total liabilities	**125,545,666**	**114,968,617**
EQUITY	30 June 2022	31 December 2021
Share capital	147,593	147,519
Supplementary capital	9,110,976	9,110,976
Other reserve capital	3,133,766	2,946,115
Revaluation reserve	(1,306,451)	(595,707)
Retained earnings	107,836	(216,260)
retained profit	(400,786)	(400,786)
net profit for the period	508,622	184,526
Total equity	**11,193,720**	**11,392,643**
Total liabilities and equity	**136,739,386**	**126,361,260**

Interim condensed separate statement of changes in equity

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	Net profit for the period	Share capital
Balance as of 1 January 2022	**147,519**	**9,110,976**	**2,946,115**	**(595,707)**	**(400,786)**	**184,526**	**11,392,643**
Total comprehensive income for the period	**-**	**-**	**-**	**(710,744)**	**-**	**508,622**	**(202,122)**
Net profit for the period	-	-	-	-	-	508,622	508,622
Other comprehensive income for the period	-	-	-	(710,744)	-	-	(710,744)
Distribution of retained earnings	**-**	**-**	**184,526**	**-**	**-**	**(184,526)**	**-**
Distribution of earnings intended for capital	-	-	184,526	-	-	(184,526)	-
Share issue	**74**	**-**	**-**	**-**	**-**	**-**	**74**
Management stock options*	**-**	**-**	**3,125**	**-**	**-**	**-**	**3,125**
Balance as of 30 June 2022	**147,593**	**9,110,976**	**3,133,766**	**(1,306,451)**	**(400,786)**	**508,622**	**11,193,720**

* for details on the management stock options programme please refer to Note 39

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Share capital
					Retained profit	Net profit for the period	
Balance as of 1 January 2021	**147,419**	**9,110,976**	**2,208,982**	**255,887**	**(400,786)**	**731,060**	**12,053,538**
Total comprehensive income for the period	-	-	**-**	**(851,594)**	-	**184,526**	**(667,068)**
Net profit for the period	-	-	-	-	-	184,526	184,526
Other comprehensive income for the period	-	-	-	(851,594)	-	-	(851,594)
Distribution of retained earnings	**-**	**-**	**731,060**	**-**	**-**	**(731,060)**	**-**
Distribution of earnings intended for capital	-	-	731,060	-	-	(731,060)	-
Share issue	**100**	**-**	**-**	**-**	**-**	**-**	**100**
Management stock options*	**-**	**-**	**6,073**	**-**	**-**	**-**	**6,073**
Balance as of 31 December 2021	**147,519**	**9,110,976**	**2,946,115**	**(595,707)**	**(400,786)**	**184,526**	**11,392,643**

* for details on the management stock options programme please refer to Note 39

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Share capital
					Retained profit	Net profit for the period	
Balance as of 1 January 2021	**147,419**	**9,110,976**	**2,208,982**	**255,887**	**(400,786)**	**731,060**	**12,053,538**
Total comprehensive income for the period	**-**	**-**	**-**	**(172,262)**	**-**	**290,664**	**118,402**
Net financial result for the period	-	-	-	-	-	290,664	290,664
Other comprehensive income for the period	-	-	-	(172,262)	-	-	(172,262)
Distribution of retained earnings	**-**	**-**	**731,060**	**-**	**-**	**(731,060)**	**-**
Distribution of retained earnings intended for capital	-	-	731,060	-	-	(731,060)	**-**
Share issue	100	-	-	-	-	-	**100**
Management stock options*	**-**	**-**	**3,689**	**-**	**-**	**-**	**3,689**
Balance as of 30 June 2021	**147,519**	**9,110,976**	**2,943,731**	**83,625**	**(400,786)**	**290,664**	**12,175,729**

