



**BNP PARIBAS**



**MANAGEMENT BOARD  
REPORT ON THE ACTIVITIES  
OF THE BNP PARIBAS BANK  
POLSKA S.A. GROUP  
FOR THE FIRST HALF OF 2024**





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*Beata Włodarska, Corporate Client Manager*





## Key data: 2020–30.06.2024

	30.06.2024	2023	2022	2021	2020
<b>Statement of financial data (PLN million)</b>					
Total assets	159,541	161,026	150,109	131,777	119,577
Loans and advances to Customers*	86,036	86,248	88,631	86,299	75,637
Total equity	13,609	12,861	11,262	11,362	12,031
Amounts due to Customers	125,565	127,175	120,021	101,093	90,051
<b>Statement of profit or loss (PLN million)</b>					
Net profit	1,214	1,013	441	176	733
Normalised net profit**	1 378	967	1 166	176	721
Net interest income	2,622	5,225	3,493	3,141	3,060
Net fee and commission income	623	1 211	1 137	1 049	916
Net income on banking activity	3,638	7,283	5,352	4,809	4,705
Result on legal risk related to foreign currency loans	(211)	(1,978)	(740)	(1,045)	(168)
Result on derecognition of financial assets measured at amortised cost due to significant modification	(88)	(34)	(275)	(266)	(601)
General administrative expenses, depreciation and amortisation	(1,724)	(3,096)	(3,038)	(2,544)	(2,506)
<b>Financial ratios (%)</b>					
Net ROE	18.3%	8.2%	3.9%	1.5%	6.3%
Net ROA	1.5%	0.7%	0.3%	0.1%	0.6%
Cost / Income (C/I)	47.4%	42.5%	56.8%	52.9%	53.3%
Normalised net ROE**	20.7%	7.7%	10.2%	1.5%	6.2%
Normalised net ROA**	1.5%	0.6%	0.8%	0.1%	0.6%
Normalised Cost / Income (C/I) without BFG and IPS**	41.1%	41.1%	42.9%	49.9%	49.0%

	30.06.2024	2023	2022	2021	2020
Net interest margin	3.30%	3.43%	2.46%	2.51%	2.63%
Share of impaired receivables (Contribution from Stage 3)***	3.0%	3.0%	3.3%	3.6%	5.4%
Cost of risk	(0.20%)	(0.04%)	(0.30%)	(0.32%)	(0.78%)
Total capital ratio	17.11%	16.67%	15.55%	16.91%	18.65%
Tier I capital ratio	13.17%	12.51%	11.28%	12.33%	13.55%
<b>Information on shares</b>					
Stock market capitalisation (PLN million)	14,928	12,641	8,265	13,454	9,376
Number of shares (million pcs.)	148	148	148	148	147
Period-end share price (PLN)	101	86	56	91	64
<b>Business information (thousand)****</b>					
Number of Bank's Customers:	4,170	4,186	4,227	4,117	3,938
Retail Customers	3,808	3,831	3,877	3,810	3,639
Institutional Customers	363	356	350	307	299
<b>ESG</b>					
Value of sustainable financing (PLN billion)	10.0	9.6	6.5	3.1	1.0
Number of employees in the Group	7,906	8,204	8,585	9,035	9,455
Number of Customer Centers with 'Barrier-Free Facility' certification	134	131	103	77	51

Note: due to the change made from 1 January 2023, in accordance with IFRS 9, in the presentation of the impact of legal risk arising from court proceedings related to CHF mortgage loans, in the case of the Net Assets category, Loans and advances granted to Customers and Share of loans and advances with loss of value (Stage 3), the column for 2022 presents converted values. For indicators for which we use quarterly averages, the converted amounts were adopted for all quarters of 2023. No recalculation of average values was made for previous years. Average values were not recalculated for earlier years. Details of the definitions and assumptions used are presented in the Alternative Performance Measures chapter.

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

\*\* Normalised values calculated without the impact of credit holidays in 2022, 2023, 30.06.2024 and integration costs incurred in connection with the implementation of merger processes in 2016-2020.

\*\*\* Applies to portfolio measured at amortised cost.

\*\*\*\* Number of Customers in 2022-2023 presented in accordance with the new definition adopted in Q2 2023.



## The Group and the Bank

BNP Paribas Bank Polska S.A. (hereinafter: Bank) is a universal Bank.

Retail Customers are offered a selection of savings and investment products as well as a wide range of loans, including housing and Customer loans. For private banking segment Customers, we propose a comprehensive offer in the area of protection, optimisation and growth of wealth. The Bank's Customers can also take advantage of investment advisory services.

We provide micro, small and medium-sized enterprises as well as corporations with local and international financing solutions. Our services are also addressed to enterprises from the agri-food sector. We specialize in financing agriculture, the food economy and regional infrastructure.

We have been active in the Polish market for over a hundred years. Our ties with the global BNP Paribas financial Group enable us to apply the best international practices. Thus, we can meet the needs of the local market and the expectations of the Bank's Customers. We provide our services all over the country through a network of Bank branches, partner branches, as well as online and mobile banking. We also cooperate with partner stores and selected car dealers.

As the Bank of Green Changes, we support our Customers' transition to a low-carbon economy and inspire them to make responsible financial decisions. We consistently pursue a strategy of financing investments with a positive social, economic, and environmental impact.

The Bank and its subsidiaries form the BNP Paribas Bank Polska S.A. Group (hereinafter: the Group), which ranks sixth regarding balance sheet size in the domestic banking sector. Employment in the Group expressed in FTEs – 8.0 thousand.

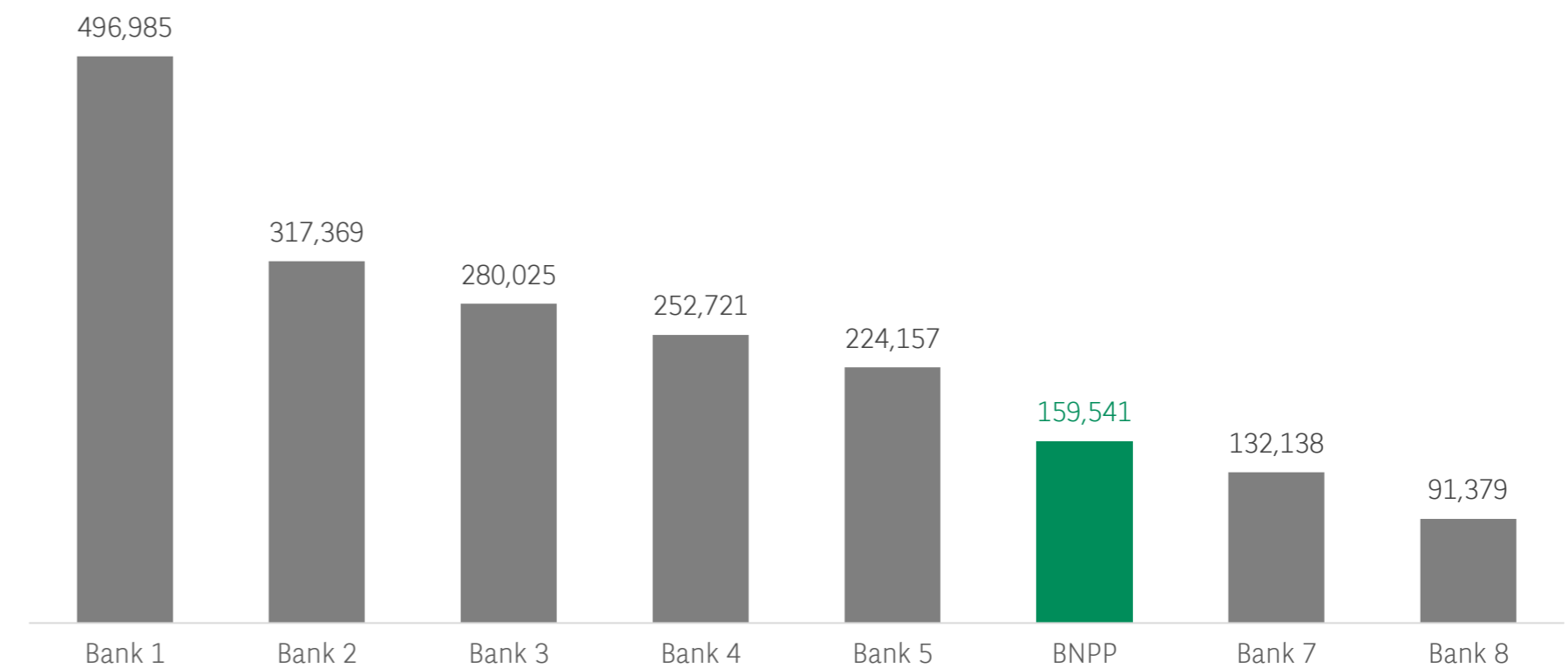
The Bank is part of the international BNP Paribas banking Group (hereinafter: BNP Paribas Group).

The shares of BNP Paribas Bank Polska S.A. are listed on the Warsaw Stock Exchange.

The Bank's head office is located in Warsaw, at 2 Marcina Kasprzaka Street.

## The Bank and Group's position in the Polish banking sector and market shares

Chart 1. Total assets of the BNP Paribas Bank Polska S.A. Group on 30 June 2024 compared to the largest banks (PLN million)



Assets of the largest banks as at 31.03.2024, assets of BNP Paribas Bank Polska as at 30.06.2024

According to the interim reports, which were the most up-to-date source of comparable performance information for the banks listed on the WSE at the date the Management Report was approved for publication, BNP Paribas Bank Polska S.A. Group was the sixth largest banking group in Poland in terms of total assets.

**Table 1. Market shares of BNP Paribas Bank Polska**

	30.06.2024	31.12.2023
<b>Loans to non-Bank Customers</b>	<b>5.8%</b>	<b>6.1%</b>
Loans to Individual Customers	5.0%	5.3%
Non-financial business entities	9.1%	9.3%
<b>Deposits from non-Bank Customers</b>	<b>5.7%</b>	<b>6.0%</b>
Individual Customer deposits	4.3%	4.5%
Non-financial business entities	9.9%	9.9%

In the 'loans to non-Bank Customers' category, the Bank's share in the sector was 5.8% at the end of H1 2024, compared with 6.1% at the end of 2023. There was a decline in market shares in both the loans to Individual Customers and loans to non-financial business entities. The reduced market shares for retail Customers were due in particular to the decrease in the share of PLN housing loans as a consequence of the decrease in the Bank's volumes against the increase in the banking sector (the Bank offers housing loans only to its own Customers; it also did not join the government programme 'Safe Credit 2%' to support the purchase of the first flat). The decrease in market shares in loans to non-financial business entities occurred as a result of a decrease in volumes at the Bank against an increase in the banking sector.

The Bank's share of 'non-Bank Customer deposits' recorded a decrease to 5.7% from 6.0% at the end of 2023. This occurred as a result of a decrease in the share of private individuals' current and term deposits. In the case of current deposits, the Bank recorded a weaker volume growth than in the banking sector, while in the case of term deposits, the Bank recorded a volume decline against growth in the banking sector. The share of non-financial businesses deposits remained at the level at the end of 2023 (similar rate of decrease in volumes in the Bank and in the banking sector).

### Group structure and subsidiaries subject to consolidation

BNP Paribas Bank Polska S.A. (the Bank) is the parent company of the BNP Paribas Bank Polska S.A. Group (the Group) operating in Poland. The subsidiaries that are part of the Group at the end of June 2024 (fully consolidated) are listed below. The Bank's share in the equity of each subsidiary is presented in percentages:

**Structure of the BNP Paribas Bank Polska S.A.**

Changes in the Group's structure in the first half of 2024:

- on 2.01.2024 the Extraordinary General Meeting of Shareholders of Campus Leszno Sp. z o.o. passed a resolution to dissolve the company and open its liquidation. The company ended its operational activities on 31 October 2023.

In addition to the Group companies, the Bank held equity investments in infrastructure companies at the end of June 2024, including Credit Information Bureau S.A., National Clearing House S.A., VISA Inc., Mastercard Inc., SWIFT. We also held minority, non-controlling interests, shares or convertible bonds in over a dozen medium-sized Polish companies. The value of investments in shares and minority interests is not material in terms of the scale of the Bank's and the Group's business and financial performance. These investments are financed from own resources.

All transactions between the Bank and related entities resulted from ongoing operational activities and mainly included loans, deposits, derivative transactions, income, expenses from advisory services and financial intermediation. Detailed information on transactions with related parties is provided in Note 45 of the Interim Consolidated Report of the BNP Paribas S.A. Group Bank Polska S.A. for the six months ended 30 June 2024.



### BNP Paribas Group worldwide

The Bank's strategic shareholder is the leading international banking Group, BNP Paribas, which operates in three key areas:

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

The BNP Paribas Group supports its retail Customers, entrepreneurs, local government units, small and medium-sized enterprises, corporations, and institutions in the implementation of projects by offering them a range of financial, investment, savings, and insurance products.

BNP Paribas Group operates in 63 countries and employs almost 183 thousand people, including 146 thousand in Europe.

In 2022, the Group began implementing the GTS strategic plan for 2022-2025. The strategy is built on three pillars - growth, technology, and sustainability.

BNP Paribas Group's TSG strategy ambitions:

- GROWTH – further development of a profitable business based on leading position of the BNP Paribas Group in Europe,
- TECHNOLOGY – technology supporting Customer experience and operational efficiency,
- SUSTAINABILITY – focusing the Group's business activities on supporting the financing of sustainable development.

### The Bank on the Warsaw Stock Exchange

#### Shareholder structure

30 June 2024, the Bank's shareholders included two shareholders holding at least 5% of the total number of votes at the General Meeting: BNP Paribas and BNP Paribas Fortis SA/NV. In total, they held 81.28% of the votes. The remainder of the Bank's shares, i.e., 18.72% were in free float.

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

PLBGZ0000010

ISIN code

BNPPPL

abbreviation

BNP

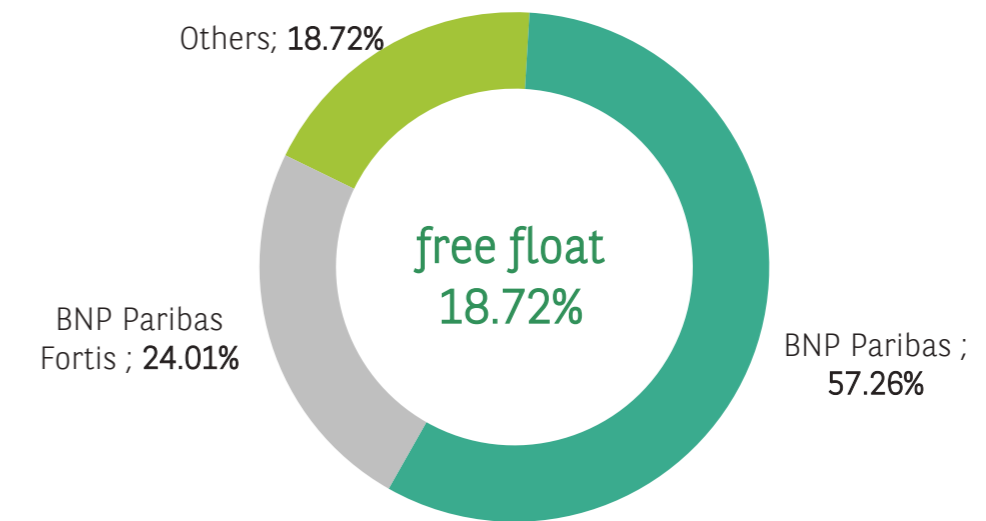
WSE Ticker

mWIG40 & sWIG40TR

Index membership

Chart 2. Shareholder structure as of 30.06.2024

Total number of shares – 147,799,870



The table below shows the Bank's shareholding structure as at 30 June 2024, identifying shareholders who held at least 5% of the total number of votes at the General Meeting of Shareholders.



**Table 2. Shareholder structure**

shareholder	number of shares	% share in the share capital	number of votes at the General Meeting of Shareholders	% share in the total number of votes at the General Meeting of Shareholders
BNP Paribas, total:	120,124,392	81.28%	120,124,392	81.28%
<i>BNP Paribas directly</i>	<i>84,634,166</i>	<i>57.26%</i>	<i>84,634,166</i>	<i>57.26%</i>
<i>BNP Paribas Fortis SA/NV directly</i>	<i>35,490,226</i>	<i>24.01%</i>	<i>35,490,226</i>	<i>24.01%</i>
Others	27,675,478	18.72%	27,675,478	18.72%
<b>Total</b>	<b>147,799,870</b>	<b>100.00%</b>	<b>147,799,870</b>	<b>100.00%</b>

As at 5 April 2024, the Bank's share capital is PLN 147,799,870. The capital comprises 147,799,870 shares with a nominal value of PLN 1 each, including:

- series A – 15,088,100 shares,
- series B – 7,807,300 shares,
- series C – 247,329 shares,
- series D – 3,220,932 shares,
- series E – 10,640,643 shares,
- series F – 6,132,460 shares,
- series G – 8,000,000 shares,
- series H – 5,002,000 shares,
- series I – 28,099,554 shares,
- series J – 2,500,000 shares,
- series K – 10,800,000 shares,
- series L – 49,880,600 shares,
- series M – 302,636 shares,
- series N – 78,316 shares.

The four series B shares are preference shares. This privilege includes the right to receive payment of the full nominal amount per share in the event of the liquidation of the Bank after satisfaction of creditors, in priority to payments attributable to ordinary shares, which payments, in view of the exercise of the privilege, may not cover the nominal amount of these shares.

The total number of votes attached to all shares in the Bank is 147,799,870 votes. The number of votes attached to the allocated Series M Shares is 44,608 votes, and from Series N Shares amounts to 78,316 votes.

The amount of the conditional share capital increase following the issuance of the Series M and N Shares totals PLN 1,395,048.

#### Changes in shareholder structure in H1 2024

**On 14 March 2024**, block trades were concluded in connection with the completion of the accelerated book building (ABB) process for the sale of 8,860,616 shares in the Bank by BNP Paribas SA – the Bank's main shareholder.

After the settlement of the aforementioned transactions and other transactions made on the regulated market concerning 6,545 shares of the Bank, the share of BNP Paribas SA in the total number of votes at the Bank's General Meeting of Shareholders decreased by approximately 6%. BNP Paribas SA directly holds 84,634,166 shares in the Bank representing (as at 30 June 2024) approximately 57.26% of the total number of shares and votes in the Bank, and together with other entities of the BNP Paribas SA Group controls a total of 120,124,392 shares in the Bank representing (as at 30 June 2024) approximately 81.28 of the total number of shares and votes in the Bank.

**On 5 April 2024**, there was an increase in the Bank's share capital from the amount of PLN 147,676 to the amount of PLN 147,799,870 as a result of the subscription of 44,608 series M shares and 78,316 series N shares (a total of 122,924 Bank shares) with a total nominal value of PLN 122,924 in exercise of the rights attached to the previously subscribed registered subscription warrants of series A4 and B1 respectively.

Details of the subscription for M and N shares are presented in the section: Key Corporate Events.

#### BNP Paribas' intention regarding the liquidity of the Bank's shares

According to information received from BNP Paribas SA – the Bank's main shareholder – BNP Paribas SA declares its intention to increase the number of the Bank's free float shares to at least 25% in the future.

#### Ownership of Bank shares by members of the Management Board and members of the Supervisory Board

A summary of the Bank's shareholdings and share entitlements of the members of the Bank's Management Board and Supervisory Board as at the date of submission of the Financial Statements for Q1 2024 (14 May 2024) and the Report for H1 2024 (13 August 2024) is presented below.



**Table 3. Number of shares and subscription warrants held by members of the Bank's Management Board and Supervisory Board**

member of the Management Board	shares 14.05.2024	subscription warrants <sup>1</sup> 14.05.2024	Sale of shares	shares 13.08.2024	subscription warrants <sup>1</sup> 13.08.2024
Przemysław Gdański	39,366	8,280		39,366	8,280
André Boulanger	-	5,953		-	5,953
Małgorzata Dąbrowska	-	-		-	-
Wojciech Kembłowski	-	3,671		-	3,671
Piotr Konieczny	-	455		-	455
Magdalena Nowicka	5,256	2,392	-5,256	-	2,392
Volodymyr Radin	-	1,364		-	1,364
Agnieszka Wolska	4,095	2,443		4,095	2,443

member of the Supervisory Board of the Bank	shares 14.05.2024	subscription warrants <sup>1</sup> 14.05.2024	Sales of shares	shares 13.08.2024	subscription warrants <sup>1</sup> 13.08.2024
Jean-Charles Aranda	4,495	1,828	-4,495	-	1,828

1) Subscription warrants taken up on 21.03.2024: Series A5 - one A5 series warrant entitles to take up one ordinary bearer share of series M of BNP Paribas Bank Polska S.A., at an issue price equal to PLN 1.00 per share and Series B2 - one B2 series warrant entitles to take up one ordinary bearer share of series N of BNP Paribas Bank Polska S.A., at an issue price equal to PLN 1.00 per share.

The other members of the Supervisory Board did not declare the ownership of shares/entitlements to shares of the Bank on 13 August 2024, which remains unchanged since the submission of the Financial Report for the first quarter of 2024, i.e., 14 May 2024.

### Share quotations

On the session of 28 June 2024, the closing price of the bank's shares was PLN 101.00 and which was higher by 68.33% compared to 30 June 2023 (PLN 60.00). The value of the WIG-Banks index increased by 73.55% (to 13,817.94 points). The index reached its maximum (13,992.51 points) at the close of the session on 23 April 2024. The discussed period was characterized by quite a large increase in the price of Bank shares due to good financial results, persistently high interest rates, and dividend payouts.

The second half of 2023 brought an improvement in conditions for companies listed on the Warsaw Stock Exchange. Factors which had a positive impact on the share prices of banks included:

- attractive valuation against the backdrop of foreign competition, which already largely accounted for the risks hanging over the industry (including the issue of housing loans in CHF, credit holidays),
- persistently high interest rates allowing for the generation of high interest results, coupled with a decrease in the profitability of treasury bonds,
- inflows of foreign capital to the Warsaw Stock Exchange,
- relatively good macroeconomic data in the second half of the year, coupled with a strong labour market, confirming the entry into a recovery stage. The improved outlook resulted in a reduction in expectations regarding the level of risk costs.

In Q3 2023 alone, the listing of Banks' shares was negatively affected by the Monetary Policy Council's (MPC) decision to cut interest rates by 0.75 p.p. (for the first time since May 2020), which resulted in a marked weakening of the zloty. The WIG-Banks ended the third quarter with a loss of 3.83%, and the Bank's share price fell by 1.00%.

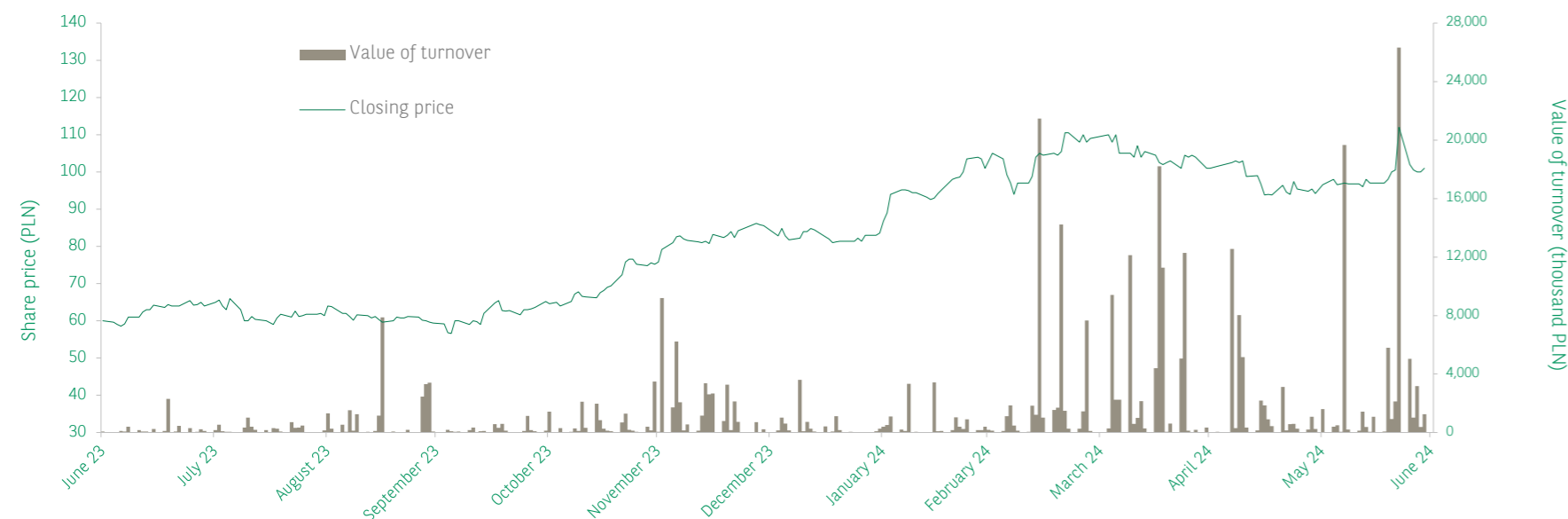
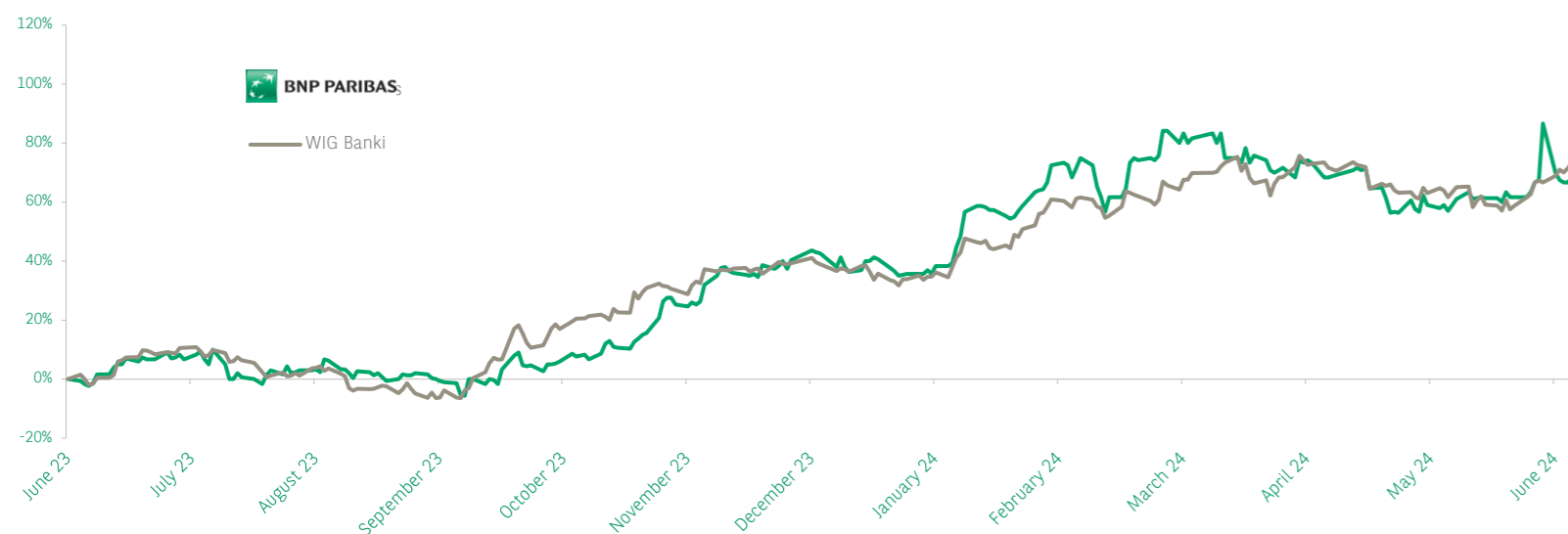
After the October elections in Poland and changes in the MPC's policy on shaping the level of interest rates, the evaluations of banks improved and the fourth quarter of 2023 saw a significant rise in share prices. WIG-Banki closed the session on 29 December 2023 at 11,062.0 points, experiencing a growth of 44.48% in the fourth quarter. The closing price of the Bank's shares was PLN 85.60, which indicates a rise of 44.11% compared to the end of the third quarter.

In H1 2024, the upturn for WSE-listed companies continued, with the WIG-Banks index gaining 24.91%. Factors that had a positive impact on Bank share prices were:

- persistently high interest rates allowing the generation of high interest income and the narrative that interest rates will remain at current levels for an extended period of time,
- expectations of inflows into PPK funds and Polish equity funds, as well as the observed improvement in sentiment among foreign investors,
- planned dividend payments by banks,
- the announcement of further government subsidies for loans ('Credit to Start' programme).

The WIG-Banks for Q1 2024 as a whole rose by 22.3%, while the Bank's share price rose by 27.3% to PLN 109.0. The Bank's shares recorded a maximum for Q1 2024 at PLN 110.5 on 21 and 22 March 2024 (the maximum for the WIG-Banks was recorded on 17 March 2024 at 13,524.76 points).

In Q2 2024, bank share prices were affected by, among other things, the decision to extend the credit holidays to 2024. As a result, the WIG-Banks rose by only 2.2% in Q2 2024 and the Bank's share price fell by 7.34% to PLN 101.00. The minimum for the Bank's shares in H1 2024 was recorded on 17 January 2024 (PLN 81.0) and the maximum (PLN 112.0) on 21 June this year.

**Chart 3. Quotations and trading value of the Bank's shares from 30.06.2023 to 28.06.2024****Chart 4. Change in share price of the Bank vs. WIG-Banks from 30.06.2023 to 28.06.2024 (30.06.2023 = 100%)**

In March 2024, as a result of the completion of the accelerated book-building process (ABB) for the sale of the Bank's shares by BNP Paribas SA, the percentage of the Bank's shares in free float (shareholders below 5% of shares and votes) increased from 12.65% (31.12.2023) to 18.72% (30.06.2024). Following the quarterly review of the stock index portfolios carried out on 21 June 2024, the Bank's shares are listed in the mWIG 40 index.

The average daily share price for the following quarters was: Q3 2023: PLN 61.83, Q4 2023: PLN 70.88, Q1 2024: PLN 94.06, Q2 2024: PLN 100.49. The average daily trading volume has steadily increased: in Q3 2023 it amounted to 8,707 shares, in Q4 2023 11,814 shares, in Q1 2024 12,550 shares, reaching pieces of shares in the second quarter of 2024 30,620 shares (21 June 2024 maximum trading volume: 247,283 pcs.). Overall, the average trading volume in the first half of 2024 was 106.8% higher compared to the corresponding period in 2023 (21,605 pieces of shares vs. 10,447 pieces of shares).

Combined with the significant increase in the share price, this was reflected in changes in the average daily trading value, which in the quarters under review amounted to respectively: PLN 528.2 thousand, PLN 898.4 thousand, PLN 1,254.0 thousand and PLN 3,106.7 thousand. The session of 21 June 2024 recorded the maximum trading volume (247,283 pcs. of shares) and the maximum trading value (PLN 26,332.6 thousand) for the analysed period.