* for details on the management stock options programme please refer to Note 39

Interim condensed separate statement on cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Net profit (loss)	**508,622**	**290,664**
Adjustments for:	**2,956,768**	**1,263,592**
Income tax expenses	276,771	212,456
Depreciation and amortization	206,553	197,432
Dividend income	(8,142)	(2,433)
Interest income	(2,907,707)	(1,562,320)
Interest expense	803,921	104,092
Change in provisions	128,274	241,896
Change in amounts due from banks	(849,785)	(58,174)
Change in assets due to derivative financial instruments	(1,604,882)	603,556
Change in loans and advances to customers measured at amortised cost	(4,956,662)	(4,045,458)
Change in loans and advances to customers measured at fair value through profit or loss	129,141	165,293
Change in amounts due to banks	(910,306)	(1,520,946)
Change in liabilities related to derivative financial instruments	1,640,349	(754,940)
Change in amounts due to customers	8,249,059	5,581,944
Change in other assets and receivables due to current income tax	(176,400)	253,437
Change in other liabilities and provisions due to deferred tax	987,141	314,537
Other adjustments	55,162	(1,018)
Interest received	2,599,856	1,649,505
Interest paid	(704,921)	(114,595)
Lease payments with reference to short-term leases not included in the lease liability measurement	(654)	(672)
Net cash flows from operating activities	**3,465,390**	**1,554,256**

CASH FLOWS FROM INVESTING ACTIVITIES:	HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Investing activities inflows	**47,816,345**	**43,206,436**
Sale and repurchase of securities	47,804,100	43,180,044
Sale of intangible assets and property, plant and equipment	4,103	24,937
Dividends received and other inflows from investing activities	8,142	1,455
Investing activities outflows	**(47,482,798)**	**(43,455,409)**
Purchase of shares in subsidiaries	(6,000)	-
Purchase of securities	(47,336,221)	(43,320,429)
Purchase of intangible assets and property, plant and equipment	(140,577)	(134,980)
Net cash flows from investing activities	**333,547**	**(248,973)**

CASH FLOWS FROM FINANCING ACTIVITIES:	HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Investing activities inflows	**74**	**16,224**
Net proceeds from the issue of shares and return of capital contributions	74	16,224
Investing activities outflows	**(59,205)**	**(62,342)**
Repayment of the leasing liability	(59,205)	(62,342)
Net cash flows from financing activities	**(59,131)**	**(46,118)**
TOTAL NET CASH AND CASH EQUIVALENTS	**3,739,806**	**1,259,165**
Cash and cash equivalents at the beginning of the period	**5,152,220**	**3,485,875**
Cash and cash equivalents at the end of the period	**8,892,026**	**4,745,040**
Effect of exchange rate fluctuations on cash and cash equivalents	89,490	(7,786)

EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES APPLIED FOR THE PURPOSE OF PREPARATION OF THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

The interim condensed separate financial statements for the first half of 2022 ended 30 June 2022 were prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as adopted by the European Union as well as in accordance with other applicable regulations.

The interim condensed separate financial statements do not include all information and disclosures required for the annual financial statements, and therefore should be read in conjunction with the Interim condensed consolidated financial statements for the first half of 2022 and with the Separate financial statements of the BNP Paribas Bank Polska S.A. for the year ended 31 December 2021, which was approved by the Management Board of the Bank on 2 March 2022.

The accounting principles and methods of performing accounting estimates adopted in the preparation of the interim condensed separate financial statements of the Bank are consistent with the accounting principles adopted for the Group's interim condensed consolidated financial statements, which are described in Notes 3 and 7.

The following significant events regarding the interim condensed separate financial statements for the first half of 2022 were described in the Interim condensed consolidated financial statements for the first half of 2022:

- The most important events in BNP Paribas Bank Polska S.A. Capital Group in the first half of 2022 in Note 53,
- Subsequent events in Note 54.

2. RELATED PARTY TRANSACTIONS

BNP Paribas Bank Polska S.A. is a member of the BNP Paribas Bank Polska S.A. Capital Group

BNP Paribas Bank Polska S.A. is the parent company of the BNP Paribas Bank Polska S.A. Capital Group

The ultimate parent company is BNP Paribas S.A. based in Paris.