**Table 4. Key information on BNP Paribas Bank Polska S.A. shares**

	30.06.2024	31.12.2023	30.06.2023	change YoY
Share price at the end of the year (PLN)	101.00	85.60	60.00	68.3%
Average share price (PLN)	97.13	59.82	53.19	82.6%
Maximum share price (PLN)	112.00	86.20	60.00	86.7%
Minimum share price (PLN)	81.00	46.80	46.80	73.1%
WIG-Banks value at year-end (points)	13,817.94	11,062.01	7,961.79	73.6%
Number of shares at year end (units)	147,799,870	147,676,946	147,676,946	0.1%
Capitalisation at year-end (PLN thousand)	14,927,787	12,641,147	12,614,117	18.3%
Average trading volume per session (units)	21,605.10	10,413.86	10,446.81	106.8%
Average value of trading per session (PLN thousand)	2,182.09	633.00	544.64	300.6%
Earnings per share (PLN)*	8.65	6.86	5.78	49.6%
P/E* ratio	11.68	12.48	10.38	12.5%
Book value per share (PLN)*	92.08	87.09	85.42	7.8%
P/BV* ratio	1.10	0.98	0.70	57.1%

\* calculations based on consolidated data





## Ratings

In the first half of 2024, the Bank had a rating from the rating agency Fitch Ratings (commissioned by the Bank). The history of rating changes assigned by the agency can be found on the Bank's page: <https://www.bnpparibas.pl/en/investor-relations/about-the-bank/ratings>.

The last rating update took place in December 2023. The Bank's credit ratings confirmed in the Fitch Ratings communication of 6 December 2023 are presented below:

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

The Bank's IDR and SSR ratings reflect Fitch Ratings' belief in the potential support of the Bank's parent company, BNP Paribas S.A. (BNPP, IDR of 'A+', outlook stable). According to Fitch Ratings, the Bank's VR rating of 'bbb-' reflects the Bank's moderate franchise in the competitive Polish banking market, as well as its traditional, well-balanced business model.

The Sustainalytics ESG Risk Rating assigned in November 2023 by the rating agency ESG Risk Rating continues to apply, with a rating of 10.2, indicating a low risk of a material negative impact of factors related to the management of environmental and social impacts on the business ("Low Risk"). The rating is the best score among Polish banks surveyed to date.

## Investor Relations

The Bank pursues a transparent information policy aimed at guaranteeing high communication standards that take into account the information needs of capital market participants.

The Bank, as a public company and a supervised institution, follows the principles of corporate governance when providing information, in compliance with the applicable laws and regulations, and ensures that participants in the capital market have equal access to information on the company's current operations, activities undertaken by the company or financial results, by fulfilling information obligations in a manner that allows a fair valuation of the Bank's shares.

Relations with shareholders, investors and other participants of the capital market are managed by a dedicated organisational unit at the Bank: the Investor Relations Office. Important information for investors, the Bank's shareholders and analysts is available on the Investor Relations website <https://www.bnpparibas.pl/en/investor-relations>.

In 2024, the Bank made the digital version of the annual report available for the fifth time. The report for 2023 is available at: <https://raportroczny.bnpparibas.pl/en/>.

At the end of July 2024 the Bank had 8 recommendations from financial institutions: 7 "Buy" ("Overweight", "Accumulate"), 1 "Hold". The median target price from the recommendations was PLN 120.5, and the average target price was – PLN 115.6; they were higher than the share price on 31 July 2024 (PLN 101.0) by 19.3% and 14.4%.

## Statutory bodies of the Bank

### General Meeting of Shareholders

The General Meeting of Shareholders was held **16 April 2024** which in addition to resolutions of procedural nature:

- approved the annual reports and statements submitted by the Management Board and Supervisory Board, as required by law, including the Financial Statements, the Management Report on the Bank's activities and the Report presenting non-financial information for 2023,
- resolved on the distribution of profit for 2023 (decided on the payment of a dividend in the amount of PLN 503,997,556.70 and the transfer of the remaining part of the Bank's net profit in the amount of PLN 503,829,981.45 to reserve capital),
- the members of the Management Board and the Supervisory Board were granted discharge for the performance of their duties in 2023,
- adopted a periodic assessment of the individual and collective adequacy of the members of the Supervisory Board and an assessment of the adequacy of the Bank's internal regulations concerning the functioning of the Supervisory Board and its effectiveness,
- adopted the report submitted by the Supervisory Board on the independent evaluation of the functioning of the remuneration policy at BNP Paribas Bank Polska S.A. in 2023 and the report on the remuneration of the members of the Board of Management and the Supervisory Board of BNP Paribas Bank Polska S.A. in 2023,
- the resolution was adopted regarding the approval of the Policy for assessing the suitability of the members of the Supervisory Board of BNP Paribas Bank Polska S.A.,
- adopted a resolution amending the resolution on remuneration policy for the members of the Supervisory Board of BNP Paribas Bank Polska S.A. and the remuneration policy for the people who have a significant influence on the risk profile of BNP Paribas Bank Polska S.A. and a resolution on determination of remuneration of the Supervisory Board members,
- adopted resolutions on amendments to the Bank's Articles of Association and the consolidated text of the Articles of Association; the amendments relate to the adaptation of the Bank's objects to the banking Law as amended by the law - Act on amending certain acts in connection with ensuring the development of the financial market and the protection of investors in this market of 16 August 2023 (Journal of Laws 2023, item 1723) and adaptation of the procedure for issuing internal regulations and other editorial simplifications.



The Extraordinary General Meeting of Shareholders was held on 2 July 2024 which, in addition to resolutions of a procedural nature:

- adopted an assessment of the suitability of the individual candidate for the Supervisory Board and appointed a new member - Mrs Monika Kaczorek, to the Supervisory Board of BNP Paribas Bank Polska S.A. from 3 July 2024,
- adopted the assessment of the collective adequacy of the Supervisory Board of BNP Paribas Bank Polska S.A. in connection with the change in the composition of the Supervisory Board,
- adopted a resolution on amendments to Resolution No. 8 of the Extraordinary General Meeting of Shareholders of BNP Paribas Bank Polska S.A. dated 17 June 2021 regarding the determination of the remuneration of the members of the Supervisory Board of BNP Paribas Bank Polska S.A. ("Resolution No. 8"), Resolution No. 37 General Meeting of Shareholders of 27 June 2022 regarding the amendment of Resolution No. 8 and Resolution of the General Meeting of Shareholders BNP Paribas Bank Polska S.A. of 30 June 2023 regarding the amendment of Resolution No. 8,
- adopted resolutions on amendments to the Bank's Articles of Association and the consolidated text of the Statutes; changes resulted from the necessity to adjust the Bank's object of activity to the Banking Law amended by the law - The Act amending certain laws in connection with ensuring the development of the financial market and the protection of investors in this market dated 16 August 2023 (Journal of Laws 2023, item 1723) regarding brokerage activities.

The text of the resolutions adopted by the General Meeting of Shareholders is available on the website of BNP Paribas Bank Polska S.A. at: <https://www.bnpparibas.pl/en/investor-relations/general-meeting> and <https://www.bnpparibas.pl/en/investor-relations/general-meeting/bank-bnp-paribas-general-meeting-archives>.

## Supervisory Board

Changes in the composition of the Bank's Supervisory Board in 2024:

- on 25 June 2024, Mr Jarosław Bauc submitted his resignation from his duties as a member of the Bank's Supervisory Board from 2 July 2024. The reason for his resignation was the permitted period of 12 years of independent membership of the Bank's Audit Committee, based on article 129, paraChart 3, point 8 of the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017,
- on 2 July 2024, Extraordinary General Meeting of Shareholders appointed Mrs Monika Kaczorek as an independent member of the Supervisory Board starting from 3 July 2024 until the end of the current five-year joint term of the Supervisory Board members.

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



**Table 5. Composition of the Bank's Supervisory Board and Board Committees as at 30.06.2024, together with information on the independence of the members**

No.	Name and surname	Function on the Supervisory Board	COMMITTEES OF THE SUPERVISORY BOARD			
			Audit Committee	Risk Committee	Remuneration Committee	Nominations Committee
1.	Lucyna Stańczak-Wuczyńska	Chairman of the Supervisory Board <i>Independent member</i>	Member	Member	Chairman	Chairman
2.	Francois Benaroya	Vice-Chairman of the Supervisory Board	Member	Member	Member	Member
3.	Jean Charles Aranda	Member	Member			
4.	Jarosław Bauc*	Independent member	Member			
5.	Małgorzata Chruściak	Independent member		Member		
6.	Magdalena Dziewguć	Independent member			Member	Member
7.	Sophie Heller	Member			Member	Member
8.	Vincent Metz	Member				
9.	Piotr Mietkowski	Member				
10.	Khatleen Pauwels	Member				
11.	Jacques Rinino	Member		Chairman		
12.	Mariusz Warych	Independent member	Chairman	Member		

\* Mr Jarosław Bauc held the position of a member of the Supervisory Board until 2 July 2024, on 2 July 2024, the Extraordinary General Meeting of Shareholders of the Bank appointed Mrs Monika Kaczorek as an independent member of the Bank's Supervisory Board from 3 July 2024.



## The Bank's Management Board

On 29 February 2024, the Bank's Supervisory Board passed a resolution to set the number of members of the Bank's Board of Management for the new term of eight people and appointed the Bank's Board of Management for a new 3-year term with the current composition.

**Table 6. Composition of the Bank's Management Board as at 30.06.2024, together with the division of the functional responsibilities of the individual members**

name and surname	function on the Bank's Management Board	supervised area
Przemysław Gdański	President	Area of Bank Management, Strategy and Agricultural Markets, Area of Human Resources Management, Area of Transformation, Area of Sustainability
André Boulanger	Vice-President	Corporate and Institutional Banking
Małgorzata Dąbrowska	Vice-President	Operations and Business Support Area
Wojciech Kembłowski	Vice-President	Risk Area
Piotr Konieczny	Vice-President	Finance Area
Magdalena Nowicka	Vice-President	New Technologies and Cyber Security Area
Volodymyr Radin	Vice-President	Personal Finance Area (PF) Retail and Business Banking Area
Agnieszka Wolska	Vice-President	SME and Corporate Banking area

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





## Key events in the first half of 2024

### Key corporate events

#### January 2024

- 2.01 - Extraordinary General Meeting of Shareholders of Campus Leszno Sp. z o.o. - adoption of a resolution to dissolve the company and open its liquidation

#### February 2024

- 29.02 - Appointment of the Management Board of BNP Paribas Bank Polska S.A. for a new term

#### March 2024

- 13.03 - Accelerated book building process (ABB)

Notices from the shareholder of BNP Paribas Bank Polska S.A. (Bank) - BNP Paribas SA (Shareholder) – about: (i) the commencement of the process of selling some of its shares in the Bank under an accelerated bookbuilding process, (ii) completion of the ABB process.

20 March 2024 – information from a Shareholder about a change in his share of the total number of votes in the Bank. As a result of the settlement of block transactions concluded on 14 March 2024 in connection with the completion of the ABB process concerning 8,860,616 Bank shares and the settlement of other transactions made on the regulated market concerning 6,545 Bank shares, BNP Paribas SA's share in the total number of votes at the Bank's General Meeting of Shareholders decreased by approximately 6%.

As a result of the settlement of the transaction, as at the date of the notification, BNP Paribas SA directly holds 84,634,166 shares in the Bank representing approximately 57.31% of the Bank's share capital and the total number of votes at the General Meeting of Shareholders, and together with its subsidiary BNP Paribas Fortis SA/NV holds a total of 120,124,392 shares in the Bank representing approximately 81.34% of the Bank's share capital and total votes at the Bank's General Meeting of Shareholders.

#### March 2024

- 28.03 - Conclusion of synthetic securitisation transactions on a portfolio of corporate loans/advances with a total value of PLN 2,180 million (as at 31 December 2023) (the Transaction) with International Finance Corporation (IFC)

The main purpose of the Transaction is to release capital for the Bank to finance climate change mitigation projects. As part of the Transaction, the Bank transferred to IFC a significant portion of the credit risk from the selected securitised portfolio. The selected securitised loan portfolio remains on the Bank's balance sheet. The termination date of the Transaction according to the agreement is 31 December 2031. The risk transfer of the securitised portfolio is implemented through a credit protection instrument in the form of a financial guarantee of up to PLN 218 million issued by the IFC. The Transaction complies with the material risk transfer requirements of the CRR Regulation and was structured as meeting the STS criteria (simple, transparent and standard securitisation) under Regulation 2021/557. BNP Paribas SA performed the role of arranger of the Transaction.



## April 2024

- **3.04.** - Statement of the National Securities Depository S.A. (KDPW) on the conditional registration in the securities depository maintained by the NDS of up to 1,200,000 Series N ordinary bearer shares of BNP Paribas Bank Polska S.A. with a nominal value of PLN 1 each.

**Resolution of the Warsaw Stock Exchange (WSE)** concerning the admission and the introduction to exchange trading on the WSE Main List of up to 1,200,000 series N bearer ordinary shares of BNP Paribas Bank Polska S.A. of the nominal value of PLN 1 each.

## April 2024

- **5.04.** - Issuance of Series M and Series N 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 relevant statements of the National Securities Depository S.A. (KDPW) and resolutions of the Management Board of the Warsaw Stock Exchange S.A. (WSE) - current report of the Bank No. 16/2024 - registration with the KDPW and admission to trading on the WSE:

- 44,608 ordinary bearer shares of the Bank, series M (Series M Shares) with a nominal value of PLN 1 each, and the recording of these shares in the securities accounts of the entitled persons,
- 78,316 ordinary bearer shares of the Bank, series N (Series N Shares) with a nominal value of PLN 1 each, and the recording of these shares in the securities accounts of the entitled persons.

Series M shares were issued as part of a conditional increase in the Bank's share capital pursuant to Resolution No. 5 of the Bank's Extraordinary General Meeting of Shareholders of 31 January 2020, as amended by Resolution No. 37 of the Bank's General Meeting of Shareholders held on 29 June 2020. The Series M Shares were taken up in exercise of the rights under Series A4 registered subscription warrants taken up earlier, each of which entitled to take up one Series M Share. The Series N Shares were issued as part of a conditional increase in the Bank's share capital pursuant to Resolution 39 of the Bank's General Meeting of Shareholders of 27 June 2022. The Series N Shares were taken up in exercise of the rights under Series B1 registered subscription warrants taken up earlier, each of which entitled to take up one Series N Share. In accordance with the second sentence of Article 451 § 2 of the Code of Commercial Partnerships and Companies, the allotment of Series M Shares and Series N Shares became effective upon their entry in the securities accounts of the eligible persons.

Consequently, pursuant to Article 451 § 2 in conjunction with Article 452 § 1 of the Code of Commercial Partnerships and Companies, the rights from:

- 44,608 Series M shares with a nominal value of PLN 44,608,
- 78,316 Series N shares with a nominal value of PLN 78,316,

i.e. a total of 122,924 shares in the Bank with a total nominal value of PLN 122,924 and an increase in the Bank's share capital from PLN 147,676,946 to PLN 147,799,870, which is divided into 147,799,870 shares with a nominal value of PLN 1 each.

## April 2024

- **16.04.** - General Meeting of Shareholders of BNP Paribas Bank Polska S.A.

Adoption of a resolution on the payment of a dividend for 2023 in the amount of PLN 503,997,556.70, i.e. PLN 3.41 per share. The dividend covers all shares issued by the Bank, i.e. 147,799,870 shares. Dividend date: 23 April 2024, dividend payment date: 10 May 2024.

## May 2024

- **14.05** - Registration of the amendments to the Statute of BNP Paribas Bank Polska S.A. in the National Court Register i.e., an increase in the Bank's share capital to PLN 147,799,870 as a result of the entitled persons taking up the Series M and Series N shares on the terms specified in § 29a para. 2 point d) and § 29b para. 2 point a) of the Statute of BNP Paribas Bank Polska S.A.

## June 2024

- **3.06** - Minimum level of own funds and eligible liabilities (MREL) determined for BNP Paribas Bank Polska S.A.

The MREL requirement for the Bank was set at an individual level at 16.02% of the Total Risk Exposure Amount (TREA) and 5.91% of the Total Exposure Measure (TEM). The Bank was required to comply with the requirement immediately upon receipt of the information. As of the date of receipt of the BFG's letter, the Bank was in compliance with the MREL requirements as set out in the letter.

- **18.06** - Registration of amendments to the Articles of Association of BNP Paribas Bank Polska S.A. in the National Court Register adopted by the General Meeting of Shareholders on 16 April 2024.

Changes to the composition of the Bank's Supervisory Board in the first half of 2024 are described in section: Statutory bodies of the Bank.





## Awards and distinctions

### January 2024

- The Bank was awarded the titles of **"Regional Top Rated"** and **"Industry Top Rated"** by the **Sustainalytics** rating agency for their outstanding ESG management compared to the rest of Europe. The Bank also ranked among the best in this regard worldwide and maintained its position as the top Polish Bank in the ranking.
- The Bank received the **Top Employer Polska** certificate for the 11th time, which confirms our high standards in human resource management.
- The BNP Paribas Team was ranked 2nd in the economic forecasting contest organised by "Parkiet", a widely recognised newspaper for investors.
- The Bank's economic analysts received **LSEG's StarMine Awards for Most Accurate Forecasters** – at an economic forecasting contest held by Reuters. The analysts of BNP Paribas Bank Polska were ranked 1st for their 2023 forecasts for the Polish economy.

### February 2024

- The international financial magazines - **Global Finance** and **The Digital Banker**, recognised BNP Paribas Bank Polska as the best Bank for Polish small and medium-sized enterprises in the **Best SME Bank Awards 2024**, and as the best Bank for medium-sized enterprises in Central Europe in the **Global SME Banking Innovation Awards 2024**.

### March 2024

- The Bank was ranked best in two categories of the **Institution of the Year** project organised by MojeBankowanie.pl (MyBanking.pl): Best On-Site Account Opening Process and Best Personal Banking.
- The Bank was among 9 companies awarded the title of **Ethical Firm** by "Puls Biznesu", a widely recognised economic newspaper.

### April 2024

- The BNP Paribas Foundation won an award at the **Diversity Charter** competition held by the **Responsible Business Forum**, for its educational partnership programme "Knowledge to the Power of Two".

### May 2024

- The Bank received some of the **Polish Contact Center Awards**. It was recognised for **"Best Organisational Improvement"** and **"Best Supporting Technology"**. The judges appreciated the use of Verint Automated Quality Management (AQM) in enhancing the consultants' skills (Contact Centres, remote sales, and telephone collections), and the program that aligns telephone consultants' communication methods with Customers' conversation styles using advanced data analytics and artificial intelligence.
- The Bank was listed for the fourth time in a row in the **Diversity IN Check**, that recognises employers most advanced in managing diversity and inclusion in Poland. Among the 54 listed employers, eight – including us – achieved an excellent score of more than 80% of the points to get.
- The Bank was named the **Leader in Sustainable Financing** at the Sustainable Economy Diamonds 2024 competition.

### June 2024

- The Bank was crowned the **Best International Private Bank in Poland** at the **Global Private Banking Innovation Awards 2024**. The award was presented by The Global Private Banker and The Digital Banker magazines, who provide news, business analyses, and research for the global financial services sector.
- The Bank won three awards at the 10th edition of the **Stars of Banking** competition, organised by a renowned journal "Dziennik Gazeta Prawna": 1st place in the ESG Star category, 2nd place in the Technology and Innovation Star category, and 3rd place in the main category: the Banking Star.
- The Bank placed 2nd at the 18th edition of the **"ESG Ranking: Responsible Management"** (formerly the Responsible Companies Ranking), and was the highest-listed Bank.
- The Bank received the **Main Prize in the Age category at the 2nd edition of the Polish Diversity Awards** organized by My Company Polska. It was also nominated in the Neurodiversity category.
- The Bank secured 1st place in the **Ranking of financial institutions promoting professional and social equality for LGBT+ individuals**, organised as part of the Cashless for Equality project, achieving the maximum number of points.
- The BNP Paribas Foundation was named **"Philanthropist of the Year"** in the category of **'Openness to Diversity'** for its commitment to the mentorship and scholarship programme "Knowledge to the Power of Two," which it has been running for 6 years in partnership with the Ocalenie (Salvation) Foundation.





# The Bank in its environment

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*Jarosław Frączek, Head of Real Estate Management and Administration*



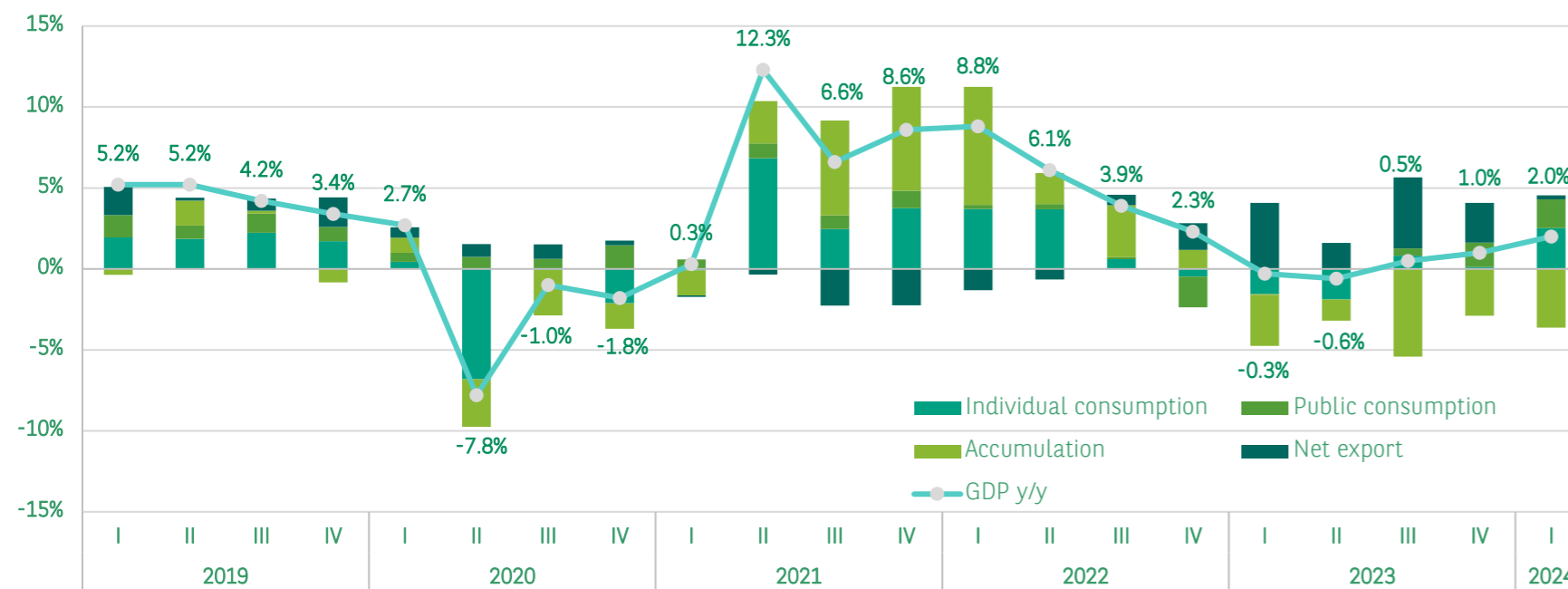


## Macroeconomic situation

### GDP

In Q1 2024, Poland's GDP increased by 2.0% YoY in unseasoned terms. The main driver of growth was household consumption expenditure, which grew by more than 4.5% in annual terms, as well as government consumption, which was almost 11% higher than a year earlier. However, after rapid growth last year, investment declined at the beginning of this year, down 1.8% YoY. Weakness abroad had a pronounced impact on exports, which grew by only 0.5% on an annual basis. In the face of low industrial activity, inventories continued to fall, reducing annual GDP growth by 2.8 p.p. Declining inventories are impacting the corporate credit market, with working capital loan volumes falling from the middle of 2023. However, available data point to a further acceleration of economic growth to above 2.5% YoY in Q2 2024. However, the main, and in fact only, driver of the recovery was still consumption.

Chart 5. GDP growth



### Business activity

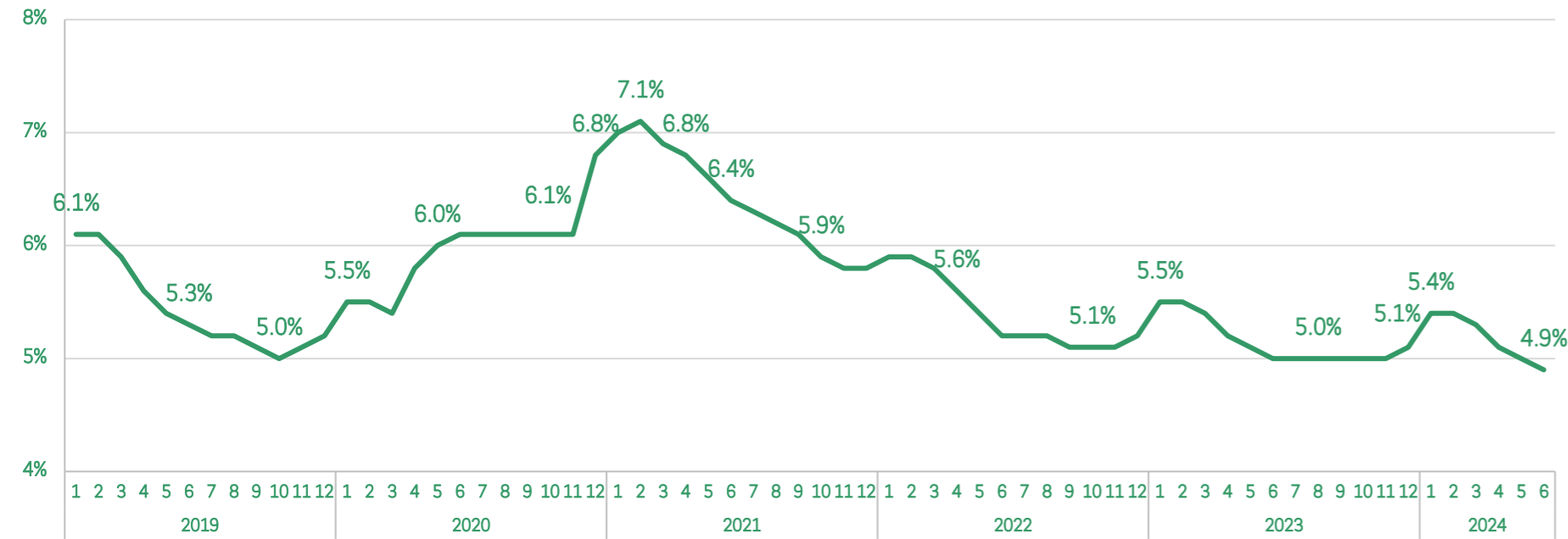
Economic activity in Poland gradually accelerated in Q2 2024. Industrial production increased by 2.2% YoY after rising by 0.2% in Q1, and retail sales in real terms grew by 4.5% - slightly slower than in January-March (+5.1% YoY). Only construction output was lower than in the corresponding period of 2023, falling by 5.8%. Nevertheless, the decline was shallower than in Q1 2024, when it was 8.1%. Nominal wages, which are growing at a double-digit rate, should remain supportive of consumption in the coming months, although a renewed rise in inflation will reduce their real growth rate. In addition, the labour market situation remains very good, which supports consumer demand. The registered unemployment rate fell to 4.9% in June this year, a historic low. Leading indicators suggest that further economic recovery will be driven mainly by service industries, while a more pronounced rebound in industry and exports will be hampered by weak foreign demand. With faster inflows of EU funds from the end of this year, the outlook for investment in general and civil engineering in particular will improve.

### Inflation

CPI inflation has remained around the NBP target since February this year. The marked deceleration in price pressure was influenced by cheapening raw materials on an annual basis and the marked appreciation of the zloty exchange rate since last autumn. The increase in the VAT rate on food in April did not materially translate into an increase in current inflation in Q2. However, the unfreezing of energy prices from July may add just over 1.5 p.p. to the CPI. As a result, by the middle of next year, inflation may oscillate between 4.5-5.0% YoY, once again exceeding both the target and the fluctuation band around the NBP's inflation target. Small increases in public sector wages and the minimum wage next year suggest a reduction in the economy's nominal wage growth rate to single-digit levels, which should support a renewed decline in CPI inflation to levels of around 3.5% YoY in the second half of next year, when the effect of the energy price hike will expire.



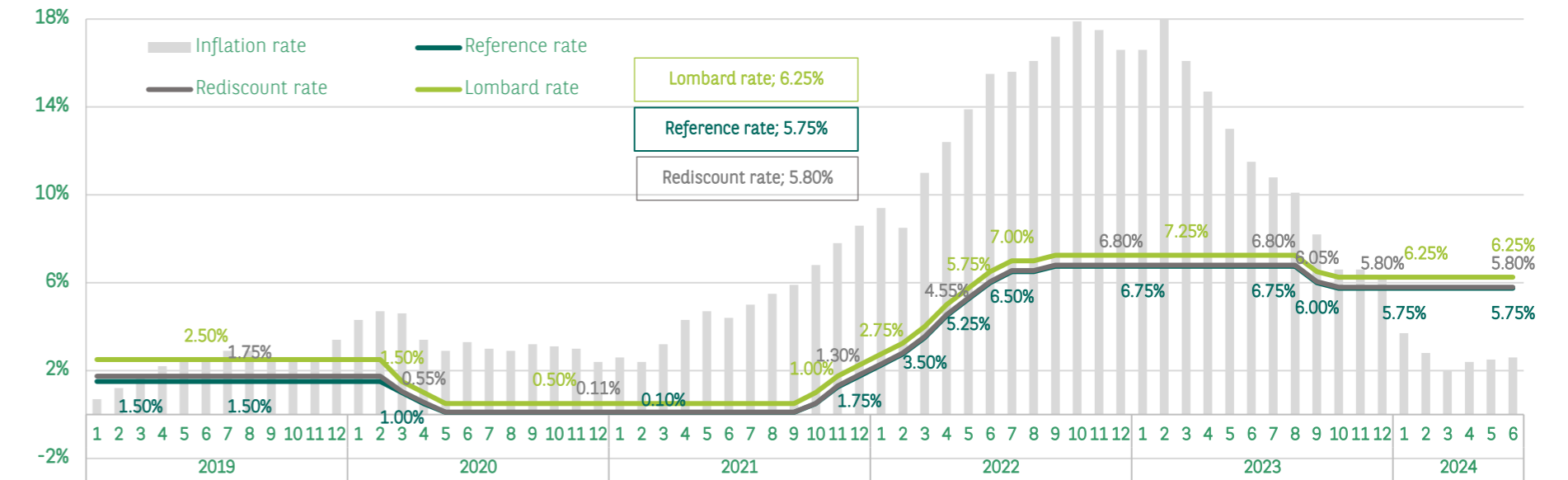
Chart 6. Registered unemployment rate



### Monetary policy

After declining by 100 bps in September and October, the NBP's reference interest rate has remained unchanged at 5.75 per cent since November last year. Statements by the NBP president after the July Monetary Policy Council meeting suggest that the resumption of monetary ease in Poland may not take place until 2026. In the opinion of the central Bank's president, a resurgence of inflation in the coming months and the emergence of a risk of 'second round effects' will be obstacles to interest rate cuts. However, taking into account only the moderate pace of economic recovery and the base inflation rate decreasing towards the NBP target, interest rate cuts in Poland could become possible as early as next year. The market currently values monetary policy easing at 125-150 bps by the end of 2025.

Chart 7. Inflation and interest rate



### Bond market

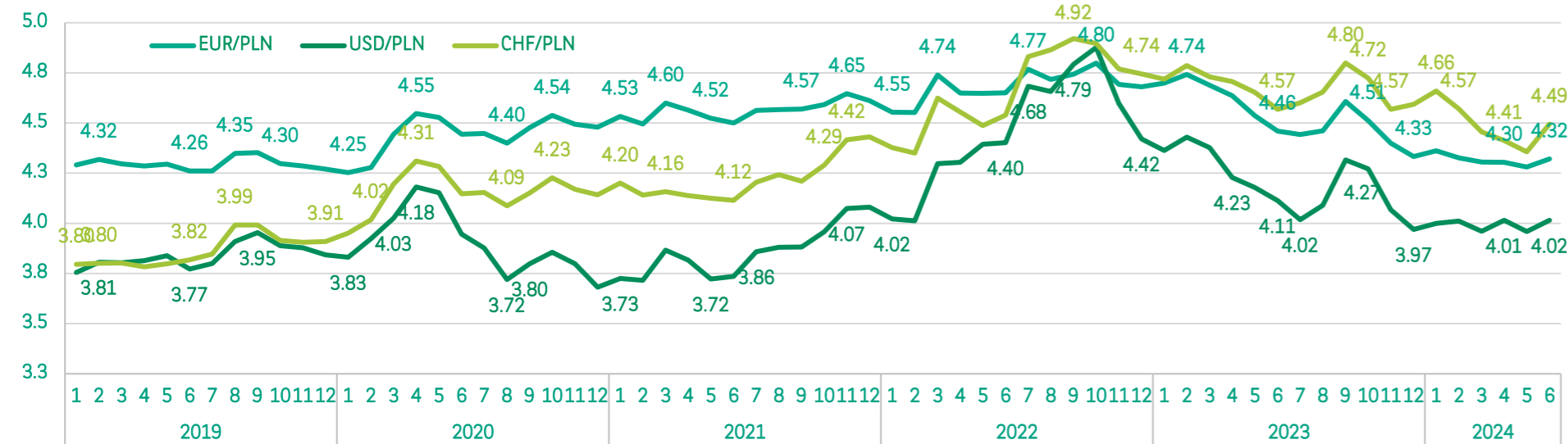
From the beginning of the year until the end of May, yields on Polish bonds rose steadily, following the major debt markets worldwide. Yields on 2-year bonds rose from around 4.90% in January to 5.40% in May, and on 10-year bonds from 5.10-5.20% to 5.80%. However, the last few months have seen marked falls in the cost of taking on new government debt. Yields on 2-year notes have fallen to 5.10% and on 10-year papers to 5.60% the key influence on the drop in yields on the domestic market was the behaviour of the base markets - the USA and Germany, where investors discounted the beginning of a cycle of monetary policy easing in the eurozone and overseas.





### Currency market

Chart 8. PLN exchange (monthly average)



Since the autumn of last year, the zloty has strengthened significantly, with the EUR/PLN exchange rate oscillating between 4.25 and 4.40. The strength of the Polish currency was significantly influenced by the unblocking of EU funds under the National Reconstruction Plan (NRP) at the end of last year, but also by the fall in inflation in Poland in recent months, resulting in a significant increase in real interest rates in our country with unchanged monetary policy parameters. The prospect of no changes in the NBP's policy in the coming months, as well as monetary easing in the eurozone and the USA, should continue to support the attractiveness of the Polish currency, especially in the face of a lack of significant imbalances in foreign trade. The small current account deficit is indeed more than compensated for by the inflow of European funds.

### Performance of the banking sector

#### Main categories of the profit or loss account of the banking sector

In the first half of 2024, according to preliminary data from the National Bank of Poland (NBP), the net result of the banking sector in Poland amounted to PLN 20.0 billion and was higher by YoY PLN 4.4 billion (i.e. by 28.0%) than the result achieved in the corresponding period of the previous year. In May 2024, the banking sector's net financial result was charged with the effect of the credit holidays - a continuation of the government's 2022 programme (no similar programme in 2023), but subject to certain conditions (including an income criterion) and therefore aimed at a smaller group of borrowers. In the banking sector data, the effect of the programme was partly included in net interest income and partly in modification income. Despite the partial burden of the credit holiday programme, the interest result contributed most to the net profit, also supported by an increase in the other income, an improvement of the result from impairment losses and

provisions and the increase of net fee and commission income. Higher operating costs and the decrease in other result had the opposite effect.

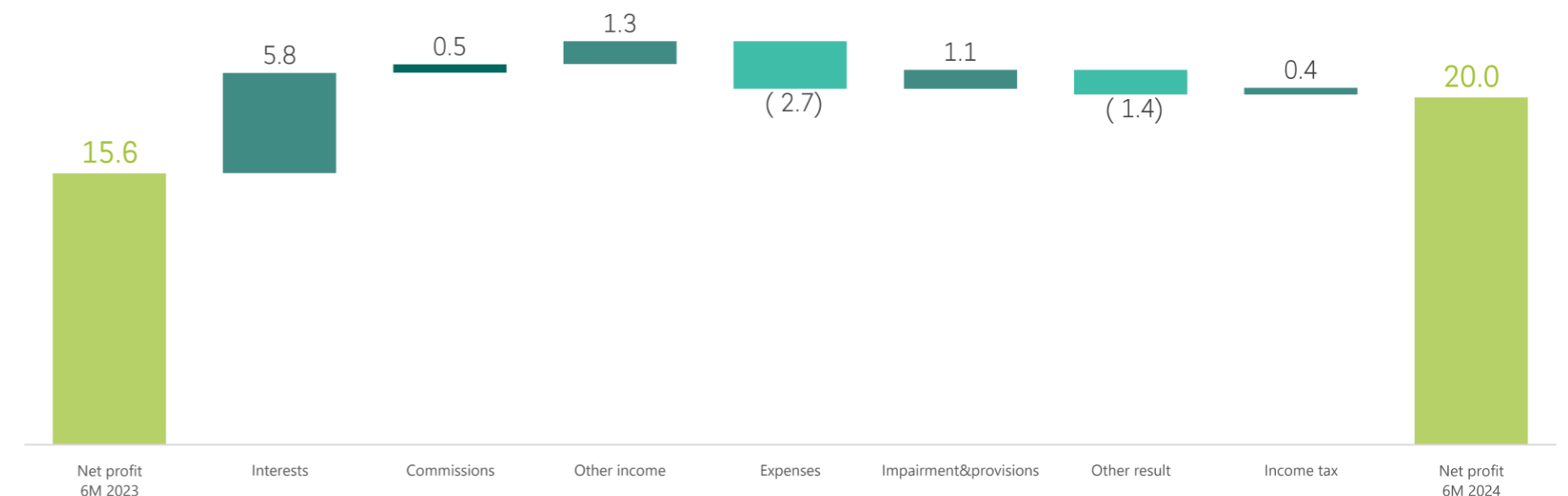
Net interest income amounted to PLN 51.0 billion and increased YoY by PLN 5.8 billion, i.e. 12.8%, despite the aforementioned booking by banks of part of the impact of the loan holiday programme and lower interest rates than in the corresponding period of the previous year (interest rates were reduced by 1 p.p. in the second half of 2023). Interest income was positively impacted by derivatives under hedge accounting - some banks use strategies to hedge part of their interest income against the impact of interest rate changes through derivative transactions.

Banks' operating expenses (including amortisation and bank tax) increased by PLN 2.7 billion YoY, i.e. 10.9%, mainly as a result of an increase in staff costs by PLN 1.7 billion YoY, i.e. 14.5%, and other costs by PLN 0.8 billion YoY, i.e. 7.7%. Regulatory costs were similar to the 2023 level, relating to contributions to the BGF: in both periods, the banks were not required to contribute to the Guarantee Fund, and the volume of contributions to the Forced Restructuring Fund was similar to the same period of the previous year, and amounted to amounting to PLN 1.56 billion in 2024 compared to PLN 1.46 billion a year earlier.

The deterioration of the remaining result occurred due to a lower result from modifications (by PLN 1.4 billion YoY) - as a result of booking part of the credit holidays in this category.

The burden on the result from impairment losses and provisions was lower by PLN 1.1 billion YoY, i.e. 13.9%, mainly as a result of an improvement in the result on impairment losses by PLN 0.9 billion, or 24.7%, among others as a consequence of a decrease in the volume of impaired receivables in the large corporates and housing loans segments. The result from provisions improved YoY by PLN 0.2 billion, or 5.0%, despite the continuing high number of lawsuits and the continuation of jurisprudence unfavourable to lenders.

Chart 9. Selected items of the profit and loss account of the banking sector (PLN billion)

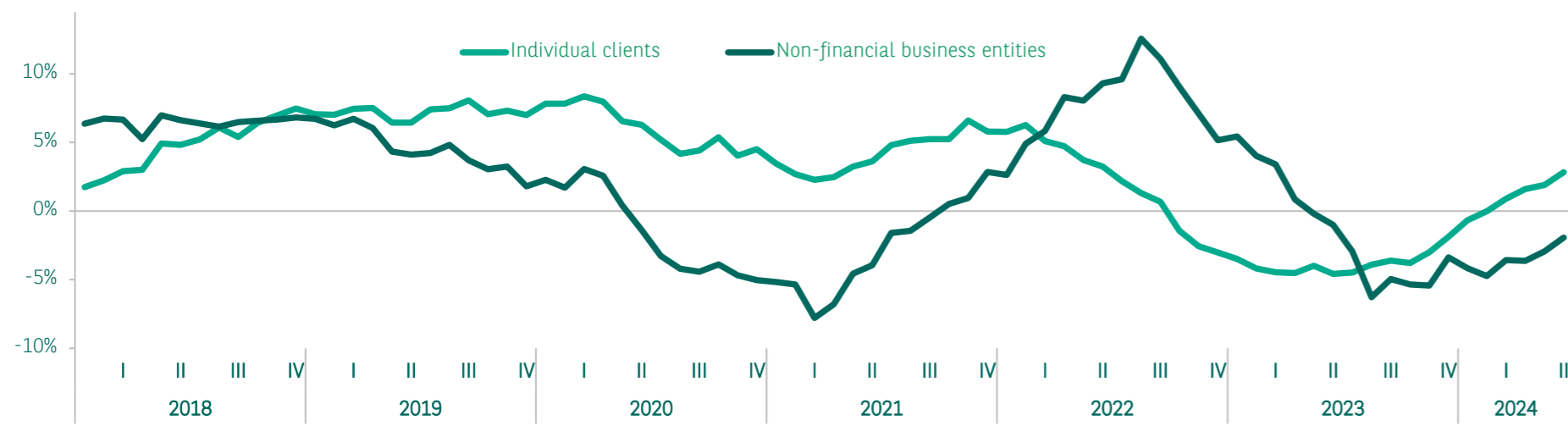




### Main categories of the balance sheet of the banking sector

The volume of loans to non-bank Customers at the end of H1 2024 amounted to PLN 1,446 billion and increased YoY by PLN 38.8 billion, i.e. by 2.8%, against a YoY stabilisation at the end of 2023. This was driven by an increase in loans to individuals of PLN 19.1 billion YoY, i.e. by 2.8% (against a decrease YoY of PLN 12.9 billion i.e. by 1.9% in 2023) and in loans to financial institutions and government by PLN 29.3 billion YoY, i.e. by 12.7% (against an increase YoY of PLN 30.0 billion i.e. by 14.4% in 2023). Loans to non-financial businesses fell YoY by PLN 9.7 billion, i.e. 1.9%, compared to a YoY decline of PLN 16.8 billion, i.e. 3.4% in 2023.

Chart 10. Loans to non-financial sector Customer (YoY dynamics)

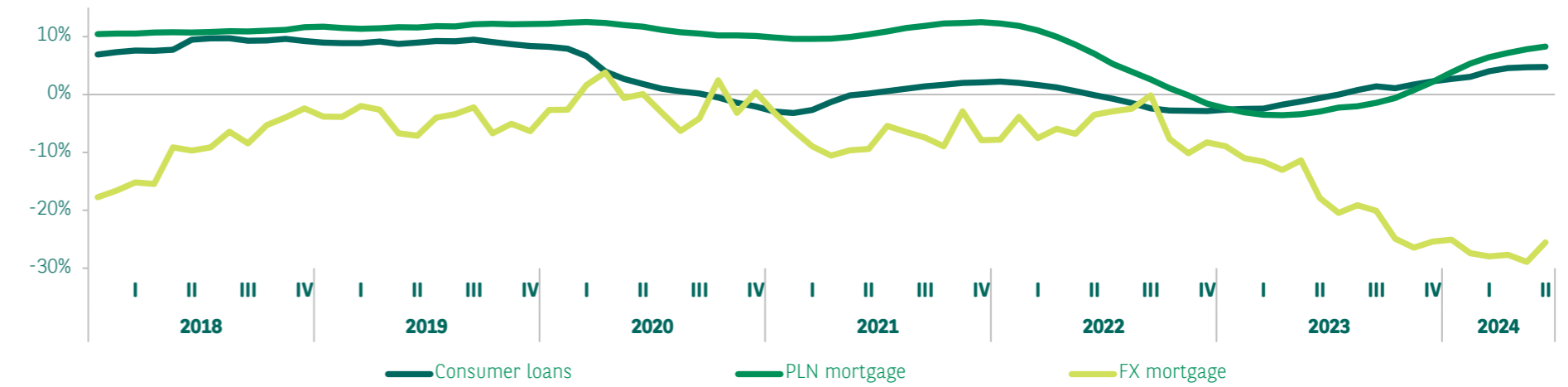


Source: NBP

A YoY decline in loans to non-financial businesses at the end of H1 2024 by 1.9%, compared with a decline of 3.4% at the end of 2023, mainly resulted from a decline in loans to individual entrepreneurs (by PLN 13.0 billion, i.e. 20.0%) and corporate loans by PLN 1.8 billion, i.e. 0.5%. Loans to farmers increased YoY by PLN 5.3 billion, i.e. by 18.9%.

The decrease in loans to sole proprietors was due to both a YoY decrease in current-account loans (down 10.2% against a 2.6% decrease at the end of 2023) and investment loans (down 20.8% against a 13.3% decrease at the end of 2023). Non-financial corporations recorded a 0.1% decrease in current loans against a 3.1% decrease at the end of 2023, with a 1.7% increase in investment loans against a 1.0% increase at the end of 2023 (the decrease in these loans was determined by a 31.5% YoY decrease in the 'other receivables' category). According to the NBP, the low demand for corporate loans may be due to the falling value of inventories (in year 2022, companies were accumulating credit-financed inventories due to rising prices on raw materials and energy markets) and the use of own funds and alternative forms of business financing, e.g. leasing. The increase in farmers' loans was driven by a YoY increase in current account loans (by 93.1% against an increase of 80.1% at the end of 2023) – mainly due to the liquidity loan programme with interest rate subsidies introduced by the Agency for the Restructuring and Modernisation of Agriculture in 2023, with investment loans down by 10.1% against a decrease of 11.0% at the end of 2023.

Chart 11. Loans to Retail Customers (YoY dynamics)



Source: NBP

The volume of loans to individuals increased YoY by 2.8% (vs. a decrease of 1.9% at the end of 2023), which was mainly driven by an increase in PLN-denominated housing loans by PLN 32.5 billion i.e. 8.3% (vs. an increase of PLN 8.7 billion i.e. 2.2% at the end of 2023), with an increase in consumer loans by PLN 9.3 billion i.e. 4.8% (an increase of PLN 4.4 billion i.e. 2.3% YoY at the end of 2023). Foreign-currency housing loans recorded a year-on-year decrease of PLN 22.6 billion, or 25.5% (down PLN 25.9 billion, or 25.4%, at the end of 2023), mostly affected by write-offs resulting from completed lawsuits, repayments of these loans and voluntary conversions to PLN loans concluded by banks with Borrowers.

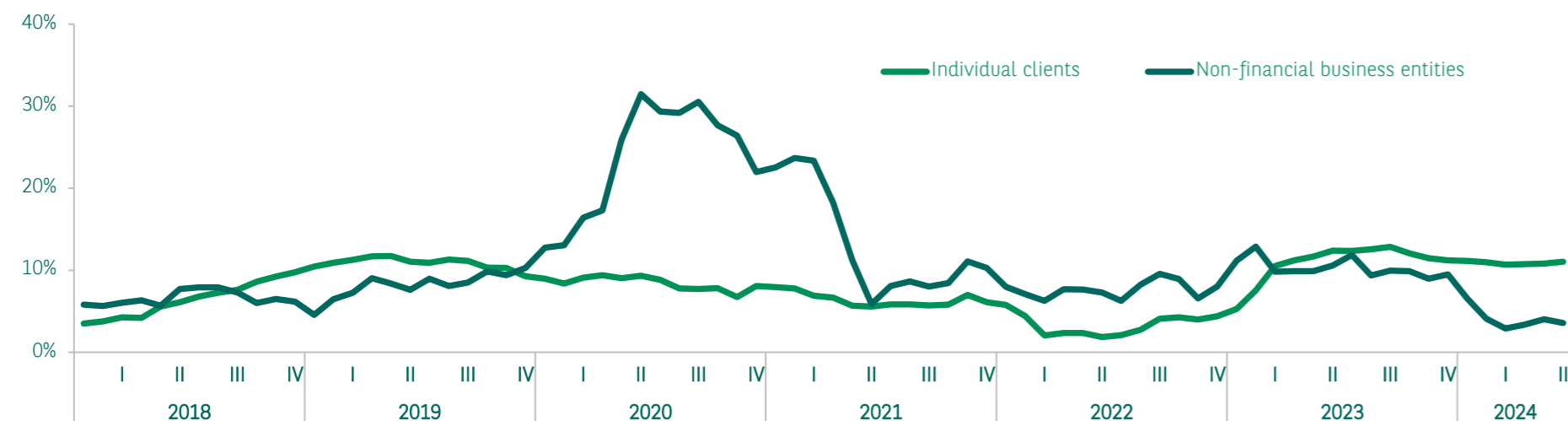
The dynamic growth of PLN housing loans was influenced by the government's 'Safe Credit 2%' programme operating from July 2023 to 2 January 2024, supporting the purchase of a first home. According to BIK, in the first half of 2024, new sales of housing loans amounted to PLN 46.5 billion, of which PLN 13.5 billion were loans granted under the 'Safe Credit 2%' programme. Other factors influencing the increase in the volume of housing loans include: real wage growth and a reduction in interest rates in the second half of 2023.

The increase in consumer loans was driven by an increase in high-cost loans (according to the BIK, in H1 2024, 53% of the value of cash loans granted was for loans over PLN 50,000), mainly for the purpose of consolidating other liabilities. In addition to cash loans, instalment loans were also very popular - according to the BIK, instalment loans worth PLN 12.8 billion were taken out in H1 2024, an increase of 28.5% YoY. Among the factors contributing to the growth in instalment loans were: the growing popularity of deferred payments, which convert into instalment commitments once the interest-free period is exceeded. Increasing creditworthiness and the aforementioned interest rate reductions taking place in 2023 also had a positive impact on the consumer credit market.





Chart 12. Deposits from Customers of non-financial sector (YoY dynamics)



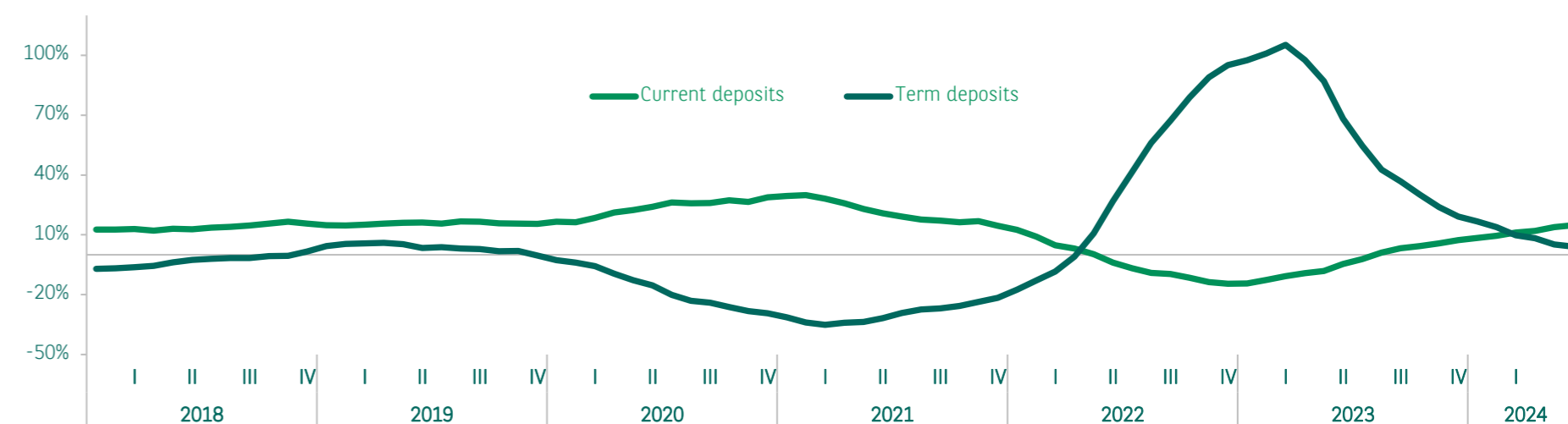
Source: NBP

At the end of H1 2024, deposits from non-bank Customers increased by 9.0% YoY, compared with an increase of 9.6% at the end of 2023. The lower growth rate in total deposits than at the end of the year was due to lower growth in deposits from non-financial corporate Customers (3.6% YoY respectively, compared with an increase of 9.5% at the end of 2023). Deposits from private individuals grew by 11.0% YoY against an increase of 11.2% at the end of 2023.

The slowdown in the growth rate of non-financial business deposits was due to both the deceleration in the YoY growth rate of current deposits to 4.5% from 9.0% at the end of 2023 and time deposits to 1.2% from 10.8%. This may have been related to the use by non-financial corporate Customers of their own funds to run their businesses and their dividend payments in H1 2024. In terms of entities, the slowdown in growth was mainly due to the lower YoY growth in corporate deposits (2.3% against an 8.8% increase at the end of 2023).

The decrease in deposit rates due to the reduction in interest rates in 2H 2023, impacted the deceleration in the YoY growth rate of private individuals' time deposits to 4.1% (against 19.2% at the end of 2023) with current deposits growing by 14.8% YoY (against an increase of 7.4% at the end of 2023). The lower interest in time deposits is also reflected in the increase in demand for placing funds in alternative forms of savings: 12 - month balance of deposits and redemptions of investment funds (excluding PPK funds) at the end of H1 2024 amounted to PLN 30.5 billion compared to PLN 0.4 billion at the end of H1 2023, and average monthly sales of treasury bonds to retail Customers in H1 2024 were higher than in 2023 - they amounted to PLN 6.4 billion compared to PLN 4.1 billion.

Chart 13. Deposits for retail Customers (YoY dynamics)



Source: NBP



## Stock market and investment situation

In the first half of 2024, the WIG index, representing all companies listed at the Warsaw Stock Exchange (WSE), reached its highest level on record of almost 89 700 points. Having risen in 4Q 2023, it fell in the first weeks of 2024, but then surged again and kept soaring until the end of June. By the end of 2Q 2024, it rose by 12.9% compared to YE 2023. Between 31 December 2023 and 30 June 2024, all the main WSE indices rose by at least 9%. The growth rate of 12.9% of the wide WIG index was approximately matched by mWIG40, consisting of medium-capitalisation companies. Contrary to the previous quarters, the growth rates were similar in different market segments.

The WSE mirrored the performance of foreign stock exchanges. For example, the American S&P 500 index recorded a positive return of 14.5% in the first six months of 2024, while the German DAX gained 8.9%. Among the major indices, the French CAC 40 performed relatively poorly, losing 0.8%.

**Table 7. Main WSE indices in H1 2024**

Index	30.06.2024	31.12.2023	30.06.2023	change H1 2024	change YoY
WIG	88,614	78,460	67,283	12.9%	31.7%
WIG20	2,561	2,343	2,060	9.3%	24.3%
mWIG40	65,178	5,785	4,852	12.7%	34.3%
sWIG80	25,279	22,904	21,701	10.4%	16.5%

Source: Bloomberg

The first six months of 2024 at the WSE were shaped by the following factors:

- continuing geopolitical risk in the region, caused by the war in Ukraine;
- worse-than-expected macroeconomic data, including the economic indicators such as PMI, which led to lowering the economic growth forecasts;
- the expected interest rate cuts by the Fed and the European Central Bank (ECB) due to the stabilised global inflation and poor economic growth;
- a global surge of optimism driven by overall better financial results of companies as well as the rapid growth of Artificial Intelligence in the technological sector;
- the expected policy of the Polish Monetary Policy Committee (MPC);
- capital inflows into the Polish equity market as a result of the post-election fall of the risk premium on Polish assets and the unblocking of Next Generation EU funds for Poland;
- further capital inflow into the bond market, accompanied by an improved performance of debt funds;

- the expansive domestic fiscal policy (increase in minimum wage, increase in the child benefit, the announced government support for property purchasing);
- low valuations of domestic companies compared to emerging and developed markets.

The first half of 2024 saw an increasing trend in Polish government bond yields: the 10-year bonds were at 5.7% by the end of June, compared to 5.2% in January. Having risen to 5.8% by April, they consolidated between 5.5 and 5.8%, with no significant fluctuations. This is partly explained by the global trends in the period. In the first months, the interest rate cuts by the key central banks were delayed, which led to a rise in bond yields. Then, beginning in April, as the banks' narration changed and the poor macroeconomic results in the low-inflation environment were published, the expectations of interest rate cuts grew stronger. The decision of the ECB came in June and provoked a fall in bond yields. Meanwhile, the Polish MPC maintained its hawkish stance on inflation and kept the interest rates unchanged at 5.75%. As the likelihood of any changes this year decreased, the Polish bond yields remained stable throughout the second quarter.

**Table 8. Number of companies, market capitalisation and trading volume at the WSE**

	30.06.2024	31.12.2023	30.06.2023	change H1 2024	change YoY
Number of companies	410	413	415	(0.7%)	(1.2%)
Capitalisation of domestic companies (PLN million)	825,442	760,213	663,771	8.6%	24.4%
Value of trading in shares (PLN million)	175,319	141,167*	140,894	24.2%	24.4%
Futures contracts trading volume (thousand pcs.)	7,263	7,052*	7,366	3.0%	(1.4%)

Source: WSE, \*data for H2 2023

In H1 2024, there were 5 new companies listed on the WSE, as a result of their transfer from the NewConnect market, and 8 companies left the stock exchange. The NewConnect market saw the debut of 4 companies, while 7 companies left. On the Catalyst bond market, 716 series of bonds were listed, the value of which exceeded PLN 1,353 billion.





# Strategy and prospects

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*Irina Oleś, Audit Manager*





## Business strategy GObeyond 2022-2025

The main goal of the new GObeyond strategy for 2022-25, adopted by the Management Board in March 2022, is to continue the rapid development of the Bank, making it work efficiently, keeping the Customers satisfied and the employees devoted to their work, while maintaining its leadership in sustainable development. Having built the scale through acquisitions in recent years, now the Bank wants to focus on organic development while maintaining a responsible risk management.

Although the changing circumstances may influence the Group's financial results, our aim is to achieve the following by 2025:

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

The strategic aims are based on solid foundations as well as on a sustainable and diverse business model. They have been retained despite the unstable geopolitical surroundings. The strategy was developed internally by a broad group of Bank employees representing all key areas, with the active participation of the Bank's subsidiaries.

The GObeyond strategy is based on 4 pillars:

### PILLAR UP

It is a strategy of growth. Our aim is to increase the number of Customers, the revenues, and to strengthen our market position.

#### Retail Banking and Personal Finance

We plan to increase the number of Customers by PLN 0.5 million to 4.5 million. It can be achieved through innovative products (not just in banking), personalised communication and a wide remote access to the Bank's products e.g. online, leading to a high Customers satisfaction.

#### SME, Corporate and CIB

We are going to strengthen our position among the international and local companies, including supporting their international expansion. We want to increase the base of active digitally served Customers. The key aim is to optimise and shorten crediting process.

### PILLAR POSITIVE

The Bank wants to be the leader in sustainable finance, developing the offer of dedicated products and services for all lines of business. It will be determined in achieving own climate neutrality, and will support the Customers in this regard. In the Customer relations, responsibility, availability, transparency, and ethics will be the dominant principles. The Bank's brand will also further be improved by the efforts made for the local communities and active participation in education and public debate.

### PILLAR STRONGER

The Bank is planning to improve the internal processes by continuing the IT transformation using the latest technologies and accelerating the implementation of new solutions. The estimated cost of this investment is PLN 1.5 billion. The goal is to rapidly achieve a cost-effective scalability as a foundation of a modern digital Bank. The Bank will support business development through advanced analytical tools. The Bank will retain its safe and optimal capital and liquidity position, and will start paying out a dividend.

### PILLAR TOGETHER

A devoted and satisfied employee is key to Customer satisfaction. The new organisational culture supports employee development, activity and creativity, and fosters bold decision making. The Agile@Scale work model has been in place since 2022. We want to ensure the work-life balance and good mental health of the employees. We promote development for women and diversity.

## Strategy execution in H1 2024

In the first half of 2024, the profits of the banking sector were stable (+28.0% YoY, PLN 20.0 billion in the first 6 months according to the NBP) due to high interest rates, which are expected to remain unchanged until at least the end of 2024. On the other hand, high inflation continued to put cost pressure on the banks and forced them to keep improving efficiency. The ongoing issue of CHF loans also had a negative impact on the financial results. Moreover, another edition of credit holidays was launched in June, the estimated impact of which is 3.3 bn (with participation as in the previous programme). However, the business grew thanks to the significant revival in lending activity, with a 24% YoY increase in the value of cash loans to 44.2 bn and a 28.5% increase in instalment loans to 12.8 bn in the first half of 2024, according to the Credit Information Bureau). This surge was a result of an improving financial situation of the households. No such rise has been observed yet in the corporate loans: it is delayed by large post-pandemic amounts of company own funds and by a stagnation in foreign demand.

A stabilising market situation allowed the Bank to reintroduce its full mortgage offering to new Customers. Since mid-2022, this offering had been limited to existing relationships. Although the Bank is becoming more active in this market, it remains cautious and selective in its acquisition approach (with the Debt-to-Income ratio not exceeding 35%). As a





universal Bank, BNP Paribas has consistently focused on strengthening relationships with affluent Customers and private banking, as well as with international companies and large local firms. In retail banking, new products and features targeting these Customer groups have been introduced, such as the Open to You Account with a Tennis Card or the Account with a card for the Influentials. In the corporate banking segment, a transformation of the operational model for the largest Polish corporations was carried out by separating management functions from sales functions (particularly in the advanced and profitable transactions).

Meanwhile, the Bank keeps improving its corporate offer. A comprehensive product for new entrepreneurs has been introduced: an account with preferential terms, along with a package of training, business development tools, and support with the registration of the business. Through collaboration with the Monevia fintech, the Bank's solutions for Micro and Small businesses have been enhanced with microfactoring. It is important to note that building strong relationships with innovative companies operates on multiple levels, ranging from financing to offering joint services. Thanks to the Specialist Credit Policy for Innovative Companies, the Bank was able to partner with the scale-up Algolytics Technologies. The Bank also continued to strengthen relationships through the development of open banking services and, as the first Bank in Poland, introduced the advanced API Premium service - the Personal Data Information Service (PDIS). This solution allows the Bank's business partners to verify and confirm their Customers' or contractors' data, e.g. for signing contracts or completing transactions.