As of 30 June 2022 the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company and its subsidiaries:

1. BANKOWY FUNDUSZ NIERUCHOMOŚCIOWY ACTUS SP. Z O.O. in liquidation („ACTUS”),
2. BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. („TFI”),
3. BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING”),
4. BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC”),
5. CAMPUS LESZNO SP. Z O.O.,
6. BNP PARIBAS SOLUTIONS SPÓŁKA Z O.O. in liquidation,
7. BGZ POLAND ABS1 DAC („SPV”).

All transactions between the Bank and its related parties were entered into as part of its daily operations and included mainly loans, deposits, transactions in derivative instruments as well as income and expenses related to advisory and financial intermediation services.

Transactions with shareholders of BNP Paribas Bank Polska S.A. and related parties.

30.06.2022	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**8,033,860**	**1,090**	**515,538**	**783**	**4,158**	**8,555,429**
Receivables on current accounts, loans and deposits	5,806,668	1,090	510,350	783	22	**6,318,913**
Derivative financial instruments	2,226,481	-	-	-	-	**2,226,481**
Hedging derivative instruments	687	-	-	-	-	**687**
Other assets	24	-	5,188	-	4,136	**9,348**
Liabilities	**9,227,644**	**82,650**	**1,019,415**	**2,488**	**321,402**	**10,653,599**
Current accounts and deposits	941,337	82,650	737,964	2,488	320,365	**2,084,804**
Subordinated liabilities	4,116,424	-	281,451	-	-	**4,397,875**
Derivative financial instruments	1,633,956	-	-	-	-	**1,633,956**
Hedging derivative instruments	2,535,927	-	-	-	-	**2,535,927**
Lease liabilities	-	-	-	-	183	**183**
Other liabilities	-	-	-	-	854	**854**
Contingent liabilities						
Financial commitments granted	-	-	242,097	647	1,050,000	**1,292,744**
Guarantees granted	109,315	198,648	1,605,644	-	983,612	**2,897,219**
Commitments received	1,545,767	307,905	2,368,769	-	-	**4,222,441**
Derivative financial instruments (nominal value)	66,564,332	-	-	-	-	**66,564,332**
Derivative hedging financial instruments (nominal value)	25,639,179	-	-	-	-	**25,639,179**
Statement of profit or loss	**(902,563)**	**(261)**	**(14,635)**	**8**	**9,765**	**(907,686)**
HY 2022 from 01.01.2022 to 30.06.2022						
Interest income	27,936	74	1,581	16	35	**29,642**
Interest expense	(83,449)	(335)	(4,332)	(8)	-	**(88,124)**
Fee and commission income	-	-	-	-	(3,916)	**(3,916)**
Fee and commission expense	-	-	-	-	(3,893)	**(3,893)**
Net trading income	(791,772)	-	-	-	-	**(791,772)**
Other operating income	-	-	-	-	17,546	**17,546**
Other operating expenses	-	-	-	-	(120)	**(120)**
General administrative expenses	(55,278)	-	(11,884)	-	113	**(67,049)**