One of the key process implementations supporting business activity in the first half of 2024 was the introduction of a full credit workflow across all corporate banking centres. This significantly shortened the crediting process for corporate Customers. The Bank continues to work on increasing the efficiency and integrity of its processes. It has also launched a unique implementation of Oracle Fusion ERP - the first fully cloud-based Enterprise Resource Planning (ERP) system in the banking sector. The Bank is also continuing its artificial-intelligence-based implementations. In the first half of 2024, the development of the Chatbot GENius tool was continued, based on GenAI. The tool allows employees to quickly search for information in the Bank's databases.

Digital security has also been enhanced. A number of measures have been taken in the area of technology to strengthen the resilience of the Bank's systems to the continuous increase in the threat of Distributed Denial of Service (DDoS) attacks. From the Customer's point of view, behavioural protection in the GOMobile app was introduced.

The Bank has also been strengthening its position as leader in sustainable development. New eco-friendly products were introduced, and Individual Customers can now benefit from a new onboarding process in branches that saves approximately a million pages of paper annually. As part of its efforts to combat social exclusion, the Bank increased to 38% the share of Customer centres with the "Barrier-Free Facility" certification (a building standard for accessibility for reduced-mobility persons). The Bank's commitment to important social and environmental issues was recognised with the following prizes: 2nd place in the "ESG Ranking: Responsible Management", an award in the ESG Leader category at the Global Banking and Insurance Leaders Awards, and an award given in collaboration with the Foundation for the Care of the Disabled at the Diversity Charter competition.

In its operations, the Bank adheres to the principle of "People First". The Bank particularly focuses on increasing employee satisfaction, which is essential for high-quality product offerings and Customer service. Through a range of internal

programmes, the organisation ensures employee well-being. It supports employee networks and maintains a work-life balance. Emphasis is placed on diversity, accommodating to the needs of persons with disabilities and neurodiverse individuals. Simultaneously, the Bank creates development opportunities, especially in high-potential areas such as IT, through events (including the Bank's first hackathon) and courses and training (such as the fifth edition of the knowledge-sharing programme #UniversITy). This has led to improved satisfaction, measured by the eNPS indicator, which increased by another point compared to the previous survey to a value of 24, surpassing the 20-point strategic target set for 2025 and the 2021 benchmark value of -9. The approach and actions in the area of corporate culture and work environment were confirmed in the first half of 2024 by multiple awards, including the Digital University Award in two categories: Master of Innovation Leadership (for the Bank's chairman of the board) and Masters of Future-Oriented Culture.

### Execution of strategic financial targets in H1 2024

Indicator	2025 strategic target	30.06.2024 execution
Return on equity ratio (ROE)	~12%	18.3%
Cost/income ratio (C/I)	max 48%	47.4%
Share of sustainable financing	10%	11.3%



## Outlook 2024+

The key external factors that, in the eyes of the Bank, may influence the Group's results in the nearest years are:

- **The war in Ukraine** remains a significant factor affecting the economic situation in Poland and globally. The military action in Ukraine had the strongest impact on commodity prices on world markets, which spiked after the start of the war. In Europe, there were justified concerns about the availability of energy carriers, particularly natural gas. High raw material prices had a pro-inflationary effect and worsened Poland's trade balance. Currently, the shocks resulting from the war in Ukraine are fading. However, the ongoing war maintains the risk of increased volatility in commodity prices. The US presidential election in November and possible changes in US foreign policy by the new administration are also a factor of great uncertainty.
- **Global economic downturn.** According to the World Economic Outlook of the International Monetary Fund (IMF), the global economic growth rate in 2025 will be similar to the one of 2024: the global GDP is estimated to rise by 2.7% in both years. The IMF forecasts a slowdown in the United States from 2.7% in 2024 to 1.9% in 2025, along with a slight increase in the eurozone's growth, with real GDP growth rising from 0.8% to 1.4-1.5%. At the same time, the IMF expects inflation to continue falling towards target levels. In the US, the annual inflation rate is projected to decrease from 2.9% in 2024 to 2.0% in 2025. In the eurozone, it is expected to drop from 2.4% to 2.1%. For Poland, the IMF predicts that GDP growth will rise from 3.0% in 2024 to 3.5% in 2025, but the average annual inflation rate will remain high at about 5% in both years.
- **Monetary policy of the key foreign central banks.** Bringing inflation down close to targets levels paves the way for interest rate cuts in the world's largest economies. In June, the ECB reduced interest rates by 25 bps. We expect further cuts of 50 bps by the end of the year, with the easing cycle continuing into the next year. In the US, the market is expecting the first rate cut in Q3 2024, with additional cuts anticipated in the following months.
- **Monetary policy of the Polish Central Bank.** After a 100 bps reduction in September and October, PNB's interest rates have remained unchanged since November of last year. Statements from the Governor following the July's MPC meeting suggest that monetary easing in Poland might not resume until 2026. The central Bank governor views a potential increase in inflation in the coming months and the risk of "second-round effects" as obstacles to rate cuts. In our opinion, such a long forward guidance for holding rates steady may not be appropriate, given the moderate pace of economic recovery and the decreasing core inflation towards the PNB's target. As a result, we anticipate that interest rate cuts in Poland could be possible as early as next year. Currently, the market is expecting a monetary policy easing of 125-150 bps by the end of 2025.
- **PLN's exchange rate against key currencies.** Since the autumn of last year, the Zloty has strengthened significantly, with the EURPLN exchange rate oscillating between 4.25 and 4.40 in the first half of 2024. The strength of the Polish currency was significantly influenced by the unblocking of EU funds under the Next Generation EU, and by the falling inflation, which, with unchanged monetary policy parameters, resulted in a significant increase in real interest rates in our country. The prospect of no change in PNB policy in the coming months and monetary easing in the eurozone and the US should continue to support the attractiveness of the Polish currency, especially in the absence of significant foreign trade imbalances. We assume that the small current account deficit will be more than compensated by the inflow of European funds both this and next year.
- **Economic climate in Poland.** Following the stagnation of 2023, the Polish economy began the recovery. In Q1 2024, GDP grew by 2% year-on-year, and the available data for the second quarter from industry, construction, and retail trade indicate that GDP growth YoY rose to above 2.5%. However, this growth is driven solely by consumer spending, as exports remain weak, and investment, after a strong increase in 2023, has clearly declined in recent months. While the inflow of EU funds is expected to support a rebound in investment activity later this year, weak external demand does not bode well for Polish exporters and most industrial sectors. We expect the real GDP to grow by about 3% this year, with a more pronounced economic growth occurring only next year, assuming that a looser ECB policy will also support a recovery in European industry.
- **Domestic labour market.** In the first half of 2024, wages in the corporate sector grew on average by almost 12% YoY, and taking into account lower inflation, they grew by more than 9% in real terms. In June, the registered unemployment rate fell to an all-time low of 4.9%. An increase of more than 20% in public sector wages and the minimum wage, as well as labour shortages, point to the maintenance of double-digit wage growth until the end of the year. Next year, wage growth is expected to slow down to single-digit levels due to only modest increases in the public sector and the minimum wage. Despite the fall in unemployment, employment in the business sector is also falling, especially in industries where labour costs are being strongly bumped up by the higher minimum wage. The reduction in the unemployment rate is therefore increasingly the result of an 'ageing' population and a decline in the number of people in working age. This trend is likely to continue next year, and employment is likely to decrease again, with the unemployment rate remaining low.
- **Inflation at the target, but not for long.** In the first half of 2024, the CPI inflation dropped to the NBP's target of 2.5%. This was mostly caused by the falling prices of commodities on global markets and the considerable strengthening of the Zloty since autumn of last year. Although the prices of services grew at a slower pace than in previous quarters, their YoY growth rate in the first half of 2024 still exceeded 6%. While the April VAT hike on food had no noticeable impact on the CPI, the July lifting of energy price caps is expected to add around 1.5 percentage points to current inflation. In the second half of the year, the YoY growth in prices of goods and services is expected to accelerate to around 4.5% and remain at this elevated level until mid-2025. Other factors that could drive inflation higher in the coming months include rapidly rising wages and the end of the commodity price decline cycle on global markets.
- **Public finance imbalance.** The general government deficit in 2023 was 5.1% of the GDP. For 2024, the European Commission forecasts an increase in the deficit to 5.4% of GDP, driven by higher spending on public services, social transfers and defence. Only in 2025 will the imbalance begin to narrow as the deficit will fall to 4.6% of GDP, however, that will still be above the 3% limit. High accumulated fiscal deficits and lower nominal GDP growth rates will increase the public-debt-to-GDP ratio from 49.6% in 2023 to 57.7% in 2025. The increase in the debt ratio should impose a need for the government to increase fiscal discipline in the coming years.
- **The moods on main financial markets.** One of the key factors influencing market sentiment in the second half of 2024 will be the monetary policies of major central banks. The beginning of the rate-cutting cycle in the eurozone in June and the expected rate reductions in the US this autumn could boost risk appetite, positively impacting markets in Central and Eastern Europe, including the Zloty. Locally, the war in Ukraine will remain a focal point for the markets, particularly





concerning the exchange rate of the Polish currency. Increased risk aversion could lead to depreciation of the Zloty and other emerging market currencies.

- **WIBOR-based loans.** The dispute over WIBOR-based loans gained significant media attention towards the end of 2022. On 22 June 2023, the most important interest rate indicator for Zloty-denominated loans with variable interest rate was, for the first time in history, legally removed from a loan agreement for the duration of a trial by a court in Poznan. In July 2023, the Polish Financial Supervision Authority (PFSA) emphasised that, in its view, there is no basis for questioning the reliability and legality of WIBOR, particularly in the context of its application in mortgage agreements in PLN. According to data from the Polish Bank Association (as of May 2024), there are currently 1,040 ongoing court proceedings in which Customers are challenging the provisions of contracts that include WIBOR-based interest rates. In 63 out of 67 rulings, the first-instance courts have ruled in favour of the banks. A total of 21 cases have been conclusively resolved, all of them favourably to the banks.
- **New reference index.** The efforts to introduce an alternative reference interest rate to replace WIBOR have returned to the starting point. After the National Working Group designated WIRON, an index based on overnight transactions, as the successor to WIBOR in early autumn 2022, concerns regarding the methodology for its calculation halted the implementation. Meanwhile, some institutions began offering products based on WIRON, primarily mortgage loans for retail Customers. The current stage of review, analysis, and public consultations should allow the Working Group to redefine the new index for loan agreements, bonds, and financial instruments by the beginning of the second half of 2024. According to the timeline, the reform is expected to be completed by 2027, when the publication of the WIBOR index is planned to cease.
- **Credit holidays.** In mid-May, an amendment to the statutory credit holidays law for 2024 came into force. As in 2023, it is now possible to suspend four instalments per year: two in the June-August period and two in the September-December period. After the amendment, however, not every borrower can take advantage of this option. A limit has been introduced based on the instalment-to-income ratio over the last three months: credit holidays are available if the ratio exceeds 30%. According to estimates by the HREIT property developer for Business Insider, less than 40% of borrowers might benefit from the new solution. The Ministry of Finance, based on PFSA data, estimates the cost of extending the credit holidays for the banking sector at 2.5 billion PLN, assuming a participation rate similar to that of previous periods (the previous program resulted in a cost of approximately PLN 14 billion for banks). The credit holidays made the Bank recognise a negative impact on its second-quarter 2024 results amounting to PLN 203 million, assuming a 90% participation rate among the eligible Customers.
- **Flat for a start.** Work is still underway to introduce the government's 'Start-up Mortgage' scheme to replace the '2% Safe Loan'. The scheme was supposed to be in place from mid-2024 and last for two years. Now, recent media reports suggest that a draft of the scheme will be presented to the Parliament after the summer holidays. The law is expected to come into force on 15 January 2025 and the scheme is expected to run for several years. Limits on the loans granted are planned. Banks will accept 25,000 applications in the first quarter of the new programme, 20,000 in the second quarter and 15,000 in the following quarters. It would be offered to first-time home buyers or large families in need of a larger property. The interest rate would be decreasing depending on the number of people in the household. From 1.5% for a one-person household to 0% for households of five or more. The maximum loan amounts from PLN 200,000 to PLN 600,000 will also increase analogously. Age and income limits are planned, but no price-per-square-metre limits are

envisaged. The new programme will certainly increase demand for Bank loans and developer offers. However, currently it is difficult to estimate how likely it is that the project will be introduced in its current form, due to opposition voices within the ruling coalition. In the previous programme, as of the 28 December 2023 the Polish Bank Association data (ZBP), 102,000 applications were submitted and 57,000 contracts were signed.

- **Long-term funding ratio.** In 2023, the Polish Financial Supervision Authority announced that in order to change the structure of mortgage funding, it planned to introduce a new long-term funding ratio (LTF) for banks. The proposed changes aim to reduce the risks associated with the current mortgage funding structure by increasing the proportion of long-term mortgage loans financed primarily through long-term debt instruments. On 17 July 2024, the PFSA announced that it had adopted the LTF Recommendation and expects that from the end of 2026, banks will be required to maintain this ratio at a minimum of 40%. This means that banks will need to issue PLN 7-8 billion of debt instruments annually, amounting to approximately PLN 15 billion of additional instruments by the end of 2026.





# Strategy implementation

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Artur Bardziński, Premium Customer Manager





## Pillar UP

### Pillar description

The GO beyond strategy is a growth strategy. Our aim is to increase the number of Customers served, strengthen our market position and increase revenue. The bank sees potential for development in all Customer segments.

#### Retail Banking and Personal Finance

The priority of retail banking and PF is to achieve high Customer satisfaction (NPS Top 3 in the market), thanks to which the Bank will increase the number of active Customers (by 0.5 million to 4.5 million) and increase their engagement in the relationship with the Bank. Listening to the opinions of its Customers and employees, the Bank will implement innovative products and services, often in cooperation with internal (companies from the BNP Paribas Group) and external partners, and plans to make even greater use than before of personalised communication based on advanced CRM and data analytics. Further digitalization of Customer processes is planned, together with remote access to the Bank's experts as part of a newly created omnichannel sales and Customer service model (over 90% of key processes for retail Customers are to be available in remote channels, and sales via digital channels are expected to exceed 50%). The bank will also offer Customers services that go beyond traditional banking, such as open banking solutions, contextual financing in e-commerce, or offering products and services related to Sustainable Development Goals. Finally, the Bank plans active but sustainable growth in the main areas of retail banking, i.e., achieving a 7% share in the market of new sales of accounts, cash loans, and mortgage loans.

#### SME, Corporate and CIB Banking

The Bank aims to be number 1 for international Customers (increase in the number of active Customers by over 22% vs 2021) by utilising the position of the BNP Paribas Group as a leader in Europe with a broad global presence, and global solutions, products and expert knowledge. The Bank strives to be the first-choice bank for large corporations with tailored solutions and an excellent service model. The Bank will provide service to Customers from the Polish corporations and SME segment using remote and digital solutions, while supporting the international expansion of our Customers based on experiences from 65 countries. The Bank wants to increase the base of active Customers served in the SME and corporate banking segment by over 18% compared to 2021. It will also strive for operational excellence to build positive Customer experiences. One of the key goals in this area is to optimise and shorten the credit process. The Bank will leverage its leading market position in the agricultural segment and its unique competencies in this area to strengthen its market position among food processors.

### Actions within the assumptions of the GO beyond strategy in the first half of 2024

#### PILLAR

#### KEY ACHIEVEMENTS IN THE FIRST HALF OF 2024

#### #UP

The offer of high-quality banking and non-banking products and services is key to increasing the Customer base in an omnichannel world. Creating an excellent Customer experience by designing personalised paths for them.

- New offerings:
  - Start Your Business - an offer for clients starting their own business: Free account for 18 months along with a package of trainings, professional business tools and accountants in the GOaccounting service and support in formalities
  - a fixed-rate mortgage offer for 5 or 10 years for new and existing Customers
  - "Account with a Card for Influencers": an additional benefit in the form of an innovative **Aguard float**, which, when put in water, collects information about its quality
  - Tennis Visa special offer for tennis fans with a range of benefits, tennis deposit with an attractive interest rate
- API Premium - Personal Data Information Service (PDIS). A new solution that allows the Bank's business partners to verify and confirm their clients' or contractors' data, e.g. for the purpose of signing an agreement or making a transaction
- collaboration with scaleup **Algolytics Technologies** – a company specialising in deep data analysis using Big Data, Machine Learning, Stream Based Modeling. The company received funding as part of the Specialist Credit Policy for Innovative Companies
- ability to order a payment terminal directly from GOonline electronic banking for business Customers
- cooperation of the Bank and BNP Paribas Factoring with **FinTech Monevia** - comprehensive factoring solutions on preferential terms for BNP Paribas Group's micro and small business clients
- **transformation of the corporate centre network** and segmentation of homogeneous Customer groups to better tailor the provided services to their needs and specifics
- numerous awards and distinctions, including:
  - three awards in the Banking Stars competition (Dziennik Gazeta Prawna),
  - Best International Private Bank in Poland in the Global Private Banking Innovation Awards 2024,
  - awards from financial magazines Global Finance and The Digital Banker for quality of business Customer service,
  - 1st place in the ranking of the Money.pl. portal for the BNP Paribas brokerage account (third year in a row) and 1st place in the credit card ranking for the Visa Platinum card offered by the Bank



## Segment description

### Retail and Business Banking & Personal Finance Area

#### Area characteristics

The Retail and Business Banking area provides services to retail Customers, Private Banking services, and serves business Customers (micro-businesses). The following Customer segments are served within Retail and Business Banking:

#### Retail Customer:

- Mass Customers,
- Premium Banking Customers, i.e., placing assets of at least PLN 100,000 in the Bank or through its intermediation, or having the inflow of funds of at least PLN 10,000 per month,
- Private Banking (Wealth Management) Customers, i.e., placing assets of at least PLN 1 million through the Bank. A "Family Fortunes" sub-segment is identified under Private Banking – Customers who place assets of at least PLN 10 million through the Bank.

#### Business Customers:

- non-Agro, not keeping full financial reporting according to the principles defined in the Accounting Act, meeting the criterion of net annual income for the previous year below 2 million euros,
- non-Agro, keeping full financial reporting, whose net sales income for the previous financial year was less than PLN 4 million, and credit engagement does not exceed PLN 1.2 million,
- Agro, not conducting full financial reporting, meeting the criterion of net annual income for the previous financial year below 2 million euros, conducting activities classified according to selected PKD 2007 codes,
- professionals: entrepreneurs not conducting full financial reporting in accordance with the principles of the Accounting Act, conducting professions defined in a separate internal document,
- individual farmers, for whom the bank's credit commitment to the Customer is less than PLN 3 million,
- Individual farmers, for whom the bank's credit commitment to the Customer is in the range of PLN 3 million and below PLN 4 million, when the collateral on agricultural land covers at least 50% of the credit commitment,
- non-profit organisations (e.g., foundations, associations, trade unions, etc.),
- cooperatives, housing communities, property managers.

**Private Banking - BNP Paribas Wealth Management** offers an individual approach to each Customer and additional holistic and relational approach, i.e., the "family approach", which also includes close family members or assets gathered in private

companies and other investment vehicles. BNP Paribas Wealth Management benefits from 40 years of experience in serving affluent Customers, market position and best practices of the BNP Paribas Group, which is number 1 in Wealth Management in the Eurozone.

For over 10 years, BNP Paribas Wealth Management in Poland has been supporting Customers in matters related to estate planning and collaborates with clients' legal and tax advisers in succession planning – it can boast the title of a precursor of the family office service on the Polish market. It offers one of the richest products and services portfolio available for Family Foundations – including entities in the organisation, i.e., yet to be registered by the court.

Customers of BNP Paribas Wealth Management are served by an experienced and qualified team - all advisers are EFPA certified at the EFA level and the highest – EFP. Holding an EFPA certificate is crucial and required for a Wealth Management adviser position. At the same time, Wealth Management advisers are the first in Poland to achieve EFPA ESG certification in the area of sustainable development

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

### Implementation of key strategic initiatives in the first half of 2024

INITIATIVE	BNP Paribas - my main bank
INITIATIVE DESCRIPTION	More attractive products, implementation of an omnichannel environment and changes in the approach to building lasting relationships. Optimisation of digital UX, enhanced personalisation of Customer experiences and synchronisation of data source use. Increase in BNP Paribas brand awareness among Customers
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>• implementation of a new form of acquisition based on a debit card: a tennis card (along with an Olympic competition and discounts on tennis courts) and "Account with a card for Influencers" as part of the #influencer campaign (<a href="#">#wpływowi</a>)</li> <li>• promotion and increased utilisation by Customers of the "Priceless Moments" loyalty programme</li> <li>• new functionalities in remote channels: the ability to change the tariff plan owned, information about the current promotion and the ability to make a disposal in case of death.</li> <li>• use of the mCitizen application and diia.pl document (for Ukrainian Customers) in the Customer onboarding process at the branch</li> <li>• enabling Customers who have an enforcement lien on their account to withdraw funds via a card issued for that account (KWZ)</li> </ul>
KEY FIGURES	<ul style="list-style-type: none"> <li>• growth in the share of mobile transactions in card transactions by 5.8 p.p. YoY</li> <li>• 7.7 thousand - sales of Visa Tennis account in H1 2024</li> </ul>





**INITIATIVE** BNP Paribas - my main bank

- 2 thousand – sales of "Account with a Card for Influencers"
- 2.6 thousand – number of accounts opened with diia.pl as the second identifying document
- about 6 thousand fewer branch visits per month after implementing KWZ

**INITIATIVE** Development of sales in the digital and omnichannel model

**INITIATIVE DESCRIPTION** Sale of all consumer loans and mortgages through digital channels or in an omnichannel model. Widespread use of 'pre-approved' offers and open banking solutions. Increase in sales to the Customer base based on data analytics, AI and personalisation. Extension of the product range available through digital channels

**ACHIEVEMENTS**

- digitalisation of delivery of selected documents for servicing of the mortgage loan (including energy performance certificates for so-called green mortgages) and revolving account limit processes
- making applications for credit holidays available for mortgage loans in remote channels
- implementation of verification of the reserved PESEL number for all Bank's products
- **new functionalities** of the **MamGO** platform (through which Customers can purchase a car – new or used and use a bank loan, leasing from BNP Paribas Leasing Solutions or rental offer from Arval Polska) – the possibility of financing leasing of cars after the rental period and FLEX offer, i.e., short-term rental with the possibility of terminating the contract at any time for both new and used cars
- implementation of **VISA Platinum card** in GOMobile and GONline and automation of increasing limits for existing credit cards
- new onboarding process in digital channels for Customers applying for instalment loans from bank partners

**KEY FIGURES**

- over 100,000 cards (credit and debit) added to the "Priceless Moments" programme
- significant increase in the share of VISA Platinum Card sales in the total credit card sales +51% vs H1 2023

**INITIATIVE** Convenient platform for entrepreneurs using API solutions

**INITIATIVE DESCRIPTION** The Bank as a modern platform using API to offer products and services from external partners. Supporting the creation of sustainable, safe and innovative services tailored to Customer needs. The API enables the offering of contextual services at selected Customer touchpoints outside the banking ecosystem.

**ACHIEVEMENTS**

- **launch of YourGo Business** – an offer for new market entrants available from May 2024. A comprehensive support programme in all aspects of setting up a company, including assistance in VAT and ZUS registration, access to professional business and accounting tools on the GOAccounting service, and training worth PLN 5,000

**INITIATIVE** Convenient platform for entrepreneurs using API solutions

- **GOAccounting** – online accounting services for clients running their own business (including a debt collection service module). The service is available 24/7, and registration and signing of the contract take place without a visit to an accounting office or office
- **GOdealer** – a currency exchange application with 24/7 transaction execution. Corporate clients can also benefit from a dual-currency deposit
- **Axepta** – a payment gateway for Customers, offering various forms of payment, such as instant bank transfer, BLIK, card payment, including e-wallets (Apple Pay and Google Pay)
- **cooperation with Arval** – providing Customers with a tailor-made long-term rental offer using an AI model that predicts potential interest in rental and a comparator that transparently shows the benefits and differences resulting from individual offers: leasing, rental, car loan. The rental service is available in GOonline and GOMobile
- **cooperation with BNP Paribas Leasing Solutions** – a wide range of green financing options, including attractive co-financing from the EIB for photovoltaics, heat pumps, charging stations and energy storage
- **cooperation between the Bank and BNP Paribas Leasing with FinTech Monevia** (a leader in online microfactoring) – offering comprehensive factoring solutions on preferential terms, regardless of the industry, size or market experience of the company. Owners of a business account in the Bank receive, among other things, a free factoring limit of up to PLN 100,000 at the start, no commission fee or penalties for a delayed payment by the contractor – up to 30 days after the due date
- **cooperation with Elavon** – a wide choice of payment terminals (including the softPOS application)
- **Agromist** – a portal for farmers and processors, which provides a knowledge base and practical solutions and tools, including those supporting Customers in sustainable transformation (e.g., nitrogen consumption and greenhouse gas emission calculators)
- **BUSINESS UPI** – a free training programme for Bank's clients provided in cooperation with the Polish Foundation for Entrepreneurship in areas such as tax changes and their impact on business, possibilities for business development (also on the Internet), cybersecurity, and legal aspects of running a business
- **carbon footprint calculator** – an innovative service provided in cooperation with Envirly, supported by artificial intelligence algorithms, enables easy calculation and management of the carbon footprint and improves the ESG reporting processes of organisations. Since 1 July 2024, microenterprises that are Bank clients can use this tool free of charge for reporting in Scope 1 and 2

**KEY FIGURES**

- GOdealer: system activated by 1,576 Micro Customers in H1 2024; 39.6 thousand transactions executed with a total volume of PLN 477 million
- Agromist: 157 thousand unique platform entries in H1 2024
- Monevia: PLN 6.1 million in activated limits in H1 2024
- BUSINESS UPI: 69 trainings in H1 2024
- Micro Leasing: PLN 160 million of funded contracts in H1 2024



INITIATIVE	Transformation of the distribution model – a key element in building an omnichannel
INITIATIVE DESCRIPTION	Transformation of the distribution model – a key element in building an omnichannel. Integration of front-end systems with a single view of the Customer. Relationship management supported by personalised communication based on CRM. A new organisation of autonomous, self-organising Customer service teams.
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>major sales and aftersales processes available via digital channels - current level of availability: approximately 85% for retail Customers and 61% for micro-entrepreneurs</li> <li>optichannel solutions in Customer Centres and Contact Centres, including Customer service on Customer mobile devices. In bank branches, about 80% of processes have a paperless digital path, recently implemented: Customer onboarding process and remote recertification; this streamlines Customer service (improvement of NPS, eNPS), reduces the operational costs of processes, and supports sustainable development goals.</li> <li>centralisation of processes in the virtual branch in terms of serving mortgage sales and aftersales processes, as well as saving product service</li> <li>the use of a voicebot for NPS surveys of Customers in the branch network and virtual branch with monitoring of the quality of sales and aftersales processes</li> </ul>
KEY FIGURES	<ul style="list-style-type: none"> <li>1.3 million Customers/users using mobile banking, +4% YoY</li> <li>increase in the number of logins to mobile banking +17% YoY (164 million in H1 2024)</li> <li>increase in the number of BLIK payments +42% YoY (28 million in H1 2024)</li> <li>increase in mobile payments for tickets and parking +23% YoY (1.3 million in H1 2024)</li> <li>increase in the number of GOMobile transactions +26% YoY (51 million in H1 2024)</li> <li>maintaining high dynamics of remote sales in total sales of the number of cash loans: 46% in H1 2024 and H1 2023</li> <li>consistent growth of remote sales in total sales of the number of investment products (mutual funds, structured certificates and investment deposits): 68% in H1 2024 vs 45% in H1 2023</li> </ul>

### BNP Paribas Bank Polska S.A. Brokerage House

The BNP Paribas Bank Polska S.A. Brokerage House (hereinafter referred to as the Brokerage House) mainly serves retail clients. The Brokerage House's services complement the Bank's range of investment products. It also has an offering for selected institutional clients, including Open Pension Funds (OFE), Investment Fund Companies (TFI) and other entities that manage assets entrusted to them. In addition, the Brokerage House manages portfolios and provides investment advice for clients of the Premium Banking and Wealth Management segments. The Brokerage House offers a wide selection of investment funds managed by reputable Polish and foreign investment fund companies.

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

The Brokerage House in figures for the first half of 2024.:

- sale of over 771 funds managed by 22 companies,
- PLN 8.8 billion - the value of client assets in investment funds distributed via the Brokerage House as of the end of June 2024,
- PLN 483 million - the value of investment certificates issued in the first half of 2024 for the Brokerage House's clients in cooperation with the BNP Paribas Group (+12% YoY),
- PLN 58.3 million - total revenues from providing brokerage services and distributing investment products (+27% YoY),
- 63% YoY increase in asset management service assets for Wealth Management Clients,
- revenues from stock exchange transactions for clients of the Brokerage House increased by 24% YoY,
- results from both investment advisory services and portfolio management grew notably above their benchmarks.

**Table 9. Share of the Bank's Brokerage House in the turnover on the GPW**

		30.06.2024		30.06.2023	
		volume	share	volume	share
Shares	PLN million	2,671.91	0.76%	1,408.66	0.50%
Bonds	PLN million	153.77	3.25%	81.04	1.87%
Contracts	units	98,250	0.68%	119,376	0.81%
Investment Certificates	PLN million	0.11	0.25%	0.45	1.32%
Options	units	6,880	3.65%	13,034	4.18%
Structured products	PLN million	187.66	7.79%	162.63	6.69%





## SME and Corporate Banking Area

The **Corporate Banking area** directs its offer to large and medium-sized enterprises and local government units with annual net sales revenues equal to or greater than PLN 60 million, or to companies in which the Bank's lending commitment to the Customer is greater than or equal to PLN 22 million, and also to entities that are part of international capital groups.

Corporate Banking Customers are divided into four basic groups:

- Polish corporations with annual net sales revenues from PLN 60 million to PLN 600 million or with a credit commitment greater than or equal to PLN 22 million (or for businesses operating in the agricultural sector with a credit commitment greater than or equal to PLN 50 million),
- international clients (companies belonging to international capital groups),
- the largest Polish corporations with net sales revenues exceeding PLN 600 million,
- public sector entities and financial institutions.

Within these groups, Agro and non-Agro Customer subsegments operate.

The **Small and Medium Enterprises (SME)** Banking area serves three main Customer subsegments:

- Agro clients who maintain full financial reporting with net sales revenues for the previous financial year from PLN 4 million to PLN 60 million and the Bank's credit commitment to the Customer not exceeding PLN 22 million. This subsegment also includes groups of agricultural producers (towards which the Bank's credit commitment does not exceed PLN 50 million),
- Non-Agro clients – a sub-segment for entities with full financial reporting and net sales revenues for the previous financial year of PLN 4 million to PLN 60 million and the Bank's credit engagement not exceeding PLN 22 million, as well as public finance units with a budget of up to PLN 100 million. This sub-segment also includes churches and other religious organisations and their dependent entities,
- Farmers (i.e., corporate Customers running agricultural production) maintaining full financial reporting, with net revenues for the previous financial year between PLN 0 to 60 million and a credit commitment not exceeding PLN 50 million, as well as individual farmers, if their credit commitment is between PLN 4 million to PLN 50 million, and between PLN 3 to 4 million, if the agricultural land collateral covers less than 50% of the credit commitment.

## Implementation of key strategic initiatives in the first half of 2024

### Corporate Banking

INITIATIVE	New approach to the Client using the strength and potential of the Group
INITIATIVE DESCRIPTION	A leader in the international client sector and in developing cooperation with the largest Polish corporations. Unique approach based on the strong position of the BNP Paribas Group, especially in terms of global relations and product platform.
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>• strengthening the Bank's position in the international client market</li> <li>• acquisition of new business with International Clients in cooperation with the BNP Paribas Group</li> <li>• increase in revenues from cooperation with international clients in total revenues</li> <li>• change of operational model for the largest Polish corporations by separating managerial functions from sales (especially in the area of advanced and profitable transactions)</li> <li>• development of collaboration processes with clients in the area of project and sustainable development-related financing – granting further Sustainability-Linked Loans</li> </ul>
KEY FIGURES	<ul style="list-style-type: none"> <li>• increase in the number of active international clients by 7% YoY (+238 YoY)</li> <li>• dynamic growth in loans for International Clients by 17% YoY</li> <li>• increase in the value of the sustainable financing portfolio by 23% YoY</li> </ul>

INITIATIVE	New model of Customer service
INITIATIVE DESCRIPTION	Sales area transformation by providing clients with the widest range of self-service solutions and providing centralised and dedicated after-sales service
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>• increase in the level of automation and use of the GO Business ecosystem in relations with clients. New functionalities in the GO Business ecosystem in 2024 (import of domestic payments in Express Elixir mode, implementation of the 'Create a transfer to the sender' functionality from the list of incoming transfers in the transaction history, ability to generate bank statements in XML format)</li> <li>• implementation of the operational model change in the segment of Polish corporations up to PLN 600 million in turnover, including building homogenous Customer portfolios, development of a digital Customer portfolio, separation and specialisation of sector Customer service, and optimisation of sales network</li> <li>• Implementation of a new service model for the KYC process for Polish corporations with revenues below PLN 600 million</li> </ul>
KEY FIGURES	<ul style="list-style-type: none"> <li>• increase in the number of active clients by 5% YoY</li> <li>• increase in the Bank's exposure (on-balance sheet and off-balance sheet) to Corporate Banking companies by 4% YoY</li> </ul>



## Small and Medium Enterprises

INITIATIVE	New model of Customer service
INITIATIVE DESCRIPTION	Sales area transformation by providing clients with the widest range of self-service solutions and providing centralised and dedicated after-sales service.
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>increase in the gross result YoY in the SME Banking area thanks to dynamic revenue growth and maintaining a good credit portfolio quality and low risk costs</li> <li>further increase in the scale of the Remote Advisor Team dedicated to clients who prefer active remote contact with the Bank</li> <li>implementation of the operational model change in the SME segment, including building homogenous Customer portfolios, development of a digital Customer portfolio, separation and specialisation of sector Customer service, optimisation of sales network</li> <li>implementation of a new service model for the KYC process for SME segment clients</li> </ul>

INITIATIVE	New model of Customer service
KEY FIGURES	<ul style="list-style-type: none"> <li>20% of clients served in the Digital Customer Team</li> <li>4% YoY increase in deposit volumes</li> </ul>

## Other business unit initiatives

INITIATIVE	ACHIEVEMENTS	INNOVATIVE PRODUCTS & SERVICES	KEY NUMBERS
CASH MANAGEMENT	<ul style="list-style-type: none"> <li>the development of cash management product and service offerings</li> </ul>	<p><b>CESOP (Central Electronic System of Payment Information):</b></p> <ul style="list-style-type: none"> <li>implementation of the FlexiPAYInfo application for handling regulatory reporting to the National Tax Administration</li> </ul> <p><b>Payments:</b></p> <ul style="list-style-type: none"> <li>the extension of the offering to include mass Express Elixir instant transfers</li> </ul> <p><b>Cash Pool:</b></p> <ul style="list-style-type: none"> <li>Cash Pool Reporting Services – implementing a tool for automatic generation and sending cash pool reports to clients</li> </ul> <p><b>Cash:</b></p> <ul style="list-style-type: none"> <li>the extension of the offering to allow clients to make open deposits at Polish Post</li> </ul>	<ul style="list-style-type: none"> <li>2% YoY increase in the number of incoming transactions (incoming transfers + cash deposits)</li> <li>1% YoY increase in the number of outgoing transactions (outgoing transfers + cash withdrawals)</li> </ul>
E-BANKING	<ul style="list-style-type: none"> <li>increased the level of automation and use of the GO Business ecosystem in relations with clients</li> </ul>	<ul style="list-style-type: none"> <li>new features in the GO Business ecosystem: <ul style="list-style-type: none"> <li>import of domestic payments in Express Elixir mode</li> <li>"Create a transfer to the sender" from the list of incoming transfers in transaction history</li> <li>ability to generate bank statements in XML format</li> </ul> </li> <li>the start of implementing the card module and a guarantee and letter of credit module</li> </ul>	<ul style="list-style-type: none"> <li>22% YoY increase in mobile banking users</li> </ul>
CUSTOMER LIFECYCLE	<ul style="list-style-type: none"> <li>significant increase in the automation of onboarding and post-sale processes</li> </ul>	<ul style="list-style-type: none"> <li>expanded range of Customers qualifying for fully digital onboarding</li> <li>prescreening analysis and pilot implementation of centralising the KYC process for all Customer segments</li> </ul>	<ul style="list-style-type: none"> <li>increase in YoY average share of Customers acquired by entirely digital process (+8 p.p. for Corporate Clients and +12 p.p. for SME Clients)</li> </ul>





INITIATIVE	ACHIVEMENTS	INNOVATIVE PRODUCTS & SERVICES	KEY NUMBERS
FINANCING CORPORATE CUSTOMERS	<ul style="list-style-type: none"> <li>creation of an efficient and automated credit workflow for SME and CTB lines, which will support maximising revenue from this by increasing assets at an optimal level of credit risk</li> </ul>	<ul style="list-style-type: none"> <li>changes in credit workflow for Customers (excluding the credit process for individual farmers and specialist financing)</li> <li>implementing regulatory changes resulting from the CRR3 directive</li> </ul>	<ul style="list-style-type: none"> <li>2,750 credit decisions made in the new credit process and 18.7 thousand orders for credit administration</li> </ul>

## Food & Agro Area

### Area description

BNP Paribas Bank Polska S.A. for the agri-food sector offers a comprehensive product range, including: current accounts, term deposits, loans and insurance for farmers (voluntary and mandatory)

### Micro Clients and Small and Medium Enterprise Banking

In terms of lending activity, the Bank's offering includes loans:

- operational, including the Agro Express secured overdraft and the loan with a BGK guarantee and interest rate subsidies,
- investment for farmers and Agro companies, e.g. Agro Progress, Union+ (for co-funding of EU projects),
- preferential loans with interest rate subsidy or partial capital repayment (thanks to the agreement with the Agency for Restructuring and Modernisation of Agriculture).

In addition to its own offerings, the Bank, in cooperation with external companies, prepares dedicated offers for farmers concerning additional services, such as Generali Agro insurance and runs sales campaigns.

### Corporate Banking Clients

The Bank's activities for Corporate Banking clients are focussed on:

- business development by utilising unique knowledge and a precise understanding of the entire sector value chain (farmer, processor, distributor, consumer) and sector ecosystem (macro environment, policy, technology, international trade, suppliers, Customers), including the development of cross-segment financing (value chain financing),
- preparation of sector analysis, including changes in industry trends,
- initiating cooperation with the BNP Paribas Group in the field of agri-food sector clients,
- sector recommendations for significant credit transactions (company positioning in the industry and peer group),
- operation and development of the Agronomist platform providing reliable knowledge and useful tools for the digital and sustainable transformation of the agri-food sector.



## Implementation of the key strategic initiatives in the first half of 2024

INITIATIVE	Agronomist – an innovative way of building relationships and sharing knowledge
INITIATIVE DESCRIPTION	Creation of a portal for farmers and entrepreneurs from the Food & Agro (F&A) sector wishing to develop in line with market trends. Providing knowledge and tools to support both the transformation towards sustainable agriculture and digital transformation. The portal's content covers the entire F&A value chain with special attention to local communities
ACHIEVEMENTS	<p>Provision of new, unique-on-the-market tools and features that meet the needs of entities operating in the agri-food sector:</p> <ul style="list-style-type: none"> <li>• <b>Creditomat</b> – a simple and friendly search engine for bank products tailored to the needs of micro farmers again on the Agronomist portal (the tool was disabled for the duration of the restrictive requirements imposed by the Consumer Credit Act)</li> <li>• <b>GOone</b> – adding the Agronomist portal to the client service panel by the advisor</li> <li>• <b>ESG Materials</b> – preparation and publication of materials related to environmental and social impact reporting in accordance with the CSRD directive for the food production value chain</li> </ul>
KEY FIGURES	<ul style="list-style-type: none"> <li>• over 157 thousand unique users visiting the portal in H1 2024</li> <li>• over 416 thousand entries in H1 2024</li> <li>• over 50% of users are women</li> </ul>

INITIATIVE	Knowing the Client as the basis for building profitable relationships and increasing their satisfaction
INITIATIVE DESCRIPTION	Further, industry knowledge-based expansion in the area of the food production value chain. Adapted service model for current and future key F&A sector clients. Improvements in the credit process
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>• deeper market analyses and selected agri-food subsectors; organising sessions on specific food market areas for clients and prospects</li> <li>• development and publication of overviews of the agri-food sector for extensive use on both the business and credit risk sides.</li> <li>• further analytical activities and sharing knowledge related to the market implications of the war in Ukraine</li> <li>• active and substantive participation in numerous economic and sector events, close cooperation with a number of industry organisations from the agri-food sector</li> </ul>
KEY FIGURES	<ul style="list-style-type: none"> <li>• 8% YoY increase in credit balances in the Corporate Banking segment</li> <li>• 29% YoY increase in deposit balances in the Corporate Banking segment</li> <li>• 3% YoY increase in the number of active food processors</li> </ul>

## Other business line actions

**Preferential loans** - In 2023, due to restrictions in the agricultural market caused by the war in Ukraine, two lines of preferential loans were launched to improve the financial liquidity of farmers and purchasing entities by the end of 31 December 2023. In March 2024, the Council of Ministers' Regulation extended the activities of lines S and UP to 30 June 2024.

### • Liquidity maintenance loans (UP line), granted on the following terms:

- interest rate: variable - WIBOR 3M increased by the Bank's margin no higher than 3 p.p.;
- the borrower pays an interest rate of 2%, the remaining part is subsidised by the ARiMR;
- subsidy period: up to 60 months;
- maximum loan amounts dependent on farm size - PLN 100,000 for farms below 50 ha, PLN 200,000 for 50-100 ha farms, and PLN 400,000 for farms above 100 ha.

Between March and June 2024, 6,000 loans were granted for a total amount of PLN 681.4 million.

### • Loans related to the purchase of cereals, seed material of agricultural plants, and soft fruits (S line), granted to SMEs (according to the European Commission's definition, employing less than 250 workers and whose annual turnover does not exceed 50 million euros, and/or the total annual balance sheet does not exceed 43 million euros). They are granted on the following terms:

- loan amount: up to PLN 40 million;
- maximum loan period: up to 18 months;
- interest rate: variable - WIBOR 3M increased by the Bank's margin no higher than 2.5 p.p.;
- the borrower pays an interest rate of 2%, the remaining part is subsidised by the ARiMR;
- the amount of fees and commissions on the Bank's behalf related to the bank loan, including those collected from banking operations during the lending period, can not exceed 1% of the granted loan amount.

Thanks to the extension of the lending period, an additional 67 contracts were concluded in the first half of 2024, worth PLN 324.4 million

### Adjusting the product offer to the requirements of the Consumer Credit Act (UKK)

The amendment to the Consumer Credit Act came into force on 7 January 2024, which covered loan agreements made with individual farmers. According to the act's provisions, farmers were granted consumer protection, the same as for retail clients. This required the implementation of many changes in legislative, process and tool areas. Some of the most essential products have been adapted to the act's requirements, therefore ensuring the continuity of Customer service.





The Act of 20 March 2024 amendment of the civil code, Consumer Credit Act and the act on consumer pawn loan have removed provisions including individual farmers in the UKK regime. As a result, products offered before January were returned to the Bank's offer from 2 May.

#### Insurance- cross-sell

Since 18 March 2024, there has been a sales campaign for spring crop insurance. As a result, 2.7 thousand policies were issued with a total premium amount of PLN 12.2 million.

### Corporate and Institutional Banking Area

#### Area description

The Corporate and Institutional Banking (CIB) Area provides a broad product offering aimed at both the largest Polish enterprises and medium-sized companies. The Trust Services Department also addresses its offer to insurance companies as well as pension and investment funds.

The CIB Area provides clients with comprehensive BNP Paribas Group solutions in terms of financing and risk management, including:

- mergers and acquisitions and restructuring advisory,
- capital market transaction advice and arrangement,
- currency and money market transaction arrangement,
- working capital financing,
- acquisition and investment project financing,
- cash flow, financial liquidity, and working capital optimisation management,
- sales of financial market products, hedging currency, interest rate, and commodity price risks.

In addition, tasks are carried out in the field of market risk management in the trading book, quotation of prices of foreign exchange market instruments and interest rate market instruments (including derivative market transactions), as well as determining the Bank's foreign exchange rates table and structuring risk management associated with the Bank's offering of structured products.

### Implementation of key strategic initiatives in the first half of 2024

INITIATIVE	New approach to the Customer leveraging the strength and potential of the Group
INITIATIVE DESCRIPTION	Leader in the international Customer sector and in developing cooperation with the largest Polish corporations. A unique approach based on the strong position of the BNP Paribas Group, especially in terms of global relationships and product platforms.
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>• increase in cross-sell with international clients through sales activities aimed at decentralising market risk management competencies</li> <li>• leveraging the Group's position and developing global relationships leading to closer cooperation with international clients</li> <li>• the first agreement for Kantox platform services (tools for automating currency risk management) signed with an international client</li> </ul>
KEY FIGURES	<ul style="list-style-type: none"> <li>• increase in transaction volumes carried out by international Customers and the number of active benchmark FX Customers +10% YoY</li> <li>• significant NBI increase for derivative instruments +16% YoY</li> </ul>

INITIATIVE	New Customer Service Model
INITIATIVE DESCRIPTION	Transformation of sales area by providing Customers with the widest range of self-service solutions and ensuring centralised and dedicated post-sales service.
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>• changes in the sales network, adapting its structure to the evolving model of corporate client service, and to the specificity of the conducted business</li> </ul>
KEY FIGURES	<ul style="list-style-type: none"> <li>• increase in the number of active clients (+5% YoY)</li> <li>• increase in the number of transactions in the FX Pl@net application (+7% YoY)</li> </ul>

### Other banking activity

The remaining banking activity of BNP Paribas Bank Polska S.A. (hereinafter: the Bank) is operationally carried out mainly within the Asset and Liability Management Division (hereinafter: ALM Treasury Division). The task of the ALM Treasury Division is to ensure the proper and stable level of financing that allows the Bank to operate safely while complying with the legal norms and limiting the Bank's interest result sensitivity to the volatility of market interest rates.

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

- interest rate risk,
- the current and structural liquidity of the Bank,



- structural currency risk,
- internal transfer prices for all deposit and loan products offered by the Bank (including their determination).

Tasks carried out within the ALM Treasury Division include both a prudential aspect (compliance with external regulations and internal directives) and an optimisation aspect (managing financing costs and generating results from managing positions in the Bank's balance sheet).

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

The main duties of the ALM Treasury Division include ensuring: a balanced liquidity position while optimising the cost of financing the Bank's operations, and an appropriate structure of assets and liabilities, including sensitivity to changes in interest rates. Other functions of the ALM Treasury Division include:

- management of the internal transfer pricing system,
- balancing analysis, modeling and monitoring of liquidity and interest rate risks for the banking book,
- issuance of the Bank's debt securities,
- organising long-term credit lines,
- raising financing sources,
- cooperation with business lines supporting sustainable development,
- coordination of the securitisation transactions of the non-bank Customer's loan portfolio,
- organisation of the Asset and Liability Management Committee (ALCO) operations.

Since the outbreak of the war in Ukraine, the Bank has continued to adjust internal behavioural models of products that affect the Bank's interest rate and liquidity risk profiles. The ALM Treasury Division cooperates with business lines by organising regular meetings and consultations to optimise the Bank's product structure and maintain the Bank's profitability at the highest possible level in current macroeconomic conditions.

## Cooperation with financial institutions

As of 30 June 2024, the Bank maintained correspondent relationships with around 1,000 banks, including 63 NOSTRO accounts in other banks for 21 major currencies.

The Bank operates 33 LORO accounts exclusively in PLN for foreign banks in the BNP Paribas Group. LORO accounts operated in the Bank's books represent an external source of obtaining free operating funds for the Bank's operational needs. Above all, these accounts are used to make client transfers and bank-to-bank transfers.

In the first half of 2024, the Bank continued its cooperation with other domestic and foreign financial institutions, brokers and banks, which allowed for a wide range of treasury and deposit transactions. Several agreements with new and existing contractors from these segments were signed, and steps were taken to introduce new agreements, in line with ISDA and 2023 ZBP recommendations.

## Distribution channels

### Bank branches

As of 30 June 2024, the Bank had 365 Customer Centres (including 11 partner branches). The network of Customer Centres was complemented by 16 Wealth Management Centres.

In 184 Customer Centres (including 2 partner branches), cash service was provided exclusively by self-service devices.

All of the Bank's Customer Centres have the OK SENIOR® Certificate, confirming that senior clients (60+) are serviced in branches in a safe, understandable and accessible manner; and 134 centres have the 'Barrier-Free Facility' Certificate, issued by the Integration Foundation for good practices in servicing disabled people.

In January 2024, the Bank transformed its sales network within the SME and Corporate Customer Division as a result of which:

- the sales network for Corporate Customers with net sales revenues from PLN 60 to 600 million consisted of two Corporate Banking Regions: Eastern and Western, which together comprised 10 Corporate Banking Business Centres in the largest cities,
- the sales network for SME Customers consisted of two SME Banking Regions: Eastern and Western, incorporating a total of 22 specialised SME Business Centres, located in cities with the highest economic potential.

In addition, a Sector Clients Department was established, which is responsible for relations with clients from the agricultural sector, public sector companies, and innovative clients, and a Remote Client Team, which deals with clients preferring remote service using online banking channels. The above changes aim to provide even greater Bank specialisation and better adapt to the needs of clients, especially from the agricultural and public sector.





The Customer service model for Corporate and SME Clients in the Bank is a relationship model. Its essence is individual service by an Advisor, who is responsible for the whole relationship of the client with the Bank. In addition, to fully meet the needs of Customers, within the broad range of the Bank's products and services directed towards small and medium-sized enterprises, teams of specialists dedicated to SME Customer service offer a high standard of sales service and product advisory, based on knowledge and experience in cash management, treasury, leasing, factoring and trade service and financing.

Both SME and Corporate Customers have access to offered products and services through modern internet and mobile banking systems. Post-sales Customer service is provided by dedicated Customer Service Offices.

### Cooperation with brokers

As at the end of June 2024, the Retail and Business Banking Division of the Bank cooperated in the acquisition of banking products based on:

- outsourcing contracts - with 13 external outsourcing brokers, 1 outsourcing broker operating exclusively for the Bank and 11 franchise partners,
- marketing contracts - with 91 counterparts.

Meanwhile, in the B2C Sales Development Division, in the scope of acquisition of banking products, the Bank cooperated, based on outsourcing contracts, with 16 external brokers.

### Automated teller machine (ATM) and cash deposit machine (CDM) network

As of 30 June 2024, in the Bank's Customer Centres, there were:

- 547 dual-function devices performing deposits and contactless withdrawals with the Bank's cards and using the BLIK code, as well as withdrawals of cash using Google Pay and Apple Pay,
- and 9 ATMs serving only standard withdrawals and transactions enabled by VISA and Mastercard systems.

In addition, seven dual-function devices and two ATMs were operating outside the Bank's Customer Centres.

## Operations and business support areas

### Implementation of key strategic initiatives in the first half of 2024

INITIATIVE	Process Excellence
INITIATIVE DESCRIPTION	Optimisation, automation and digitalisation of all key processes, thus enhancing Customer service quality and cost efficiency. Developing process mining to assist process owners in process management. Promoting Lean culture and continuous process improvement by creating a dedicated training programme and Lean community.
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>• implementation of artificial intelligence-based solutions improving the handling of sanction alert reporting processes, foreign payments and branch employee queries, increasing cost and resource efficiency</li> <li>• robotisation of processes across the Bank, enhancing efficiency: including retail, corporate and Compliance processes</li> <li>• implementation of an automatic process for handling a new type of agreement concerning CHF housing loans</li> <li>• introduction of a new system for monitoring operational work efficiency</li> <li>• development of a tool for recording competencies and monitoring employee development (Upskilling and Reskilling)</li> </ul>
KEY FIGURES	<ul style="list-style-type: none"> <li>• increase in employee multiskilling (acquiring new skills and roles and expanding already acquired ones by developing the range and level of competencies) - 30% of employees are multiskilled</li> <li>• 222 active robots, 18 new robots in the first half of 2024</li> <li>• a decrease in the number of errors in post-sales dispositions by 8% YoY</li> </ul>



## Entities of BNP Paribas Bank Polska S.A. Group

### BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.

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

BNPP TFI operates based on the permission of the Polish Financial Supervision Authority in the field of creating and managing investment funds, as well as intermediation in selling and repurchasing units and shares of foreign funds.

In the first half of 2024, the following significant events took place in the Company's operations:

- an increase in assets under management by 82.7% YoY;
- the most popular funds in the TFI offer were the BNP Paribas Capital Deposit sub-funds (net inflows of PLN 850 million), BNPP Short-Term Debt Securities (net inflows of PLN 245 million) and the BNPP Global Debt Strategies ESG, which applies an investment policy based on ESG principles (net inflows of PLN 159 million);
- on 15 April 2024, the liquidation of three sub-funds separated within the BNP Paribas PREMIUM SFIO fund, i.e., BNP Paribas TOP Domestic Bond Funds, BNP Paribas High Yield Bonds, BNP Paribas Active Debt Strategies, was concluded.

As of 30 June 2024, the Company managed the following funds with a total value of PLN 6,893 million:

- BNP Paribas FIO - started operations in March 2016. This fund includes 7 sub-funds (including two sub-funds applying an investment policy based on ESG principles) with a diversified investment policy, which allows clients to invest in various asset classes both locally and globally. Within the BNP Paribas FIO, there are also available Individual Retirement Account: BNP Paribas - IKE and Individual Retirement Security Account: BNP Paribas - IKZE. The fund's assets as at 30 June 2024 amounted to PLN 1,444.6 million.
- BNP Paribas Parasol SFIO - this fund comprises 9 sub-funds, including 6 sub-funds implementing an investment policy based on ESG principles. The fund's assets as at 30 June 2024 amounted to PLN 2,103.9 million.
- BNPP FIO - established in 2005. This fund comprises 3 sub-funds (including one sub-fund implementing an investment policy based on ESG principles). The fund's assets as at 30 June 2024 amounted to PLN 2,997.4 million.
- BNP Paribas PPK SFIO - established to offer clients Employee Capital Plans, with 9 separated sub-funds (of defined date). The fund's assets as at 30 June 2024 amounted to PLN 367.8 million.
- BNP Paribas Premium SFIO in liquidation - established in July 2014, with 4 separated sub-funds. The management of the fund was taken over as a result of the merger with Riviera TFI.
- FWR Selective FIZ in liquidation - established in May 2014, the fund's management was taken over following the merger with Riviera TFI.

- BNPP TFI cooperates with the Bank in terms of distributing units of funds offered by the Company, based on an agreement concluded between the Bank's Brokerage Office and the Company.

In the first half of 2024, the Company recorded net inflows of funds amounting to PLN 1,519.6 million.

**Table 10. Basic financial data of BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.**

PLN thousand	30.06.2024	31.12.2023	30.06.2023
Total assets	47,911	41,396	34,567
Long-term investments	-	-	460
Equity, including:	34,339	30,391	28,939
net financial result	3,948	808	(648)

BNPP TFI has a share capital of PLN 16,692.9 thousand, divided into 695,538 shares, each with a nominal value of PLN 24. The level of own funds as of 30 June 2024 was PLN 34.4 million and is sufficient for the safe conduct of current operations.

The company achieved a net financial result of PLN 3.9 million in the first half of 2024 (compared to a loss of PLN 0.6 million in the first half of 2023).

### BNP Paribas Leasing Services Spółka z o.o.

BNP Paribas Leasing Services Spółka z o.o. (hereinafter: the Company), in cooperation with the Bank, offers Customers from micro-enterprises, Personal Finance, SME and corporate clients a full range of leasing products. Since 2018, based on the decision of the Bank's Management Board, the Company has taken on the role of the only entity in the BNP Paribas Bank Polska Group that provides leasing services for clients in the above-mentioned segments, dynamically increasing the scale of its operations each year.



**Table 11. Basic financial data of BNP Paribas Leasing Services Spółka z o.o.**

PLN thousand	30.06.2024	31.12.2023	30.06.2023
Total assets	7,016,791	6,662,226	6,264,516
Long-term investments*	6,788,289	6,409,080	6,017,305
Equity, including:	103,306	84,160	69,774
net financial result	19,146	25,694	11,308

\* receivables from granted financing

The first half of 2024 was for the company a continuation of sales trends and challenges from the previous year. The Personal Finance segment in particular reported very good results, benefiting from the dynamic growth of the market in the passenger car sector. Equally good results were achieved in this period by the Corporate Clients segment, implementing a series of high-volume transactions with key clients. At the same time, the Small and Medium Enterprises and micro-business sectors performed significantly below expectations, continuing the negative trend from the end of 2023.

Despite the varied market sentiments depending on the sector, an assumed sales volume was achieved overall, and hence dynamic growth of the assets portfolio was maintained.

Thanks to good sales results, the financed assets portfolio reached a record level of PLN 6.8 billion at the end of June 2024 (an increase of 13% compared to June 2023). In the first half of 2024, the company concluded 11,000 new contracts for the amount of PLN 2,109 million (a volume increase of 15% YoY) and recorded a net profit of PLN 19,146 thousand, consistently increasing the level of own funds.

At the same time, the company's administrative costs rose by only 1.7% despite significant inflation impacting personnel costs and external supplier costs. Such low cost growth compared to asset growth was achieved thanks to the company's consistently implemented strategy of increasing efficiency and structural investments in previous periods, allowing for servicing a larger portfolio with fewer resources. The credit risk of the portfolio is stable, generating a burden on financial results below forecasts. In 2024, the quality of the loan portfolio remains very good, despite high-interest rates and reduced Customers' ability to pay off liabilities.

Initially, the company's operations were financed by BNP Paribas S.A. in Paris. In December 2021, an additional credit agreement with BNP Paribas Bank Polska S.A. was signed for the amount of PLN 1 billion. In November 2023, an annex was signed to increase the limit to PLN 2.5 billion, and then in July 2024 to PLN 3.5 billion. Moreover, in June 2021, the company signed an agreement with the European Investment Bank for financing in the amount of EUR 200 million, utilising 80% of the available line by mid-2024.

**Table 12. Financing structure BNP Paribas Leasing Services Spółka z o.o. as of 30.06.2024**

PLN million	Amount in PLN	PLN	EUR
BNP Paribas S.A.	3,539	1,390	498
BNP Paribas Bank Polska S.A.	2,471	2,331	32
BNP Paribas S.A. Polish Branch	355	355	-
European Investment Bank	388	338	12

### BNP Paribas Group Service Center S.A.

The business operations of BNP Paribas Group Service Center S.A. consist of:

- providing IT services in the development of banking and financial applications and systems and IT support for entities from the BNP Paribas Group,
- providing electronic equipment rental services for retail Customers,
- comprehensive management of loyalty programmes for entities related to the Bank and for the Bank's clients,
- providing marketing services on behalf of the Bank for employees of the Bank's partners, clients or the Bank's employees,
- developing scoring models as well as their verification and monitoring on behalf of the BNP Paribas Group entities,
- providing financial intermediary services through the mamgo.pl platform where financial products of companies from the BNP Paribas Group focused on financing cars for retail and corporate Customers are available,
- providing auxiliary services to insurance mediation activities, consisting of administering and executing group insurance contracts concluded by the Bank,
- providing agency services in the field of insurance services.



**Table 13. Basic financial data of BNP Paribas Group Service Center S.A.**

PLN thousand	30.06.2024*	31.12.2023	30.06.2023
Balance sheet total	69,713	67,853	66,489
Long-term investments	35,000	42,337	39,930
Equity, including:	55,223	52,732	51,614
net financial result	2,492	7,452	6,334

\* data non audited

### Campus Leszno Spółka z o.o. in liquidation

The company ceased its operations on October 31, 2023.

In January 2024, the Extraordinary General Meeting of Shareholders of Campus Leszno Spółka z o.o. passed a resolution to dissolve the company and commence its liquidation.





## Pillar POSITIVE

### Pillar Description

The bank wishes to be a leader in sustainable finance by developing a portfolio of products and services for all business lines. The bank's aim is their dynamic sales, leading to an increase in sustainable finance from 4.5% at the end of 2021 to 10.0% in 2025. This goal was achieved in 2023 and will be developed in the following years. The bank is implementing the highest ESG risk management standards and constantly improving the ESG risk profile of its loan portfolio. Additionally, the bank consistently measures and limits its carbon footprint by supporting clients in their transition. The bank also seeks to reduce resource usage and implement responsible purchasing practices. By 2025, the bank plans to reduce CO<sub>2</sub> emissions from its operations by 55% (vs 2019) and paper usage by 80% (vs 2019).

In relationships with clients, the key factors are responsibility, availability, transparency and ethics. The overriding aim is to make clients buy consciously what they need and not to be surprised by hidden clauses in contracts. Our Client Centers will continue to be modernised to cater to the special needs of older people and people with disabilities. We assume that 50% of the network will have obtained "Barrier-Free Facility" certification by 2025.

The bank will continue its commitment to local communities through the development of employee volunteering or further support of the initiatives of the BNP Paribas Foundation. The bank is initiating public debate, providing educational activities, and establishing sectoral and cross-sector partnerships, thus building a brand that is closely associated with caring for the environment and issues important to society.

### Actions under the assumptions of the GObeyond strategy in the first half of 2024

PILLAR	KEY ACHIEVEMENTS IN THE FIRST HALF OF 2024
<p><b>#POSITIVE</b> A responsible and trusted financial partner supporting the positive and sustainable development of clients, business and society. A guide for clients in the world of digital and sustainable transformation.</p>	<ul style="list-style-type: none"> <li>• PLN 96 billion of sustainable financing at the end of June 2024</li> <li>• support for the energy transformation:</li> <li>• financing investments with a total value of PLN <b>1.3 billion in renewable energy sources and energy efficiency</b> for retail Customers and housing communities as part of the European Investment Bank program</li> <li>• substantial support along with technical documentation for approx. 850 thermal insulation investments worth over <b>PLN 340 million</b> under the EFRB Program (ELENA for Housing Communities)</li> <li>• finance under a consortium for an investment program in the window joinery industry reaching PLN 4 billion, with the bank participating to the amount of <b>PLN 300 million</b></li> <li>• financing the construction of a portfolio of photovoltaic projects in Poland worth <b>PLN 113.9 million</b> in cooperation with R.Power company</li> <li>• Support for sustainable commercial investments:</li> </ul>

PILLAR	KEY ACHIEVEMENTS IN THE FIRST HALF OF 2024
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- one of the first transactions classified as a Green Loan in the field of office real estate in Poland (consortium of two banks for the amount of EUR 38 million) - construction of the Lakeside office building in Warsaw
- green financing for the tallest office building in the Tri-City – Olivia Star (consortium of three banks totalling nearly EUR 83 million)
- closing another agreement with EFL Group (a group of companies specialising in leasing passenger and commercial vehicles as well as machines and equipment, and other financial services, mainly for the SME sector) for the amount of **PLN 300 million** under the Sustainability-Linked Loan
- new products in the offer: loans for pro-ecological investments with BGK's "Biznesmax Plus" and "Ekomax" guarantees
- introduction of a new onboarding process for retail clients at branches, allowing for the savings of approximately one million pages of paper annually
- provide in cooperation with Envirly - a tool for counting carbon footprint in Scope 1 and 2 (Carbon Footprint Calculator) to the Bank's client micro-enterprises
- (as of July 1, 2024)
- 134 Client Centers with the "Barrier-Free Facility" certificate"
- numerous awards and honours, including: ESG Industry Top Rated and ESG Regional Top Rated badges awarded by the rating agency Mornigstar Sustainalytics, 2nd place in the "ESG Ranking. Responsible Management", Simple Polish certificate awarded by the Simple Polish Laboratory of the University of Wroclaw.