31.12.2021	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**2,583,416**	**4,264**	**35,489**	**841**	**5,745**	**2,629,755**
Receivables on current accounts, loans and deposits	1,585,212	4,264	34,536	811	4,013	**1,628,836**
Derivative financial instruments	932,697	-	-	-	-	**932,697**
Hedging derivative instruments	65,465	-	-	-	-	**65,465**
Other assets	42	-	953	30	1,732	**2,757**
Liabilities	**8,203,374**	**29,944**	**1,038,097**	**2,684**	**102,758**	**9,376 857**
Current accounts and deposits	1,978,727	29,944	761,579	2,684	102,623	**2,875,557**
Subordinated liabilities	4,058,054	-	276,518	-	-	**4,334,572**
Derivative financial instruments	1,038,620	-	-	-	-	**1,038,620**
Hedging derivative instruments	1,127,973	-	-	-	-	**1,127,973**
Lease liabilities	-	-	-	-	135	**135**
Contingent liabilities						
Financial commitments granted	-	-	295,448	633	1,051,000	**1,347,081**
Guarantees granted	105,365	200,134	1,448,341	-	965,874	**2,719,714**
Commitments received	812,994	304,155	1,774,204	-	-	**2,891,353**
Derivative financial instruments (nominal value)	60,082,978	-	-	-	-	**60,082,978**
Derivative hedging financial instruments (nominal value)	26,448,220	-	-	-	-	**26,448,220**
Statement of profit or loss	**(253,245)**	**4**	**141**	**-**	**19,396**	**(233,704)**
HY 2021 from 01.01.2021 to 30.06.2021						
Interest income	-	4	89	-	29	**122**
Interest expense	(37,368)	-	(3,009)	-	1	**(40,376)**
Fee and commission income	6	-	5,314	-	2,109	**7,429**
Fee and commission expense	-	-	(49)	-	(4,149)	**(4,198)**
Net trading income	(178,471)	-	-	-	-	**(178,471)**
Other operating income	-	-	8,185	-	21,248	**29,433**
Other operating expenses	-	-	-	-	(170)	**(170)**
General administrative expenses	(37,412)	-	(10,389)	-	328	**(47,473)**

Remuneration of the Management Board and Supervisory Board

Management Board	HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Short-term employee benefits	10,211	8,208
Long-term benefits	2,757	2,732
Termination benefits	-	855
Share-based payments*	3,314	2,688
Issued shares**	1,405	1,514
Total	**17,687**	**15,997**

*includes a provision for deferred phantom shares and an amount in the Bank's capital linked to the Bank's shares taken up in the future (in accordance with the variable remuneration policy)

** the value of shares issued based on actuarial valuation

Supervisory Board	HY 2022 from 01.01.2022 to 30.06.2022	HY 2021 from 01.01.2021 to 30.06.2021
Short-term employee benefits	792	765
Total	**792**	**765**

3. SEASONAL OR CYCLICAL NATURE OF BUSINESS

There are no significant seasonal or cyclical phenomena in the Bank's operations.

4. DIVIDEND PAID

In 2021, no dividend was paid out in the Bank.

5. DISTRIBUTION OF RETAINED EARNINGS

In accordance with the Resolution No. 6 of the Bank’s General Meeting of 27 June 2022, the profit of the Bank after tax (net profit) for 2021 in the amount of PLN 184,526 thousand, was fully allocated to the reserve capital.

6. CONTINGENT LIABILITIES

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

Contingent liabilities	30.06.2022	31.12.2021
Contingent commitments granted	**39,999,376**	**43,018,775**
financial commitments	30,132,806	32,755,485
Guarantees	9,866,570	10,263,290
Contingent commitments received	**53,215,291**	**30,676,140**
financial commitments	13,476,037	13,005,690
Guarantees	39,739,254	17,670,450

7. SUBSEQUENT EVENTS

Subsequent events are described in Note 54 of the Interim consolidated report for the first half of 2022.

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

10.08.2022	**Przemysław Gdański** *President of the Management Board*	*qualified electronic signature*
10.08.2022	**Jean-Charles Aranda** *Vice-President of the Management Board*	*qualified electronic signature*
10.08.2022	**André Boulanger** *Vice-President of the Management Board*	*qualified electronic signature*
10.08.2022	**Przemysław Furlepa** *Vice-President of the Management Board*	*qualified electronic signature*
10.08.2022	**Wojciech Kembłowski** *Vice-President of the Management Board*	*qualified electronic signature*
10.08.2022	**Kazimierz Łabno** *Vice-President of the Management Board*	*qualified electronic signature*
10.08.2022	**Magdalena Nowicka** *Vice-President of the Management Board*	*qualified electronic signature*
10.08.2022	**Volodymyr Radin** *Vice-President of the Management Board*	*qualified electronic signature*
10.08.2022	**Agnieszka Wolska** *Vice-President of the Management Board*	*qualified electronic signature*

Warsaw, 10 August 2022