## ESG Management

### The role of administrative, management and supervisory bodies in ESG matters

Supervision over environmental, social and governance - ESG (E - environmental, S - social, G - governance) issues and the implementation of strategic objectives in sustainable development outlined in the GObeyond strategy is exercised by the Management Board, led by the President of the Board. The Board approves the direction and scope of actions, as well as reviews and oversees the integration of sustainability actions with the Bank's business activities. Within the scope of ESG supervision and management, the Board takes into account the voices and opinions of stakeholders resulting from received reports, Customer and employee surveys, and information from partnerships with NGOs. Reports and surveys are presented, among others, at the Board meetings.



### Considering sustainability-related outcomes in incentive systems

Sustainable development is one of the four key pillars of the GO beyond strategy for 2022-2025, therefore board members are committed to achieving annual ESG goals, which are cascaded throughout the Bank. ESG goals have been assigned to senior management, members of the Sustainability Council, all employees of the Sustainable Development Area, and those responsible for the development and sales of sustainable products and services. Additionally, the Bank actively promotes the adoption of ESG goals among its managers and employees. The Bank strives for all employees to adhere to the principles of sustainable development as the foundation of the organizational culture and to achieve measurable ESG goals.

### Sustainable Development Area

The Bank's strategic approach to ESG matters is reflected in the separation of sustainable development competencies in the organizational structure. Sustainable development tasks are coordinated by the Sustainable Development Area (SDA). The Executive Director of the SDA reports directly to the President of the Board. His role is also to inform the Board and the Supervisory Board about: ESG issues, related risks and opportunities, implementation of due diligence, results and effectiveness of ESG policies and actions. Additionally, the Executive Director of the Sustainable Development Area leads the cross-sectional Sustainability Community structure, acting as the Chief Sustainability Officer.

The mission of the Sustainable Development Area is:

- developing the Bank's strategy and implementing ESG and sustainable development actions,
- planning and managing the Bank's budget for the implementation of ESG and sustainable development initiatives,
- initiating, implementing and reporting initiatives, projects and programs in the field of ESG and sustainable development,
- initiating the creation of sustainable products and services with a positive impact offered by the Bank, with special emphasis on supporting the energy transformation (including: RES and energy efficiency),
- cooperation with international and domestic financial institutions and organizations, rating agencies, clients, and other external stakeholders, • cooperation with other units and organizational cells and internal stakeholders of the Bank,
- coordinating the work of the Sustainability Community,
- monitoring and analysing the ESG aspects of the Bank's clients and transactions and coordinating policies and analyses in the field of corporate social responsibility, especially in sectors sensitive to sustainable development,
- building the Bank's position as a leader in ESG and sustainable development,
- conducting a dialogue with stakeholders in the field of ESG and sustainable development.

### Sustainable Financing

The Bank is committed to offer responsible and sustainable products that positively impact the environment. We ensure that our products are accessible to those from groups at risk of exclusion. We wish to support entrepreneurship and social innovation with our offer of products and services. We want to contribute to the energy transformation and the promotion of solutions conducive to the protection of the natural environment.

The value of sustainable financing on 30.06.2024 was PLN 9.96 billion, accounting for 11.3% of total financing.

Table 14. Value of sustainable financing provided by the Bank (as of 30.06.2024)

Category	PLN million
Value of sustainable financing, including:	9,960
with a positive environmental impact	536
with a positive social impact	6,591
financing dependent on ESG results (Sustainability-Linked Loan, ESG Rating-linked Loan)	2,833

### Key Sustainable Development Transactions in in the first half of 2024

Our key commitment in terms of responsibility for the natural environment is to support Customers in the energy transition. The Bank is constantly developing a range of products and services that assist Customers in transitioning to a low-emission economy and in developing their sustainable and eco-friendly investments.

#### Green Loans

Green Loans are loans where the proceeds are allocated towards investments that have a positive or significantly limit negative environmental impact. They can combine several environmental objectives, such as an energy efficiency project, renewable energy sources installations or the construction of an environmentally certified building. The financed investments must be described in the Green Loan Framework based on the LMA Green Loan Principles and be approved by an external body's opinion (the "Second Party Opinion").

In the first half of 2024, the Bank completed two transactions classified as Green Loans:

- a loan granted as part of a banking consortium worth EUR 38 million (including the Bank's share of 19 million euro) for refinancing the costs of the Lakeside office building construction in Warsaw, with an area of approx. 24 thousand sq.m. The building will meet the EU Green Taxonomy's technical criterion due to high energy efficiency, and will also receive a Breeam Outstanding environmental certificate. The project was executed by Atenor, a long-term client of the Bank. The loan qualifies as a Green Loan per the Green Loan Principles and is in line with Atenor's Green Investment Framework that is externally audited by ISS ESG.



- a loan granted to the developer Tonsa Commercial REI N.V. Group as part of a banking consortium worth nearly EUR 38 million (including the Bank's share of EUR 20.6 million) for the Olivia Star project in Gdansk. This is one of the most advanced green office buildings in Poland. Energy-efficient, equipped with a heating system using geothermal sources and surrounded by greenery, it is why the building has gained a BREEAM "Excellent" certificate and a high score of 25 in WELL Health-Safety Rating.

#### Sustainability-Linked Loans

The Bank signed another agreement with the EFL Group for the value of PLN 300 million. EFL is a group of companies specialising in leasing passenger and commercial vehicles as well as machinery and equipment, and other financial services, primarily for the SME sector. The ESG goals used in this transaction concern increasing the financing of green assets, such as photovoltaic panels and heat pumps, increasing the number of financed zero-emission vehicles, and increasing employee participation in training, especially in sustainable development.

#### ESG Rating-Linked Loan

ESG Rating-Linked Loan is financing where pricing terms are partly linked to an improved ESG rating score. In the first half of 2024, the Bank carried out the following transactions:

- PLN 30 million for a leading IT services company,
- PLN 24 million for a producer of components for the automotive industry,
- PLN 5 million for a producer of relays for industrial automation and other applications

#### ESG-Linked Factoring

ESG-Linked Factoring is a transaction where pricing terms are partly linked to the achievement of strategic ESG goals. In the first half of 2024, BNP Paribas Factoring, in collaboration with the Bank, signed an agreement with a leader in wholesale and retail food trade for the amount of PLN 75 million.

### Supporting Customers in their Energy Transformation

#### Ecological Credit

The Bank, in cooperation with the Bank Gospodarstwa Krajowego, within the FENG Operational Program (European Funds for the Modern Economy 2021-2027, Priority 3. Greening of Enterprises, Action 3.01 Ecological Credit), introduced a product known as Ecological Credit last year. In H1 2024, the Bank cooperated with Customers in the next call for applications.

The product is intended for SME, Small Mid-Cap and Mid-Cap sector businesses to implement an ecological investment aiming at reducing primary energy consumption by at least 30%. The correct implementation of the project will allow the entrepreneur to obtain an ecological premium from BGK, intended for partial repayment of the loan up to 80% of the project's eligible costs. The program includes, among other things, modernisation of production infrastructure such as technological lines and building infrastructure, thermal modernisation, exchange of heat sources and modernisation of other installations. In addition, it is also possible to install renewable energy sources, such as photovoltaic panels, which

will contribute to the reduction of CO<sub>2</sub> emissions and limit the negative impact on the environment. The energy audit, the cost of which can be covered up to 90% through the Bank under the Elena initiative, is the document on which the project is based.

#### Introduction of Ecomax Credit

Based on cooperation with the Bank Gospodarstwa Krajowego, the Bank introduced a product called Ecomax aimed at implementing an ecological investment aiming to modernise a company to reduce primary energy consumption by at least 30%. The product is directed at SME sector businesses. The loans granted under Ecomax are covered by a free BGK guarantee and entitle the borrower to receive a subsidy of 20% of the used loan, after the investment is completed.

#### Credit with a subsidy from the priority program "Clean Air"

In the first half of 2024, the Bank held discussions aimed at implementing changes necessary to increase the distribution of funds from the "Clean Air" programme to Bank Customers. The Bank established close cooperation with the Lewiatan Confederation to improve the programme and expedite the process of assessing applications for funding and implemented changes to the programme initiated by the National Fund for Environmental Protection and Water Management.

The "Clean Air" programme is the largest and most important project in Poland that effectively improves the quality of air and reduces greenhouse gas emissions. The subsidy for the replacement of heat sources and thermal modernization was provided for owners and co-owners of single-family houses or designated in single-family building apartments with a separate land and mortgage register. "Clean Air" loans are covered by a free guarantee from the Bank Gospodarstwa Krajowego (BGK), allowing clients to use higher maximum loan amounts, extended financing periods and lower interest rates.

#### PF4EE (Private Finance for Energy Efficiency)

The sale of loans under the European Investment Bank's risk sharing instrument, PF4EE (Private Finance for Energy Efficiency), has reached its limit, meaning that BNP Paribas Bank has met its obligations a year ahead of schedule. Since the start of the contract in January 2020, BNP Paribas Bank has financed PLN 1.4 billion of investments in renewable energy sources and energy efficiency for retail Customers and housing communities by granting almost 37,000 loans amounting to PLN 1.2 billion.

As part of the agreement, the EIB reinsures the portfolio of loans granted by the Bank to improve energy efficiency. The beneficiaries of the PF4EE Program are housing communities and retail Customers who finance thermal modernisation undertakings and micro-installations of RES. Thanks to EIB support, they can benefit from higher maximum loan amounts, extended financing periods and lower interest rates.





## Support for regenerative agriculture

Supported by the bank, McCain Foods launched the Regenerative Agriculture programme, running training for farmers on topics such as soil vitality, organic matter, cover crop management, crop diversification and enhancing biodiversity. The bank, together with McCain, sponsors technical training and farmer support for three years.

McCain will also work with the Bank to support breeders in transformation. The partnership will provide a range of financial support measures for growers joining the regenerative agriculture program, including a reduced-interest loan to help transition to regenerative farming methods. McCain's agreement with the Bank has been signed for three years.

## Technologies for the energy transformation of Customers

### AgroEmission Carbon Footprint Calculator for Pig and Beef Production

The bank has launched new calculation models on the Agronomist.pl platform: for pig and beef production as part of the AgroEmission Calculator. The AgroEmission Calculator is the only GHG emissions calculator in Poland that calculates emissions related to crops, animal and dairy production, aimed at entrepreneurs from the food & agro sector. The tool enables the independent calculation of greenhouse gas emissions. The AgroEmission Calculator is used by corporate Customers to calculate the carbon footprint of their suppliers.

### Cooperation with Envirly

In line with its strategy, the Bank is consistently strengthening its position as one of the leaders in providing ESG services and financing green transformation. After a successful pilot programme involving clients from the SME sector and corporations, the Bank extended its long-term co-operation in 2024, all the microentrepreneurs to also use the platform. The first micro-businesses can use Envirly to measure their environmental impact in Scope 1 and 2 free of charge from 1 July 2024. As part of the planned, long-term co-operation, the Bank also offers attractive financial conditions for other business Customers - small and medium-sized enterprises and corporations.

With this initiative, we support our clients in reporting greenhouse gas emissions in line with international standards and norms, such as the GHG Protocol and ISO 14064-1. During the Envirly platform pilot programme, the tool was used to calculate the carbon footprint and monitor emission changes resulting from investments in energy savings or thermal modernisation. Thanks to the Bank's investment, the tool is quickly developing and currently also offers a module for calculating the carbon footprint of a product (Life Cycle Assessment) and a module for ESG data reporting.

## Barrier-free Bank

We want to create an ecosystem of solutions at the Bank that ensures equal access to banking for all our clients, along with the highest comfort and simplicity in their use. We operate in line with the GO beyond strategy for 2022-2025, in which accessibility is one of our key commitments in the POSITIVE pillar. We place particular emphasis on facilitating the use of banking services by individuals from groups at risk of social exclusion. People with disabilities or senior citizens can count on finding products and services tailored to their needs in our Bank, both offline and online. We regularly analyse all

channels of access to our offer in terms of functionality and friendliness, in line with the best WCAG (Web Content Accessibility Guidelines) guidelines.

We adapt our Customer Centres architecturally for people with limited mobility. Our efforts are confirmed by the Integration Foundation, which grants the "Barrier-free object" certificate to objects that have implemented facilities for wheelchair users, people with mobility disabilities, the blind, visually impaired or deaf, and are adapted to the needs of the elderly and small children.

The Bank also simplifies communication with Clients. Currently, 70 people have completed advanced training in the principles of plain language. They are now plain language consultants who simplify messages, text messages, marketing texts, and other materials for Clients on a daily basis. What's more, every employee can undergo training in plain language and take part in a webinar or conference dedicated to this topic. In April 2024, the Bank received a plain Polish certificate awarded by the Simple Polish Laboratory of the University of Wrocław.

### Key achievements in the first half of 2024:

- 134 Customer Centres and the Bank's Headquarters building in Warsaw with the "Barrier-free object" certificate,
- 195 Customer Centres with induction loops,
- 284 calls with a sign language translator - connection time 16 hours.

## Social Engagement

For years, we have systematically engaged in philanthropic activities and local community issues. In accordance with the POSITIVE pillar of the GO beyond Strategy for 2022-2025, we strive to ensure that all Bank's activities have a positive impact on the social and environmental surroundings. We want the Bank to be an agent of positive change and a good neighbour, close to local needs. We focus on combating social exclusion, supporting diversity and financial education. Our impact on society is strengthened by the BNP Paribas Foundation and the initiatives it implements in three areas: educational programmes, environmental philanthropy, and employee volunteering

### Our plans and actions:

- continuation of long-term programmes reducing inequalities, strengthening the potential of young people, solidarity initiatives, and partnerships in the field of environmental philanthropy,
- strengthening cooperation with non-governmental organisations and experts dealing with reducing inequalities, combating climate change, promoting strategic philanthropy, and employee volunteering. The Foundation will work to strengthen the role of non-governmental organisations, mainly by promoting business-NGO partnerships and membership in the Donor Forum,
- strengthening employees' social engagement through volunteering and individual philanthropy and initiatives in the field of financial education,



- development of tools supporting employees' social engagement, e.g. salary deductions for social organisations, a volunteering platform.

#### Actions taken in the first half of 2024:

- pilot of the new developmental program "I CAN", strengthening the social-emotional competences of children and adolescents. The assumptions of the programme are based on the experience of 20 years of running the "Class" programme and research on the needs of young people in access to education,
- launching a charitable transfer for the "Knowledge to Power" programme, which aims to engage the Bank's clients in supporting the education of children and adolescents with refugee and migratory experience,
- establishing a new partnership with the Natural Heritage Foundation in the area of "Environmental Philanthropy", protection of endangered areas, and species within the "Eternal Forests" and "Micro-reserves" projects,
- maintaining high employee engagement in the employee volunteering programme - continuation of long-term initiatives such as the Volunteer Projects Competition, eco-volunteering,
- engaging bank employees in financial education through BAKCYL and Mission Education programmes,
- engaging employees in eco-initiatives, such as "2 hours for the Earth", during which we clean our neighbourhood and plant trees.

#### Addressing social and environmental issues in communication

##### #INFLUENTIALS and Good Decisions Bank

This year's Earth Day saw the launch of the campaign to protect our rivers #INFLUENTIALS - as part of which residents of Poland are encouraged to create a grassroots system for collecting information on water cleanliness. In addition, in May the Bank launched a premium sale "Account with a card for the Influentials": each person who, when opening an Open Account for You with one of 3 Mastercard debit cards to choose from and online banking, participates in the promotion receives an innovative Aguard float, which, when put into the water, allows checking the quality (salinity) of water in the dedicated Aguard mobile application.

##### Mission Education

We continue the interdisciplinary bank project "Mission Education", which spreads knowledge in society on finance, cybersecurity, ecology, entrepreneurship, and psychology, and bank employees have the opportunity to give classes in educational institutions or for senior citizens. As part of the campaign in the first half of 2024, another edition of the Pocket Money Mission, which fills the gap in the educational system by providing children, parents, and teachers with valuable and engaging financial education content in the form of practical expert advice, podcasts, developmental games, quizzes, lesson scenarios. The project is dedicated to teachers of children from grades I-VI of primary schools and parents.

Key achievements of the "Mission Education" campaign:

- 15,615 students from local nurseries, primary and secondary schools participated in financial education lessons conducted by our employees (January 2021-June 2024),
- 2,073 teachers engaged in the project,
- 68,609 children given financial education (March 2022-June 2024).

Since April 2023, the Bank has been supporting the project implemented by the Cosmos for Girls Foundation "Discover Your Powers" in primary schools. Workshops are based on an original test, which was inspired by the talents test of the Gallup Institute. Natural predispositions (12 POWERS) have been translated from the "adult" language and set in contexts understandable to the child. Already 110,000 children in Poland have discovered their powers and over 2,600 teachers have conducted workshops in their classes.

#### Campaign for the SME and Corporations segment of BNP Paribas presenting the stories of clients' business transformations

At the beginning of June 2024, the Polish edition of the group campaign "For those who move the world" started, aimed at the SME and Corporate sectors. The campaign also involved Polish companies, which, by establishing cooperation with the Bank, gained access to financing and comprehensive support in making key decisions - financial, technological and business ones, including in the fields of energy transformation, energy efficiency, international expansion and product innovation. The aim of the campaign was to show how BNP Paribas partners cope with the challenges of sustainable transformation and how they develop and benefit from the experience of the largest banking group in the European Union.

#### Meetings with property managers

In the first half of 2024, 30 meetings and conferences were held with community property managers across Poland. Half of them were conferences organised by the Polish Market Development Institute, where the Bank was the only speaker from the banking sector. The lecture topics: "How to be an eco community and gain. New financing opportunities for housing communities for modernisation and building renovations". The Bank's experts presented the benefits of thermal modernisation of buildings and the available financing options for housing communities, including the possibility of using a RES grant to co-finance 50% for the installation of renewable energy sources (photovoltaic panels, energy storage, heat pumps, etc.).

#### Sponsorship activities

Our sponsorship policy is aimed at building the brand and strengthening its awareness. Through the sponsorship policy, we create a positive image of the bank. The direction of sponsorship activities is dictated by the global sponsorship strategy of the BNP Paribas Group. As part of this strategy, we promote playing tennis. We also promote culture - especially cinematography. We sponsor tennis events in Poland, film festivals, cultural, economic and technological events.



## Tennis events

The BNP Paribas Group is the largest tennis sponsor in the world, supporting this sports discipline for over 50 years. Therefore, the Bank prioritises tennis events sponsorship offers in Poland.

In the first half of 2024:

- a series of eliminations for the Bank employees from the WAT CUP series took place in the largest Polish cities, ending with a tournament in Warsaw. The winning team went on to further games at the Roland Garros courts in Paris;
- the first part of a series of tournaments for amateurs - business people - BNP Paribas Business Cup took place. The tournaments took place in Krakow, Katowice, Częstochowa and Wrocław;
- the Bank was a partner of many local tournaments - for amateurs, children and industry-specific ones, among others in Częstochowa, Gdynia, Poznań, Szczyrk, Stargard, Gorzów Wielkopolski, Szczytno, Żukowo, Złotów and Wrocław.

## Film events

The film theme, besides tennis, is one of the most important pillars of the BNP Paribas Group's sponsorship strategy, implemented under the #WeLoveCinema slogan.

In 2019, we started cooperation with the largest multiplex network in Poland. As part of the cooperation, we are a partner of all IMAX theatres in Poland and eight cinema halls in multiplexes in the largest Polish cities. The Bank has also become a partner of a series of special film screenings for women called "Ladies Nights", organised in selected 19 Cinema City movie theatres across the country.

From 27 April to 5 May 2024, the International Independent Cinema Festival Mastercard OFF Camera took place - the largest independent cinema festival in Central Europe. The Bank was for the sixth time a strategic partner of this event. This year we were a partner of the Audience Award, a series of live talks with stars, a special "Camera ON" screening, outdoor cinema at the Szczepanski Square and the "Girl, power!" film section.

During the 17th edition of the International Independent Cinema Festival Mastercard Off Camera, the Female Voice Award was presented for the second time, which the Bank is a partner of together with Mastercard. It is a distinction for brave and outstanding women in film.

## Economic events

In the first half of 2024, the Bank was a partner of the conferences:

- 16th European Economic Congress (EEC) in Katowice,
- 14th European Financial Congress in Sopot.

## The Bank of Green Changes

Responsibility towards the natural environment is one of the Bank's commitments as part of the GO beyond strategy in the POSITIVE pillar. For years, we have been involved in activities to minimise the effects and counteract climate change. The Bank of Green Changes programme aggregates all the organisation's activities for the benefit of the natural environment.

The Bank of Green Changes programme consists of:

- monitoring Customers and investments in terms of ESG and implementing CSR policies, with particular emphasis on decarbonisation processes,
- constant development of the product and service offer, helping our Customers transition to a low-emission economy and green investments,
- real changes in the functioning of the organisation (so-called eco-optimization), leading to minimising the negative impact of operational activity on the natural environment,
- educational actions targeted at employees of all Bank areas and external stakeholders and establishing partnerships and supporting pro-environment initiatives.

As part of minimising the negative impact of our operational activity on the natural environment, our priorities are: reduction of CO<sub>2</sub> emissions, implementation of new eco-optimisations at the workplace, using energy from renewable sources and increasing the proportion of hybrid and electric cars in the bank's fleet.

### Actions taken in the first half of 2024:

- Since October 2021, we have been installing photovoltaic panels at our own Bank branches. Currently, we have 18 launched locations with a total power of 375 kWp, which by the end of May 2024 produced 355 MWh, another 3 are being launched.
- We are replacing LED lighting in Customer Centres, where we currently have 90% of lighting replaced, and in headquarters - 100%.
- We segregate waste at a level of 90%.
- We are preparing for certification for the standards: Energy Management ISO 50001 and Environmental Management ISO 14001.
- We launched pilot miniBMS (Building Management System) management systems, which control the operating schedule of the most energy-consuming installations, in 5 network locations.
- We continue to greenify the motor fleet by implementing the ESG goals from the GO beyond strategy and the updated electrification goals of the entire BNP Paribas Group. According to the new guidelines, by 2025, 30% of the Group's car fleet will consist of electric cars.





- As part of supporting electromobility, we have prepared an internal Guide "Electric around the changing world" - intended for current and future users of company electric cars in the Bank, which is a collection of benefits, rules and interesting facts about electric cars.
- We are implementing actions related to promoting and supporting alternative means of transport. As part of the headquarters, we have made fully electric bicycles available for the spring-autumn period to achieve local business goals. Additionally, we continue and introduce initiatives such as "Cycle to work" or "Change your taxi for a step towards health".
- This year's edition of the Safe Driving Academy BNP Paribas training project, which is geared towards users of company cars is carried out in a new extended format, where we educate employees in the context of safety and empathy in traffic while maintaining and building eco-attitudes behind the wheel.
- Nearly 325 thousand pieces of documents signed electronically in the first half of 2024, which means respectively 862 thousand pieces of saved sheets of paper, or 1,723 fewer reams of paper used.



## Pillar STRONGER

### Pillar description

Dynamic and, above all, effective growth will not be achieved without improving internal processes and a large-scale transformation of the IT area, using modern information technologies, such as cloud computing or open banking. The bank plans to invest a total of approx. PLN 1.5 billion in technological improvements, aimed at supporting business development and doubling the pace of implementing new solutions. A thorough change of the technology used in the bank will enable business scaling, as fast and cost-effective scalability is the basis of a modern digital bank and allows to go beyond the framework of traditional banking services.

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

The Bank will also increase the use of the potential of the data. With the aid of advanced analytical tools that utilize modern technologies such as cloud computing, big data, and artificial intelligence in decision-making processes, the bank aims to support its business development, enhance service quality, and bolster operational efficiency.

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

## Actions under the assumptions of the GO beyond strategy in the first half of 2024

PILLAR	KEY ACHIEVEMENTS IN THE FIRST HALF OF 2024
<p><b>#STRONGER</b></p> <p>The global strength of the BNP Paribas Group, combined with dynamic technological development and E2E process optimization, forms the basis for organic growth and high Customer satisfaction.</p>	<ul style="list-style-type: none"> <li>implementing a full credit workflow in all corporate banking centres and significantly reducing the credit process time for the Corporate Customers segment</li> <li><b>Oracle Fusion ERP Cloud:</b> Initiating the implementation of the banking sector's first Enterprise Resource Planning (ERP) system operating entirely in the cloud, which will increase organizational efficiency and enhance process integrity</li> <li>Further development of the GENiusz Chatbot, based on GenAI technology, with additional areas and functionalities allowing further optimisation of processes and increasing work efficiency (95 AI use cases)</li> <li>launching <b>behavioral protection</b> in the GOMobile application for all Customers</li> <li>a series of actions in the area of technology to strengthen the Bank's resilience to DDoS attacks</li> <li><b>222 active robots</b> supporting the Bank's operations. 18 implementations in the first half of 2024, in areas of retail Customer service, risk, trade finance, and compliance)</li> <li>22<sup>nd</sup> edition of Office Hours. Collaboration with innovative companies that present solutions to improve the Bank's operations. In this year's edition, the task is to develop a tool for analysing the energy efficiency of buildings and estimating their thermal modernization potential in order to finance thermal modernization investment</li> <li><b>over 50% of the Bank's net profit for 2023 was allocated for dividend payout</b> - DPS: PLN 3.41</li> </ul>

## Digitization and innovation - IT strategy

The IT@Scale strategy addresses both strictly infrastructural and process-related areas as well as issues related to the development of employee competencies and the recruitment of IT experts from the demanding external market. All activities are subordinated to the idea of IT and business unit partnership in an agile operating model, addressing flexible product development and modern, multichannel Customer service.



In 2022, the Bank began the implementation of the GO beyond strategy, aiming to become the digital bank of the future; it initiated wide-ranging actions in the technological field, formulating them within the framework of strategic actions named IT@Scale.

The IT@Scale strategy addresses both strictly infrastructural and process areas, including those related to strengthening cybersecurity, as well as issues related to the development of employee competencies and the recruitment of IT experts from a demanding external market. All actions are subordinated to the idea of IT and business unit partnership in an agile model of operation, addressing a flexible way of product development and modern, multi-channel Customer service.

One of the leading initiatives within the IT@Scale strategy is GOcore, which modernizes the central system environment that forms the center of the corporate architecture, providing services for the entire Bank on a 24/7 operating model. In the first half of this year, the main emphasis was placed on further development of the new payment platform launched in October 2023 and the introduction of a new Customer data repository - the Customer 360 platform - within internal processes.

In 2024, we continued our work on the utilization of generative artificial intelligence in internal processes, using our own environment to develop and train various language models. This forms the basis for creating innovative solutions, while ensuring complete data security.

### Implementation of the IT@Scale Strategy in the first half of 2024

<b>INITIATIVE</b>	<b>Deep transformation of the core banking ecosystem (GOcore)</b>
<b>INITIATIVE DESCRIPTION</b>	The transformation of the core banking ecosystem entails a comprehensive overhaul of the Bank's application architecture concerning the central system and systems directly associated with it. The purpose of this transformation is to shorten the time-to-market, enhance the efficiency of IT solutions and decrease the operational risk by doing the following: <ul style="list-style-type: none"> <li>• implementing IT platforms - scalable and reusable across various business domains (in the areas of payments, products and Customer data)</li> <li>• Reducing the business logic and dependencies between the central system and other IT systems</li> </ul>
<b>ACHIEVEMENTS</b>	<ul style="list-style-type: none"> <li>• implementing and conducting internal tests of outbound files compliant with the new ISO 20022 standard (pertaining to electronic data interchange between financial institutions)</li> <li>• developing and validating a comprehensive architecture solution for the new platform serving Customer data, Customer 360, and providing the first online services from the central data source (the so-called "golden record") for Corporate, SME, and Micro segments Customers</li> <li>• making the new BLIK check product available on the test environment for the Bank's first Customer - checks allow the collection of funds or withdrawal from an ATM without the need to have access to the internet, a phone, or a bank account,</li> <li>• uninterrupted and invisible to Customers exchange of the central system infrastructure</li> </ul>

<b>INITIATIVE</b>	<b>Raising the maturity of IT management processes and services (Hyperautomation)</b>
<b>INITIATIVE DESCRIPTION</b>	Improving the maturity of IT management processes and services through optimization, standardization and automation
<b>ACHIEVEMENTS</b>	<ul style="list-style-type: none"> <li>• the first stage of implementing the infrastructure scanning tool and performing a scan of selected test environments</li> <li>• automation of services in the ServiceNow tool to reduce service time</li> <li>• conducting standardization of the CMDB (Configuration Management Database) based on the CSDM 3.0 model, which defines and organizes the appearance of the data structure in the database)</li> </ul>

<b>INITIATIVE</b>	<b>Building a data platform (GOdata)</b>
<b>INITIATIVE DESCRIPTION</b>	Improving and implementing solutions in the data area to create a scalable and secure platform ready to work in the cloud, providing consistent and integrated data and offering analysis capabilities available to the entire Bank
<b>ACHIEVEMENTS</b>	<ul style="list-style-type: none"> <li>• implementing initial generative artificial intelligence solutions (chatbots) that increase the efficiency of information use in business and IT processes</li> <li>• implementing IT Copilot - a tool supporting programmers in software development - the tool enables automatic generation and enhancement of code, creation of test scenarios, and even rewriting solutions developed in "old", currently rarely used programming languages into modern Java or Python language architectures.</li> </ul>

<b>INITIATIVE</b>	<b>Building digital competencies (Engineering Culture)</b>
<b>INITIATIVE DESCRIPTION</b>	Building the Bank's digital competencies through innovative reskilling and upskilling programs and promoting knowledge about new trends and technologies
<b>ACHIEVEMENTS</b>	<ul style="list-style-type: none"> <li>• launching another edition of the innovative reskilling program "I can DO IT" for the Bank's employees, enabling them to start a career path in new technologies, in the role of a Solution Architect</li> <li>• continuing the upskilling program in new technologies - UniversITy, where the trainers are internal IT experts (in the 5th edition, which took place in the first half of 2024, over 900 Bank employees participated)</li> <li>• holding "GOtech Week" - a technological event for the Bank's employees, during which the most important trends in the new technology market related to the development of AI and gen AI were discussed</li> </ul>





INITIATIVE	Elimination of technological debt (GOmodulo)
INITIATIVE DESCRIPTION	Ensuring business units are supported in providing modern, scalable, and cost-effective system architecture
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>improving processes for identifying and managing technological debt</li> <li>modernization of the technological environment addressing critical technological debt and closure of 4 outdated production applications</li> </ul>

INITIATIVE	Cloud transformation (GOcloud)
INITIATIVE DESCRIPTION	Building and consistently implementing a hybrid-multi-cloud environment based on the benefits of private and public clouds, in order to ensure IT service scalability and access to the latest tools and technologies.
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>implementing and making available a scalable automation platform for New Technology and IT Support teams and further automation of services based on private cloud</li> <li>developing a new cost model for services at the level of business products</li> <li>migration of selected applications to a scalable database platform</li> </ul>

### Internet and mobile banking

In the first half of 2024, the Bank continued intensive development of remote channels, implementing a series of functionalities aimed at strengthening its competitive position, lowering the cost of service delivery and raising the level of Customer service quality while ensuring the highest security standards.

Furthermore, due to the dynamic political and economic situation, the Bank's activities in the field of internet and mobile banking also focused on providing maximum support to Customers in remote access to banking services and products.

The Bank consistently introduces additional self-service processes to its electronic banking offer, enabling Customers to meet their most important needs daily without the need to visit a branch - from applying for additional products to after-sales service - from any device and at a time convenient for them.

### The most important changes in the systems and offerings for retail Customers in the first half of 2024

#### Payments

- The ability to save phone top-up templates
- For SORBNET type transfers, the option to perform a transfer after 3:00 PM in the D+1 mode

### The most important changes in the systems and offerings for retail Customers in the first half of 2024

#### Loans and cards

- new post-sale dispositions regarding mortgage loans

#### Investments and savings

- Customers making investment fund conversions will be presented with information about the cost of this transaction, allowing them to make an informed investment decision
- a new schedule of costs and fees to download in PDF format
- enabling a fund return feature for Customers who have an IKZE account

#### Customer Data / Customer

- new Logout page for retail Customer segments
- adding the option to arrange a visit in the Customer Center in the Services tab for Retail Customers in the Services - All services tab

#### Accounts and cards

- promotion for a personal account with the Żabka network through GOMobile
- adding a Mój Portfel tab aggregating all of the client's funds in GOMobile
- opening subsidiary and foreign exchange accounts for companies

#### Security

- behavioral protection for GOMobile Customers
- handling passwords for documents in GOonline

The basis for building development plans in the field of internet and mobile banking is the voice of the Customer. Regular feedback, for example, through a Customer satisfaction survey, allows us to more efficiently identify the advantages and disadvantages of the services offered and better understand retail Customer needs.

The security of Customers is a fundamental element of the Bank's electronic banking development strategy, which is why the GOonline system has been enriched with additional mechanisms to prevent the potential effects of unauthorized access and campaigns promoting modern methods of authorization and responsible use of remote channels.

**Table 15. Data concerning retail Customers**

Detailed list	System name	30.06.2024	30.06.2023	change %
Number of Customers / users using internet banking	GOonline	689,683	713,159	(3.3%)
Average monthly number of transactions in the Internet channel	GOonline	2,829,588	2,923,913	(3.2%)
Number of Customers / users using the mobile application (GOmobile)	GOmobile	1,215,353	1,138,471	6.8%
Number of Customers / users using mobile banking (mobile devices)	GOmobile + GOonline	1,317,266	1,262,295	4.4%
Number of Customers / users using only the mobile application (GOmobile)	GOmobile	825,520	779,550	5.9%
Number of Customers / users using only mobile banking (mobile devices)	GOmobile + GOonline	951,709	896,852	6.1%

#### The most important changes in the systems and offerings for business Customers in the first half of 2024

- enabling the import of domestic payments in the Express Elixir mode via GOonline Business and GOconnect Business
- implementing the "Create a transfer to the sender" functionality from the level of the incoming transfers list in the transaction history
- in the Statements module, adding the ability to additionally generate bank statements in XML format
- making available the functionality to save details of domestic and foreign payments to a PDF file
- GOconnect Business - making available in GOconnect messages another function of downloading current messages / information issued by the Bank
- migration of 21 thousand companies from the Micro-enterprises segment from the GOonline Business system to the GOonline system in April 2024

**Table 16. Data concerning Corporate and SME Customers**

Detailed list	System name	30.06.2024	30.06.2023	change %
Number of Customers actively logging in	GOonline Biznes	117,452	137,507	(14.6%)

Detailed list	System name	30.06.2024	30.06.2023	change %
Average monthly number of transactions	GOonline Biznes	6,605,245	6,786,438	(2.7%)
Number of Customers/users of the mobile application	GOmobile Biznes	32,060	26,196	22.4%

#### Bank cards

BNP Paribas Bank Polska S.A. collaborates with Mastercard and Visa organizations in the context of issuing and servicing payment cards. The card portfolio includes debit cards, credit cards, and cards with a delayed payment date.

As of June 30, 2024, the number of issued cards was 2,391 thousand pieces, 46 thousand less than in the corresponding period of the previous year. The observed decrease is mainly related to credit cards and is associated with the need for cyclic termination of inactive contracts.

The increase in debit cards is mainly due to the Bank's offer which is highly popular:

- My Premium Account opened with a dedicated My Premium Card or Multicurrency Card,
- Open For You Account with the possibility of issuing 4 cards (Open for Today Card, Open for eWorld Card, Open for World Card, and Multi-Currency Card),
- Family Banking offer - Adulthood Card issued to people aged 13-18, Independent Card and Micro Independent Card issued to children aged 7-13,
- two new cards: Visa Film Card and Visa Tennis Card.

As part of My Premium Account and Open For You Account, in addition to the physical card version, you can also receive a mobile card.

**Table 17. Number of bank cards issued by the Bank**

thousand pcs.	30.06.2024	30.06.2023	change YoY	
			thousand pcs.	%
Retail Customers' debit cards	1,571	1,563	8	0.5%
Retail Customers' credit cards	603	660	(57)	(8.6%)
Business debit cards	205	202	3	1.5%
Business cards with deferred payment	8	8	0	1.2%
Business credit cards	4	5	(1)	(6.5%)
<b>Total</b>	<b>2,391</b>	<b>2,437</b>	<b>(46)</b>	<b>(1.9%)</b>



## Support for innovation

The Bank operates an Open Innovation Office, which supports product development and increases innovation and technological advancement. It looks for interesting solutions, tracks market trends, and then proposes interesting solutions.

The main tasks of the team are:

- supporting the Bank's units in obtaining and testing innovative solutions from start-ups and scale-ups,
- evaluating the potential and possibilities of implementing presented innovations,
- identifying new business models,
- educating and inspiring the Bank's units in terms of innovative solutions,
- implementing and conducting banking for innovative companies.

The Open Innovation Office collaborates with all units of the Bank, particularly with:

- The Area of New Technologies and Cybersecurity - jointly developing new products and promoting the spirit of innovation,
- The Sustainable Development Area and the Sustainability Community - so that new products and services respond to sustainable development challenges both in environmental and social aspects.

The Office team developed the Office Hours process (a proprietary process for acquiring and adapting innovations), which since 2019 has significantly simplified internal procedures and increased the chances that the Bank will acquire modern technological solutions.

More information on this topic can be found on the Bank's website: <https://www.bnpparibas.pl/innowacje/wdrazamy>.

## Actions taken in the first half of 2024

### Education and learning about the latest technological trends

We regularly present the most interesting startups and scale-ups from Poland and abroad to our Product Owners and Tribe Leaders, in response to their challenges and the development strategy of specific products. In the first half of 2024, 60 meetings with innovative companies were held.

**"Startup Coffee"** – a series of events, thanks to which sales network employees or risk area employees can meet the most attractive and technologically advanced companies in Poland and their creators, our "Customers of tomorrow", who are changing the world and at the same time can support our transformation. The main goal of the meetings is to deepen knowledge about innovative companies, the advantages and disadvantages of building a business based on the latest technologies. These are short "coffee" meetings, during which participants learn, among others, the history of innovative companies and the fate of their founders. They also find out what scaling startups and developing new business models looks like.

**"Design without secrets"** – a series of events aimed at building awareness in the field of User Experience Design, UX research, and the use of design systems. A design system is currently a key element of each digital product. During the series of meetings, you will be able to find out what the term "design system" means and whether and how this system reduces the work time of interface design specialists and programmers responsible for digital products. Our guests are experts from technology companies, research institutions, and UX agencies who share their knowledge based on specific solutions implemented by them.

### Adapting innovations as part of internal cooperation

In June 2024, in response to a need reported by the Sustainable Development Area, the Open Innovation Office launched the Office Hours process to verify a product supporting managers and owners of residential buildings in the energy transformation of buildings as part of a pre-energy audit and assessment of the building's thermo-modernization capacity with elements of RES.

### Promoting the innovation ecosystem

#### Positive Impact Ecosystem

For years, the Bank has been co-creating the "Positive Impact Ecosystem" project with Koźmiński Business Hub. In June 2024, Koźmiński Business Hub published another report "Positive Impact Startups".

The objectives of these reports include highlighting companies carrying out the most interesting activities. The reports contain experts' statements on the Polish positive impact ecosystem, as well as descriptions of the activities of the most interesting start-ups of the given year. They also show innovative solutions proposed by positive impact start-ups in selected industries - from construction to education and sustainable fashion to health and responsible tourism.

#### Map of the Polish technological ecosystem

Together with Endeavor Polska foundation, we issued the first report that deeply analyses the multi-year development of the technological companies ecosystem and the accompanying challenges. It also indicates how the Polish innovation sector is changing. The report is based on the many months of work by the team of analysts at Endeavor Poland, interviews with key Polish tech entrepreneurs, and analysis of data from over 700 Polish companies. In this way, a comprehensive map of the Polish innovation ecosystem was created. This is also the first publication that focuses not only on the needs of the fastest-growing innovative companies, but also shows the potential of the Polish innovation ecosystem compared to other EU countries.

### We support innovative companies with financial products and a dedicated team of experts

The Open Innovation Office team continues to acquire and provide banking services to innovative companies at different stages of development. In addition to financing offers, we offer young, dynamically growing companies a full range of banking products - so far available only as part of Corporate Banking. We focus primarily on building long-term relationships - both with innovative companies and their investors, and looking for new development opportunities for them, which is why private and investment banking experts also joined the team. We already cooperate with over 200





innovative companies and their founders. Our goal is to make the Bank the financial institution of first choice for fast-growing innovative companies by 2025.

## Cybersecurity

In the first half of 2024, the Bank strengthened its cybersecurity level through educational activities for the Bank's employees: meetings, webinars, and online courses. At the same time, it carried out informational activities directed towards Customers through the Bank's website, social media, webinars, and articles from the series titled "Be a step ahead of the hacker" as well as messages in electronic banking. The security zone available on the Bank's website at [www.bnpparibas.pl/bezpieczenstwo](http://www.bnpparibas.pl/bezpieczenstwo) has been rebuilt to increase its attractiveness, operation speed, and accessibility of security recommendations. In response to events in Ukraine and the Gaza Strip, the Bank continued its intensified supervision over its IT infrastructure based on the latest technological solutions.

### Implementation of the Strategy in the first half of 2024

INITIATIVE	Secure Tomorrow
INITIATIVE DESCRIPTION	Strengthening cybersecurity
ACHIEVEMENTS	<ul style="list-style-type: none"> <li>• further expansion of the CyberBunker, including an increase in the number of critical applications protected against cyberattacks by creating isolated data copies</li> <li>• providing electronic banking clients with behavioral protection within the GOMobile application while conducting a campaign directed at the Bank's clients concerning the possibility of increasing the level of security through activation of behavioral protection within GOonline and GOMobile electronic banking</li> <li>• reconstruction of the security zone available on the Bank's website</li> <li>• increase in the security of the Bank's infrastructure by implementing new Threat Intel tools and network infrastructure security</li> <li>• continuation of the expansion of the system detecting false transactions with new functionalities in order to effectively protect the Clients' funds</li> <li>• acting in accordance with international standards ISO27001 and ISO22301, standardizing information security and business continuity management systems</li> <li>• maintaining a high Moody's "BitSight" and Mastercard RiskRecon security rating</li> </ul>



## Pillar TOGETHER

### Pillar description

The Bank believes that an engaged and satisfied employee guarantees a high level of Customer satisfaction. Hence, it is crucial to provide an environment that supports the development of employees, their activity and creativity, but also accepts mistakes resulting from testing bold, non-standard solutions. To this end, the Bank promotes among employees values (Transparency, Simplicity, Courage, Cooperation, Empowerment), the use of which in everyday work will allow us to dynamically respond to changing market conditions and contribute to the effective implementation of our strategic ambitions.

In order to ensure greater operational flexibility and better alignment of products and services to Customer expectations, the Bank began operating in a new working model, Agile@Scale, at the beginning of 2022. This is a modern, agile way of operating with a high level of independence and decision-making power for employees.

### Actions in line with the GObeyond strategy assumptions in the first half of 2024

PILLAR	KEY ACHIEVEMENTS IN THE FIRST HALF OF 2024
<p><b>#TOGETHER</b> People first: we focus on people. An engaged and satisfied employee ensures a high level of Customer satisfaction. Agile@Scale and a new organizational culture are the foundations for a diverse and inclusive work environment, based on trust, courage, and creativity.</p>	<ul style="list-style-type: none"> <li>• over 2 years of working in the agile Agile@Scale model; the goals of the tribes are integrated with strategic directions</li> <li>• improvement of employee satisfaction measured by the eNPS indicator to the level of 24 (+5 points vs April 2023, above the strategic goal for 2025 at the level of 20)</li> <li>• implementation of the Leadership Competency Model - LeaderUP</li> <li>• the Bank's first hackathon - Alathon. The challenge was to build an AI model that will most effectively indicate fraudulent/deceptive transactions in mobile channels</li> <li>• the fifth edition of the internal knowledge sharing program #UniversITy - training in new technologies, programming, agile project management. In total, about 4,000 people have already benefited from training in this area</li> <li>• the third edition of the Pocket Money Mission - an educational project conducted in primary schools all over Poland, which helped about 60,000 children gain financial knowledge</li> <li>• "Valuable Meetings" - workshops supporting the implementation of the Organizational Culture, in which 2.5 thousand participants took part in 233 sessions in the first half of 2024</li> <li>• partnership agreement titled "INCLU(VI)SION" with the Activation Foundation, which supports the employment of people with disabilities</li> <li>• numerous awards and distinctions, including the Top Employer Poland 2024 title (for the 11th consecutive time, with the overall result highest in 3 years</li> </ul>

at the level of 95.7%), honoring on the Diversity IN Check 2024 List (for the 4th consecutive time)

## Good workplace

### Agile@Scale operational model

The Agile@Scale transformation covers the part of the organization responsible for developing and implementing products (business, IT, support roles). The Bank is currently organized around products responsible for comprehensive processes and IT systems.

The Agile@Scale operational model was implemented in January 2022 and covers 17 Tribes, 5 IT areas, 60 Products and 58 Chapters. By implementing the Agile approach, the Bank aims to achieve the following goals:

- **FASTER** - by reacting more quickly to changing Customer needs and market conditions, measured by a change in the Time to Market indicator, which shows how fast we can implement new solutions. In 2023, the Agile@Scale teams delivered three times as many solutions as in 2022.
- **BETTER** - by delivering innovative, high-quality products and services based on Customer needs, measured by an increase in the NPS indicator, which shows how Customers recommend the Bank.
- **HAPPIER** - through employee engagement, raising their competencies, and attracting and retaining talent. The Pulse Check employee opinion survey shows a significant improvement at the Bank level for almost all metrics, and Agile@Scale contributes to this. In particular, eNPS improved by 6 points from 18 in 2022 to 24 in the first half of 2024, while the engagement rate increased from 77% to 85% in the first half of 2024.

Similar to the previous year, in the first half of 2024, we continued activities focused on optimizing production processes and harmonizing ways of working between Tribes and other units in the Bank.

Additionally, in the first half of 2024, we expanded the Beyond Agile (a model that goes beyond Agile) pilot to an additional 500 people and are preparing for implementation in the distribution network and the Personal Finance area. By the end of 2024, we plan to cover almost 5 thousand employees with the two work models Agile@Scale and Beyond Agile.

### Employee relations

We aim to build an organization that is an exceptional place to work, providing a high standard of leadership, with employees focused on key competencies and organizational values. While attracting top candidates from the market, we also care about motivation and efficiency among our current employees. We develop leadership and future competencies among our people, enabling them to find and continuously develop in the digital and changing times.



The most important documents formally defining the personnel policy conducted in the Bank are:

- Collective Labour Agreement for the Employees of BNP Paribas Bank Polska S.A.
- Employee Remuneration Policy of BNP Paribas Bank Polska S.A.,
- Work Regulations of BNP Paribas Bank Polska S.A.,
- Remuneration Policy for persons having a significant impact on the risk profile of BNP Paribas Bank Polska S.A.

Projects and initiatives implemented in the area of human resources management are monitored as part of cyclical reviews with the team managing a particular area, and all projects have their indicators which are controlled. Additionally, key human resources management projects are continuously presented and discussed by the Bank's Management Board. We also submit our actions to employees' opinion through surveys and company-wide studies. Staff are informed at least two weeks in advance about significant operational changes that may have a significant impact on them.

In relation to actions aimed at improving operational and cost efficiency, including further technological transformation in the area of sales processes, after-sales service, and support, as well as the continuation of the implementation of a new work model based on agile methodology in the Bank's structures, the Bank's Management Board decided in 2023 to continue the process of employment restructuring.

In December 2023, as a result of negotiations with trade unions, an Agreement was signed on the rules for conducting group layoffs and on the Voluntary Departures Program. The agreement was concluded for the years 2024-2026. The group layoffs will involve the termination of employment contracts with a maximum of 800 employees. This number also includes employees who will be offered new employment conditions by notices of amendment and who will refuse to accept them. In the first half of 2024, an employment contract was terminated with 59 people as part of the group layoffs program.

99% of the Bank's employees are covered by collective labor agreements. The use of the collective agreement has been completely excluded in relation to: members of the Bank's Management Board and employees seconded to work abroad, persons taking up work in the Bank on the basis of secondment from other BNP Paribas Group entities, and persons employed on the basis of managerial contracts. The working and employment conditions of these employees are not determined on the basis of other collective labor agreements. They are set out in individual agreements.

**7,888**

employment in the Bank (FTEs)

**8,023**

employment in the Group (FTEs)

**Table 18. Employment structure in the Bank and the Group**

Employment	Number of FTEs		Number of active FTEs	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
<b>Group – total</b>	<b>8,023</b>	<b>8,370</b>	<b>7,599</b>	<b>7,873</b>
<b>Bank, including:</b>	<b>7,888</b>	<b>8,232</b>	<b>7,472</b>	<b>7,740</b>
Headquarter	4,835	4,846	4,629	4,619
Branches	2,935	3,251	2,730	2,989
Mobile advisors	77	94	73	91
Brokerage	36	36	35	36
Trade Unions	5	5	5	5
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	41	41	41	38
BNP Paribas Leasing Services Sp. z o.o.	8	8	8	8
BNP Paribas Group Service Center S.A.	86	85	81	83
Campus Leszno Sp. z o.o. in liquidation	-	4	-	4

*Data expressed in terms of positions have been rounded to the full unit*

### Dialogue with employees

We conduct an open, honest, ethical, and respectful dialogue with employees. We care about a quick flow of information and encourage dialogue. We also use internal communication to promote and strengthen the values that guide us every day. High standards for communication with the Bank's employees are defined by, among others, the BNP Paribas Group Code of Conduct and the GO beyond Strategy for 2022-2025.

The priorities of the Bank's internal communication are:

- simple and understandable messages,
- transparent communication, especially of difficult topics,
- the principle: "Employees learn about everything first",
- ethical behavior and consistency with the Bank's values,
- employees' development and engagement.





For the convenience of employees and the effectiveness of communication activities, there are several communication channels in the Bank: Echonet - the bank's intranet, which contains many useful, regularly updated information, mailings, Hello newsletter (weekly online), Bonjour Magazine (monthly online), webinars, employee meetings with Management, Town hall (also online), screens in headquarters, wallpapers, screensavers, pop-ups, video materials, podcasts, surveys, opinion polls, quizzes, and competitions.

### Employee satisfaction survey

A very important ambition of the Bank is to continuously build a friendly and engaging workplace. The main element of taking care of such an environment is to regularly listen to the voice of employees and react to the feedback given. The main tool for collecting opinions is the Pulse Check survey. In 2024, it took place in April and its results were analysed by managers, HR Business Partners, the Organizational Culture Team and the Management Board.

#### Pulse Check eNPS indicator

eNPS	IV 2023	XII 2023	IV 2024
<i>Inquiry:</i> To what extent do we recommend BNP Paribas Bank as an employer to our friends and family?	19	23	24

Compared to the previous edition of the survey, there were no significant changes in the Bank's overall results. The highest indicator of positive responses given by employees (97%) referred to the statement about engagement at work: I fully engage in my work to contribute to the company's success. The statements about superiors are very well rated: My direct superior supports me when I need it (91% positive responses) and My direct superior gives me sufficient autonomy so I can do my job well (94%).

The eNPS indicator for the entire Bank continues to show an upward trend. In this edition of the survey, the indicator increased by 1 point and reached a score of 24. Justifying the recommendation to work at the Bank, employees most often mentioned a good atmosphere, the opportunity for training and development, and job stability.

The eNPS index is calculated based on the answers to the question: How likely are you to recommend BNP Paribas Bank Polska S.A. as an employer to your friends and family? Everyone uses an eleven-point scale from 0 to 10 to respond. When giving an answer, you must remember how individual choices are interpreted:

- choosing ratings from 0 to 6 - means "I am not satisfied with the pro-employee actions offered by the Bank" (group of critics),
- choosing ratings of 7 or 8 - means "I have no opinion on this matter and the pro-employee actions in the Bank are neutral to me" (group of neutrals),

- choosing ratings from 9 to 10 - means "I positively evaluate the actions carried out for the employees in the Bank" (group of promoters).

Based on these results, the eNPS indicator is calculated according to the formula: eNPS = % of promoters - % of critics.

### Employees' salaries

We implement in the Bank a rational, balanced and controlled remuneration policy, which is in line with our strategy, accepted level of risk, standards and key values. The policy is based on clear principles and addresses good market practices in terms of salaries. Formally, the rules related to salaries are set by the "Collective Labour Agreement" and the "Remuneration Policy for Employees of BNP Paribas Bank Polska S.A.". In addition, the Bank also operates a remuneration policy for persons who have a significant impact on the Bank's risk profile.

The employee reward system is based on the Management by Objectives (MbO) formula. In practice, this means that an individual's bonuses are tied to the level of achievement of goals - both quantitative and qualitative. The combination of individual and team goals illustrates the level of expected results, taking into account the Bank's risk profile and ensuring actions are in line with the Customer's interest.

The Remuneration Committee and the Nomination Committee support the Supervisory Board in fulfilling supervisory duties in human resources management. They monitor and supervise the most important processes - succession plans, employee career development, remuneration policy. The committees prepare opinions and recommendations for the Supervisory Board, which concern, among others, the assessment of candidates for members of the Management Board and candidates for members of the Supervisory Board, the terms of employment of members of the Management Board, including the amount of fixed and granted variable remuneration. The Bank carries out an annual wage regulation process (Compensation Review Process) - one of the significant criteria taken into account in this process is reducing the wage gap, for which dedicated funds are allocated.

### Employee wellbeing and health

We offer the Bank's employees attractive benefits and participation in INITIATIVES that enable them to take care of their health, develop sports skills, and pursue their passions. We have designed the benefits offer in such a way that the loved ones of the employed can also benefit from it. Benefits offered in the Bank are grouped into four PILLARS, and their large number and wide scope allow adapting benefits to the individual needs of each person.

The benefits offer for the Bank's employees (employed full-time, unless otherwise indicated) includes:

- in the "Security" PILLAR: Employee Capital Plans, life and accident insurance for employees and their loved ones (also for part-time and fixed-term employees), additional insurance for school-age children, discounts on travel insurance and OC/AC motor insurance, insurance - oncological and cardiological package, financial aid from the Company Social Benefits Fund (also for part-time and fixed-term employees), housing loans from the Company Social Benefits Fund.



- in the "Health" PILLAR: Lux Med health care program for employees and their loved ones (also for part-time and fixed-term employees), MultiSport Plus cards (Employee, Accompanying Person, Kids, Kids Aqua, Student, Senior), Worksmile application, which gathers employees around their passions and sports activities (also for part-time and fixed-term employees), a "Health Starts from the Head" campaign for all Bank employees, during which we promote concern for mental health - educational webinars about mental resilience, workshops with games building and strengthening well-being, individual consultations with psychologists, relaxation and mindfulness sessions as well as sports challenges "Just around the corner" and "Move for Health 2024".
- in the "Work-life balance" PILLAR: Two Hours for the Family/for the Human campaigns, Good Kilometers campaign, MyBenefit Cafeteria system (regular point top-ups for employees), co-financing for employees' and their children's rest, campaigns and actions within the Bank Close to Loved Ones program - e.g. parenting week, intranet page for parents, flexible working hours, additional days off (additional occasional leave, additional day off for using the entire current leave in the calendar year, leave for volunteering), promoting parental leave.
- in the "Friendly work environment" PILLAR: Dobrze wellbeing program (also for part-time and fixed-term employees), personalized Szumisie teddy bears for newborn children of employees, occasional top-ups for employees and their children, discount offer and banking products for Bank employees.

As part of the Lux Med health care program, we pay for employees (employed for at least 0.3 of a full-time position) a medical care package that includes, among others, protective vaccinations, occupational medicine examinations, specialist doctor consultations, laboratory tests and outpatient procedures, diagnostic tests, dental prevention, emergency dental help, rehabilitation, a package of tests without referral. In addition, under the agreement with Lux Med, employees have a choice of several packages with a wider range of available services.

The flagship wellbeing program at the Bank is the Dobrze program, the objectives of which are to improve awareness of caring for a good quality of life and self-care, strengthening psychophysical condition, reducing stress, calming the mind, working with one's own emotions, taking care of the immune system and healthy eating. Every Monday, employees receive a schedule of meetings and activities, which include, among others, webinars related to health and stress, psychological help, meetings with dieticians, as well as conversations with a mental coach and massages. Employees have access to wellbeing activities in the Dobrze program through the Health Nation mobile app.

## Competence development in the organization

We are building a competent organization in the Bank. The assumption that - the right competencies in the right people in the right place and time are a necessary condition for business effectiveness - is the basis of the Bank's development and training policy. We invest in the competencies of leaders, talents, experts, and employees by addressing the diagnosed needs in the field of skills. We strive for the Bank to be an attractive place for development for every employee.

An important PILLAR in the development policy is the development of effective leadership and effective leaders managing business areas in accordance with the BNP Paribas leadership competency model.

At BNP Paribas, we have long been working in the spirit of our values: simplicity, empowerment, transparency, courage, and collaboration. These values form the foundation on which we want to build our **leadership competency model - LeaderUP**.

Now is the time to devote energy and attention to leadership competencies. Competent leaders are the driving force behind BNPP's development. The competency model we propose is a kind of roadmap that shows the direction we are heading and how we want to build our competitive edge. Competencies are those specific behaviors and skills that we can observe in everyday situations.

Leadership competencies are:

- We over I,
- Empower Others,
- Infect With Positive Energy,
- Act Courageously,
- Shape the Future Strategy,
- Achieve Goals,
- Bet on People's Development,
- Adopt and Implement Sustainable Development Principles.

In the first quarter, we focused on **the implementation of LeaderUp**. We conducted a self-assessment of all our leaders along with subsequent webinars where leaders learned about their level of leadership competencies to know which competencies to develop in 2024. 83% of the Bank's leaders took part in the self-assessment.

In the second quarter, the Months of Competencies began. Managers are invited to participate in webinars, online workshops and other activities through which they can better familiarize themselves with a selected competency and understand what behaviors it is characterized by and how to work with it. The offer was rated at an NPS level of 77.

**We develop the competencies of our employees from the first day of work. Newly hired individuals undergo basic general bank training - "Nice to see you" and introductory training in the product offer and operation of operational system.**

**Leader Development Academy** (New Born Leaders) – Training for people with less than a year of managerial experience. The Academy shapes the desired leadership attitude in the Bank, develops leadership competencies, and supports the building of organizational culture and attitudes consistent with our values. In the first half of this year, a new version of the program was developed and launched.

Another key group in which the Bank invests competencies are high potential individuals, so-called Talents. In the first half of 2024, development activities for our employees and leaders identified as high potential individuals were continued.



Those identified as "Leaders for Tomorrow" participate in an international training offer prepared by Talent Development EM BNP Paribas. In addition, a local initiative of a 10-month program was created for the youngest group of talents (Emerging), held under the slogan "How to become a world champion?". The metaphor of striving for championship was a starting point for discussions about the role of a leader, leadership competencies needed for ACHIEVEMENTS success and career development as a "talent" (NPS workshop evaluation: 95).

We also want every person employed at the Bank to feel responsible for their professional development. In response to this, we launched a rich offer of training and webinars under the "MyWay" umbrella. In addition to mandatory training related to working in a given position, which we primarily conduct in the form of e-learning, we offer a wide package of individual training and the possibility of co-financing language learning or studies.

We are also open to individuals who are only considering the direction of their professional career. Our Summer Internship Program in the Bank is aimed at students of at least the second year of studies. We want to break the stereotypes associated with working in the banking industry and show how exciting a modern, innovative bank can be as a workplace. During internships, interns gain knowledge in banking, Customer service, new technologies, and marketing. We invite students to participate - remotely, on-site, or hybrid - in engaging tasks and projects. For students: third and fourth year and graduates, we have prepared internship programs. Their aim is to prepare interns to join our organization.

For employees who are parting ways with the Bank, we offer programs to support them in finding their way in the labor market: an outplacement program for employees offering support in finding a job, defining a professional profile, help in preparing a CV, preparing for an interview.

#### Other training initiatives in the Bank in the first half of 2024:

- re- and upskilling programs: 2nd edition of Lean Green Belt and UX Academy,
- "Valuable Meetings", i.e. workshops supporting the implementation of Organizational Culture, in which 2,485 participants took part in 233 workshop sessions in the first half of 2024,
- #MamToDamTo - a program that allows, among other things, to develop skills in using MS Office package tools and operating banking applications. The training also provided knowledge in the areas of Agile and Lean management. In this program, we provide employees with the opportunity to exchange knowledge and mutually support development. In the first half of 2024, 937 participants took part in 101 training sessions dedicated to 28 topics,
- UniversITy – IT training, in which 677 participants took part in the first half of 2024, covering 26 different topics to expand knowledge in the field of modern technologies,
- Women Up - Future UP mentoring program within the employee network "Women Changing BNP Paribas",
- 3rd edition of the ESG Academy - 200 new participants.

#### The first half of 2024 in number:

- over 500 people participated in various development activities, filling 15,621 places in various training groups,

- 5,729 people participated in 374 group training sessions,
- 239 people participated in individual training,
- 29 individuals were learning a foreign language individually,
- 22 people took advantage of study co-financing,
- 1,438 people completed at least one e-learning training from the available 213 different topics.

**Table 19. The average number of training hours**

	30.06.2024	30.06.2023
The average number of training hours that employees have undertaken	16.7	17.8
By gender		
Women	17.4	18.5
Men	16.7	16.5
By employment category		
Management Board	12.8	13.1
Key managers	10.6	9.6
Managers	17.4	18.2
Other employees	17.7	17.9

We allocate about 50% of the Bank's annual training budget to specific business areas. We believe that by decentralizing part of the funds, more accurate decisions are made in terms of selecting topics for training participants.

The Learning & Development team has been working since January in a new model based on building partnerships with business lines, new L&D Partner roles, and newly recruited experts, which reflects the systematically built approach of proactive identification of skills needed for effective business.

### Diverse and inclusive workplace

In the Bank, we create a diverse community for many talents. The inclusive organizational culture, which has been consistently built for years, increases creativity, drives innovation, opens up new ideas, markets, clients, builds a business advantage, and thus contributes to the development of employees and the success of the entire organization. We base daily cooperation on trust and respect - we want everyone in our Bank to be able to express themselves, realize their career aspirations, passions, feel appreciated and have a sense of influence.





**82 years**

age of the oldest employee

**41 years**

an average employee age

**19 years**

age of the youngest employee

**41 year**

longest employment tenure

### Diversity management policy

Since 2016, all of us at the Bank are bound by the "Diversity Management Policy", which promotes a work environment focused on respecting and optimally utilizing the potential inherent in the differences between employees. According to the provisions of the Policy, diversity is respected in every aspect of workplace management. We strictly adhere to these principles during the recruitment process, career development, and during training. The Bank also does not tolerate any indirect or direct discrimination in employment.

Employees who have experienced a lack of respect for themselves or others should primarily contact their supervisor or HR Business Partner in this matter. If for various reasons this is not possible, they can also use other channels (described in the Policy on dealing with violations in respect for others at BNP Paribas Bank Polska S.A.):

- mailbox: [sprawypracownicze@bnpparibas.pl](mailto:sprawypracownicze@bnpparibas.pl),
- anonymous reports (whistleblowing).

All reports are considered by the Employee Relations Team, while cases involving behaviors that may indicate the occurrence of mobbing, discrimination, harassment or sexual harassment - are directed for consideration by the Employee Behavior Standards Committee.

In the first half of 2024, employees reported a total of 9 cases, three of which are still under investigation. The behaviors reported mainly related to problems in relations with superiors or between co-workers, including those related to:

- potential discrimination and mobbing – 1,
- other inappropriate behaviors – 8.

All reports are analysed with due seriousness, thoroughly, fairly, and while maintaining full discretion. In accordance with this latter principle, these cases are not publicized within the Bank, and only those directly involved in their explanation have access to them.

Due to the weight of the allegations made, the Commission for Employee Conduct Standards was convened twice in the Bank during the described period. As a result of the Commission's work, in the case of one report, allegations of mobbing were confirmed. The culprits of all inappropriate behaviors suffered consequences commensurate with their misdemeanors, and the victims received the necessary support.

Diversity and inclusion (D&I) management is part of the GO beyond business strategy for 2022-2025. In the TOGETHER PILLAR, we focus on a culture of courage, agency, and diversity, as a basis for supporting efficiency and creativity. We have also adopted specific commitments regarding, among other things, the percentage of women on the Board of Directors 30%, and the gender pay gap below 4% by 2025. As a result of changes made to the Bank's bodies, the share of women on the Board of Directors as of January 1, 2024, is 37.5%, while on the Supervisory Board, as of July 3, 2024, - 50%.

Supporting diversity is one of the commitments in the global BNP Paribas Group strategy. The Group's Board of Directors is also involved, with measurable goals set in this area, cascaded down to individual countries. With the help of Group leaders and Diversity Officers, countries implement their local challenges respecting local conditions and supporting the potential of grassroots employee initiatives.

### The Bank's actions that promote diversity

Since 2016, we have been a signatory and are abiding by the Diversity Charter, an international initiative under the auspices of the European Commission, which commits to introducing bans on discrimination and promoting diversity. We also signed the "BNP Paribas Agreement on Fundamental Rights and Global Social Solutions and the International Labor Organization (ILO) Global Business and Disability Network Charter". The document commits us to respect human rights in our business activities and promote diversity, gender equality, and health and quality of life at work. Supervision over the respect for diversity and coordination of actions in this regard is carried out by a person appointed to a dedicated position for managing diversity and inclusion as well as two people holding the position of Diversity Officers in our Bank.

We subject our diversity efforts to external assessment. In 2024, for the sixth year in a row, we were among the leaders (score above 80%) in diversity management in the Diversity In Check study organized by the Responsible Business Forum.

We always present respect for diversity and an inclusive organizational culture - not only to those already employed, but also to candidates, in accordance with the "Principles of employee recruitment at BNP Paribas Bank Polska S.A." as well as during the onboarding process. We actively support, also with a dedicated budget, grassroots employee initiatives promoting gender equality, equal parental rights, intergenerational dialogue of people 50+, with disabilities, neuro-atypical, LGBT+ community. We regularly undertake actions to prevent discrimination and promote D&I standards in the workplace. We have developed the Decalogue of Equal Treatment - "Spot the differences, don't discriminate" - a set of rules to prevent discrimination, micro-discrimination, and exclusion in the workplace, prepared based on a survey examining the perception of equal treatment.



### Initiatives promoting diversity and inclusion in the workplace:

- events initiated and co-organized by employee networks. In the first half of 2024, we carried out: "Health starts with the head" (education in the field of mental health), we built awareness in the area of neurodiversity, we organized Parents' Days, we celebrated Pride month. We are preparing for further cyclical events such as Diversity Days and Health Days,
- dialogue with groups at risk of exclusion, examining their needs, sense of inclusion in the Bank, designing and implementing adequate actions (actions after surveys on the situation of people with disabilities, or people 50+ and intergenerational dialogue),
- collaboration in creating a guide for companies developing based on the idea of diversity and inclusion by the Polish Institute for Human Rights and Business - "Diversity and inclusive culture step by step",
- "First aid to humanity" campaign in partnership with the Polish Red Cross - first aid training combined with a lesson in tolerance,
- The Decalogue of Equal Treatment - a set of rules to prevent discrimination, micro-discrimination, and exclusion in the workplace created by the employee network Women Changing BNP Paribas based on a survey examining the perception of equal treatment. The project is widely communicated, and the basis of the "Spot the differences, don't discriminate" campaign are animations depicting specific behaviors and attitudes that are inappropriate and those that build respectful relationships in the workplace,
- webinar on inclusive language,
- regular internal surveys on the perception of equality and assessment of the Group and Bank's actions for diversity, equality, and inclusion,
- participation in the development and promotion of the report "Diversity management in commercial banks" of the DEI Committee at the Association of Polish Banks.

### Initiatives promoting equal opportunities for women and men:

- the "Just a word" marketing campaign, promoting feminatives, whose use helps fight stereotypes and promotes equal opportunities between sexes,
- partnership with the Share the Care Foundation, projects: "Equal at home, equal at work", "Proud to be a working mum", "100% Man",
- reducing the pay gap between women and men and communicating it transparently. We level the chances of promotion and participation in talent programs and set specific goals for equal participation of women at all levels of the organization's positions,
- partnership in the #WiedzaNieMaPłci action, the aim of which is to show how important it is to strengthen the position of women in public debate and reduce disparities in the presence of female experts in the media,

- partnership in the programs "Success is Me", "What's up with this cash", Businesswoman of the Year of the Success Written with Lipstick Foundation,
- support for the initiatives of the 30% Club Poland, #JamaisSansElles, Champions of Change Club,
- partnership in the Women in IT Day Future Collars events,
- proprietary development programs Women Up and Future UP.

### Initiatives for parents:

- Parent's Day is a recurring event during which children get to know their parents' workplace and participate in various workshops promoting values important to the Bank, related to Sustainable Development Goals, and employees can raise their parenting skills during webinars, workshops, meetings with expert people. Topics covered include threats and protection of children online, support for neuro-atypical children, new technologies, environmental protection, first aid,
- a partnership with the Share the Care Foundation, which promotes balancing the rights of both parents to care for a child and building engaged fatherhood,
- the webinar series "Health starts with the head" includes topics on prevention and mental health of children and adults.

### Initiatives promoting equal opportunities for people with disabilities:

- the educational campaign "Different abilities, common goal" and a specially prepared space on the intranet,
- e-learning for managers and employees with disabilities,
- savoir-vivre guide for people with disabilities,
- supporting people with disabilities in obtaining a disability certificate,
- a series of interview films "People with experience" presenting conversations with employees who face the challenge of disability or health problems and want to share this experience with the banking community,
- a dedicated position for the inclusion of people with disabilities, as well as a dedicated position in the recruitment team,
- partnership with the Incluision Foundation Activization, whose goal is to facilitate the entry of people with disabilities into the Polish labor market.

### Initiatives promoting equal opportunities for neuro-atypical individuals:

- an awareness campaign on neurodiversity "A different look at a different look" (webinars, educational materials, a specially prepared space on the intranet),
- cooperation with the AsperIT foundation - an awareness campaign, webinars, and an audit of the organization's readiness to cooperate with neuro-atypical individuals and implementation of recommendations,



- a guide for managers on good cooperation with people in the autism and ADHD spectrum prepared by the Neuronaut community,
- testimonial from the "People with Experience" series on neurodiversity - the story of a person in the ADHD spectrum and their cooperation with a manager,
- an educational webinar on ADHD spectrum.

#### **Initiatives supporting the LGBT+ community:**

- Pride Day at the Bank's Warsaw headquarters with a screening of the film "Lesson in Tolerance", as well as support for the Campaign Against Homophobia,
- awareness education - including a meeting with a transgender woman about her challenges in personal and professional life,
- supporting the "Love Does Not Exclude" association's campaign "Business Does Not Exclude - You Can Be Yourself Here",
- "Dialogue Bench" - a rainbow bench on the patio of the Bank's headquarters in Warsaw, an invitation to discuss difficult topics in the spirit of dialogue and respect,
- preparation of a guide on how to serve non-heteronormative/LGBT+ people as Bank Customers.

#### **Initiatives supporting age diversity:**

- "Intergenerational Tandem" - an original development project in response to the needs revealed in a survey of employees 50+, as well as managers' experiences in managing multigenerational teams; with the main prize in the Age category in the Polish Diversity Awards 2024,
- education in the field of diversity and inclusivity in the area of age diversity,
- participation in the Diversity Charter Team project (Responsible Business Forum), a cycle of thematic meetings of the working group, bringing together representatives of business and the NGO sector around the broad theme of challenges related to demographic changes and the situation of people 50+. The summary of these meetings is the published material "People 50+ in the labor market - a thematic analysis".





# Financial results

Group financial results

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Business segment performance

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*Adrian Firek, SME Senior Advisor*



## Group financial results

### Statement of profit or loss

**In the first half of 2024, the BNP Paribas Bank Polska S.A. Group generated a net profit of PLN 1,213,566 thousand, PLN 265,934 thousand (i.e. 28.1%) higher than in the first half of 2023. Net profit without taking into account the impact of credit moratoria in the first half of 2024 would amount to PLN 1,377,996 thousand and would be higher by 48.2% YoY.**

**The Group's result on banking activities in the period under analysis amounted to PLN 3,638,148 thousand and was higher YoY by PLN 85,859 thousand, i.e. by 2.4% (without taking into account the impact of credit moratoria, it would have amounted to PLN 3,841,148 thousand in the first half of 2024 and would have been higher by 8.8% YoY).**

The most important factors affecting the level of the result on banking activities in the first half of 2024 and its comparability with the first half of the previous year were the consequences of changes in the macroeconomic situation, including, above all, the level of inflation and the policy of central banks regarding interest rates affecting, inter alia economic activity and the situation on financial markets, and thus the conditions of banking activity. The following were of the greatest importance for the Group's results:

- the persistently high level of interest rates as a consequence of the tightening of monetary policy by the Monetary Policy Council (MPC) in 2022. The first interest rate cuts took place in September and October 2023, when the MPC decreased rates by a total of 100 bps, from 6.75% to 5.75% for the reference rate. Since October 2023, NBP interest rates have remained unchanged. The high level of interest rates has a positive impact on the margins realized by banks in 2023 and 2024,
- excess liquidity of the banking sector in Poland resulting from the good liquidity situation of Customers and the continuing moderate demand for credit both in the case of enterprises and individuals. The comfortable situation on the financing side of operations (faster growth of the value of deposits compared to the value of the loan portfolio) combined with excess liquidity management enabled the optimization of deposit margins and had a positive impact on the level of the Group's interest income in the first half of 2024,
- lower than in the first half of 2023, negative result on derivatives under hedge accounting related to the expected pace and direction of interest rate changes. Net interest income on IRS transactions (jointly on derivatives under fair value hedge accounting and cash flow hedge accounting) is recognised in net interest income and was better by PLN 205,339 thousand YoY in the first half of 2024. Change in fair value measurement of hedging transactions recognised separately in hedge accounting result was better by PLN 21,891 thousand YoY in the first half of 2024,
- a factor that had a negative impact on the increase in net interest income in the first half of 2024 compared to the first half of 2023 was the fact that in mid-May the Act regulating the so-called statutory credit moratoria was amended,

allowing them to continue in 2024. In H1 2024, the Bank recognized a negative impact on the results of PLN 203 million compared to a positive impact of PLN 22 million of the adjustment of the original 2022 estimates recognized in H1 2023.

The factors described above had a significant impact on the increase in net interest income in the analysed period. This result was PLN 182,206 thousand, i.e. 7.5%, higher YoY. Net interest income excluding the impact of moratoria would have been higher YoY by PLN 407,206 thousand, i.e. by 16.8%.

In the first half of 2024, compared to the same period of the previous year, an increase in the cost base was visible, resulting from the impact of inflationary processes and ongoing investments. Total administrative expenses and depreciation and amortization incurred in the first half of 2024 were PLN 214,194 thousand, i.e. 14.2%, higher compared to the first half of 2023 (with only personnel expenses increased by PLN 69,380 thousand, i.e. by 10.0% YoY, and depreciation and amortisation costs by PLN 30,279 thousand, i.e. by 13.5%). The elements of the regulatory environment that had a negative impact on the level of costs in the first half of 2024 compared to the first half of 2023 include an increase in the value of the BFG contribution by PLN 20,083 thousand, i.e. by 16.2%.

In the first half of 2023, the good quality of the loan portfolio, one-off events and a significant change in the forecasts regarding the macroeconomic situation had a positive impact on the result of net allowances on expected credit losses of financial assets and provisions for contingent liabilities (positive result in the amount of PLN 51,350 thousand). In the first half of 2024, this result amounted to -88,085 thousand, which means the cost of credit risk at a very low level (-20 bps).

The impact of legal risk related to court cases regarding foreign currency mortgage loans remains a factor significantly affecting the Group's net result in 2023. In the first half of 2024, it charged the Group's results with PLN 210,772 thousand, which is PLN 379,640 thousand (i.e. 64.3%) lower YoY.

In addition, in the first half of 2023, the Group recognized a deferred income tax asset related to the settlements concluded regarding foreign currency mortgages. In the first quarter, the Bank recognized PLN 59,040 thousand of deferred tax assets, of which PLN 27,489 thousand was realized as of 30.06.2023. At the end of the first half of 2023, the value of the asset amounted to PLN 31,551 thousand.

As at 30 June 2024, a positive impact of deferred tax on the financial result in the amount of PLN 135,535 thousand was recognized due to the creation of an asset for future settlements with Customers resulting from the cancellation of CHF loan agreements.



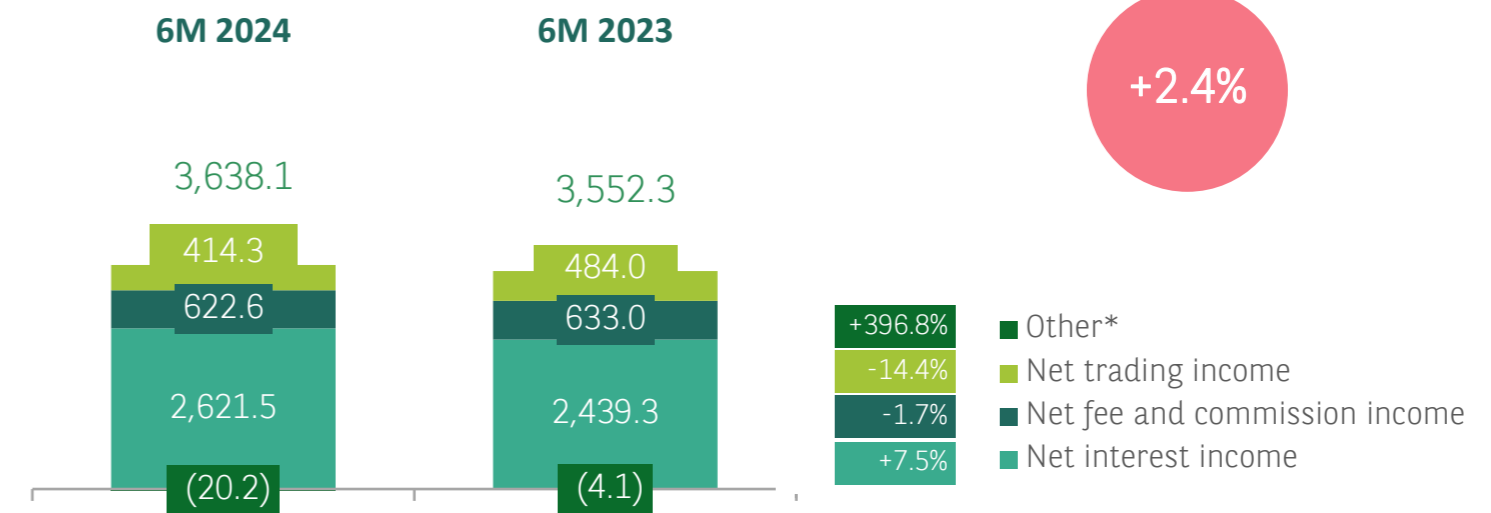


**Table 20. Profit or loss account**

PLN thousand	6 months		YoY change	
	to 30.06.2024	to 30.06.2023	PLN thousand	%
Net interest income	2,621,519	2,439,313	182,206	7.5%
Net fee and commission income	622,570	633,019	(10,449)	(1.7%)
Dividend income	5,352	4,198	1,154	27.5%
Net trading income	414,300	484,031	(69,731)	(14.4%)
Result on investment activities	8,789	(6,363)	15,152	-
Result on hedge accounting	5,561	(16,330)	21,891	-
Result on derecognition of financial assets measured at amortized cost due to significant modification	(2,805)	11,612	(14,417)	-
Other operating income and expenses	(37,138)	2,809	(39,947)	-
<b>Net banking result</b>	<b>3,638,148</b>	<b>3,552,289</b>	<b>85,859</b>	<b>2.4%</b>
Net allowances on expected credit losses on financial assets and provisions for contingent liabilities	(88,085)	51,350	(139,435)	-
Result on legal risk related to foreign currency loans	(210,772)	(590,412)	379,640	(64.3%)
General administrative expenses	(1,470,662)	(1,286,747)	(183,915)	14.3%
Depreciation and amortization	(253,818)	(223,539)	(30,279)	13.5%
<b>Operating result</b>	<b>1,614,811</b>	<b>1,502,941</b>	<b>111,870</b>	<b>7.4%</b>
Tax on financial institutions	(204,611)	(202,535)	(2,076)	1.0%
<b>Profit before tax</b>	<b>1,410,200</b>	<b>1,300,406</b>	<b>109,794</b>	<b>8.4%</b>
Income tax expenses	(196,634)	(352,774)	156,140	(44.3%)
<b>Net profit</b>	<b>1,213,566</b>	<b>947,632</b>	<b>265,934</b>	<b>28.1%</b>
<b>Net profit excluding the impact of credit moratoria</b>	<b>1,377,996</b>	<b>929,812</b>	<b>448,184</b>	<b>48.2%</b>

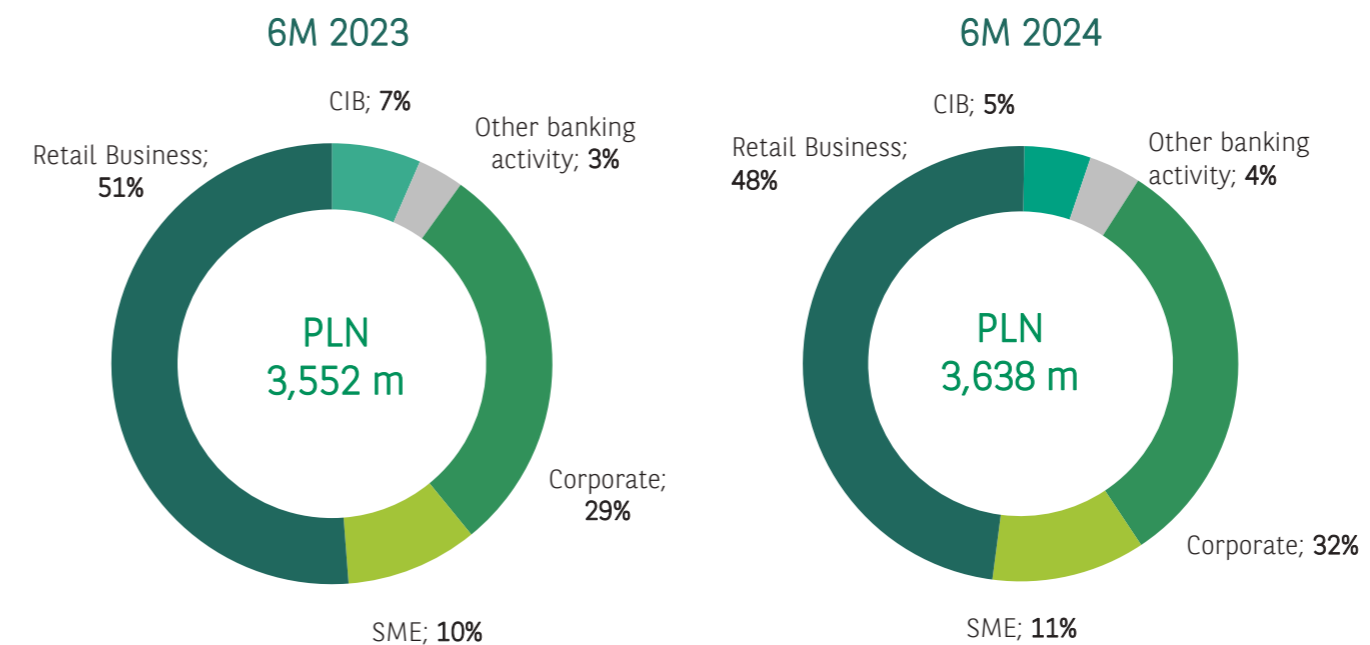
Note: Due to rounding, the individual values in the tables and charts of this Report may not add up

**Chart 14. Structure of the result on banking activities (PLN million)**



\* The 'Other' category includes net investing income, hedge accounting, dividend income and other operating income and expense

**Chart 15. Result on banking activities by segment**







The changes in the structure of the result on banking activities by segment, as presented in the charts above, are, among others the result of a significant improvement in the net interest income of Corporate and SME Banking Division, while at the same time burdening at the Retail and Business Banking result with the cost of credit moratoria.

### Net interest income

Net interest income, which is the main source of the Group's revenue, amounted to PLN 2,621,519 thousand in the first half of 2024 and was higher YoY by PLN 182,206 thousand, i.e. by 7.5%. In the first half of 2024 compared to the first half of 2023 interest income increased by PLN 65,449 thousand, i.e. 1.4%, with a simultaneous decrease in interest expense by PLN 116,757 thousand, i.e. by 5.0%.

An important external factor affecting the level of net interest income is the NBP interest rate policy. From October 2021 to September 2022, the Monetary Policy Council (MPC) raised interest rates with a total value of 665 bps to 6.75% for the reference rate, and then in September and October 2023 it reduced the reference rate by 75 bps and 25 bps (to 5.75%), respectively. The sensitivity estimate of net interest income is described in the Risk Management Chapter of this Management Board Report on the activities of the BNP Paribas Bank Polska Group in the first half of 2024.

**Table 21. Net interest income**

PLN thousand	6 months to 30.06.2024	6 months to 30.06.2023	YoY change	
			PLN thousand	%
Amounts due from banks	185,692	276,203	(90,511)	(32.8%)
Loans and advances to Customers measured at amortised cost	3,204,890	3,583,520	(378,630)	(10.6%)
Loans and advances to Customers measured at fair value through profit or loss	27,130	44,815	(17,685)	(39.5%)
Debt instruments measured at amortised cost	453,980	343,893	110,087	32.0%
Debt instruments measured at fair value through profit or loss	2,931	3,658	(727)	(19.9%)
Debt instruments measured at fair value through other comprehensive income	370,912	304,193	66,719	21.9%
Derivatives under fair value hedge accounting	355,479	183,597	171,882	93.6%
Derivatives in cash flow hedge accounting	5,782	5,766	16	0.3%
Purchased repo transactions	246,609	42,311	204,298	482.8%
<b>Total interest income</b>	<b>4,853,405</b>	<b>4,787,956</b>	<b>65,449</b>	<b>1.4%</b>
Amounts due to banks	(373,632)	(321,515)	(52,117)	16.2%

PLN thousand	6 months to 30.06.2024	6 months to 30.06.2023	YoY change	
			PLN thousand	%
Debt securities issued	-	(3,154)	3,154	(100.0%)
Amounts due to Customers	(1,223,178)	(1,353,062)	129,884	(9.6%)
Lease liabilities	(11,858)	(14,522)	2,664	(18.3%)
Derivatives under fair value hedge accounting	(602,092)	(630,699)	28,607	(4.5%)
Derivatives under cash flow hedge accounting	(18,136)	(22,970)	4,834	(21.0%)
Repo transactions	(2,990)	(2,721)	(269)	9.9%
Other related to financial assets	-	-	-	-
<b>Total interest expense</b>	<b>(2,231,886)</b>	<b>(2,348,643)</b>	<b>116,757</b>	<b>(5.0%)</b>
<b>Net interest income</b>	<b>2,621,519</b>	<b>2,439,313</b>	<b>182,206</b>	<b>7.5%</b>

As a result of the above-described reduction in interest rates in the second half of 2023 and the lower average level of interest rates in the first half of 2024, the profitability of credit products in the first half of 2024 was lower compared to the corresponding period of 2023. Sum of interest income on loans and advances to Customers measured at amortised cost and at fair value through profit or loss amounted to PLN 3,232,020 thousand in the first half of 2024, which was lower by PLN 396,315 thousand, i.e. by 10.9%, than the revenues generated in the corresponding period of 2023.

A factor that contributed to the decrease in the value of interest income on loans and advances was the extension of the so-called statutory credit moratoria until the end of 2024 resulting from the adoption by the Parliament and the signing by the President of the Act of 12 April 2024 amending the Act on support for borrowers who took out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers (the "Act"), allowing Customers to suspend the performance of mortgage loan agreements granted in PLN in the period from 1 June 2024 to 31 December 2024 for a total of 4 months (the "suspension"), the Bank's Management Board decided to recognize the PLN 203 million negative impact of the Act in the results of the second quarter of 2024. More detailed information is included in Note 7 Estimates of the Consolidated Half-Year Report. Without taking into account the impact of credit moratoria, the net interest income in the first half of 2024 would have been PLN 407,206 thousand, i.e. 16.8% higher than in the first half of 2023.

Among the factors that had a positive impact on the level of interest income in the first half of 2024 compared to the corresponding period of 2023 were the very good liquidity position and the increase in the scale of the Group's operations, reflected, among others in the increase in the average value of the securities portfolio. As a result, the Group recorded an increase in interest income on debt instruments measured at amortised cost and fair value by a total of PLN 176,079



thousand, i.e. by 27.0% and an increase in interest income from reverse repo transactions by PLN 204,298 thousand (the cost of buy-back promise transactions were higher by PLN 269 thousand YoY).

Due to the differences in the level of market interest rates in 2024 and 2023, the cost of obtaining deposits decreased. In addition, moderate demand for loans from corporate and retail Customers as well as the Group's comfortable liquidity situation (net loans/deposits ratio at the end of the first half of 2024 amounted to 68.77% compared to 74.13% at the end of the first half of 2023) supported the optimisation of deposit margins. As a result, interest expense on amounts due to Customers in the first half of 2024 amounted to PLN 1,223,178 thousand and was lower by PLN 129,884 thousand, i.e. by 9.6% than the costs incurred in the corresponding period of 2023.

The level of net interest income is affected by the fact that the Group uses fair value hedge accounting and (to a much lesser extent) cash flow hedge accounting. The change in fair value measurement of hedging transactions is recognised in hedge accounting. Interest on IRS transactions and hedged items is recognised in net interest income. Net interest income on hedging relations (sum of interest income and interest expense from derivatives under fair value and cash flow hedge accounting) in the first half of 2024 was negative and amounted to PLN 258,967 thousand compared to a negative impact of PLN 464,306 thousand in the first half of 2023 (a decrease in negative impact by PLN 205,339 thousand YoY).

### Net fee and commission income

The Group's net fee and commission income in the first half of 2024 amounted to PLN 622,570 thousand and was PLN 10,449 thousand (i.e. 1.7%) lower than in the first half of 2023. This was mainly a result of lower commission income from lending activities and intermediation in insurance product sales, partially offset by an increase in the area of asset management and brokerage operations and bank cards.

Fee and commission income amounted to PLN 767,633 thousand and was higher by PLN 7,148 thousand (i.e. by 0.9%) compared to the first half of 2023, while fee and commission expenses amounted to PLN 145,063 thousand and increased by PLN 17,597 thousand (i.e. by 13.8%).

The increase in fee and commission income was mainly related to:

- asset management and brokerage operations by PLN 21,168 thousand, i.e. by 41.7% (mainly due to higher revenues from sales and management of investment funds, custodial and brokerage services),
- payment and credit card services by PLN 15,670 thousand, i.e. by 7.9%, mainly due to settlements related to cooperation with Mastercard and Euronet as well as higher revenues generated from the introduction of a new service in the second quarter of 2024 - card transactions in the form of transfers. In addition, as a result of the growing number of debit cards and card transactions, revenues from interchange fees related to the maintenance and use of debit cards and from currency conversions increased,
- guarantees and documentary operations by PLN 4,881 thousand, i.e. by 14.0% (as a result of higher income from commissions from corporate Clients),

- transfers and electronic banking services by PLN 1,962 thousand, i.e. by 3.8% (as a result of higher commission income on domestic and foreign transfers as a result of among others increase in the volume of payments made by entrepreneurs),

The decrease in fee and commission income was mainly related to:

- lending and leasing activities by PLN 28,957 thousand, i.e. 16.9% (among others due to lower revenues from transactions with large corporate Clients, high base for the first half of 2023) and lower revenues from Retail Banking loans),
- intermediation in the sale of insurance products by PLN 5,893 thousand, i.e. by 6.2% (among others due to lower revenues from mortgage loan insurance, from cooperation with Cardif and insurance of loans of Agro Clients),
- cash services by PLN 1,875 thousand, i.e. by 11.0% (among others due to lower revenues from cash services provided by Poczta Polska).

The increase in fees and commissions expense was mainly due to higher by PLN 8,495 thousand, i.e. 15.1%, the costs of payment and credit cards services (due to higher costs of commissions paid to organizations and entities servicing card transactions), higher by PLN 2,255 thousand costs for intermediation in the sale of products and by PLN 2,953 thousand other commissions expense (among others in connection with the costs of securitization transactions).

**Table 22. Net fee and commission income**

	6 months to 30.06.2024	6 months to 30.06.2023	YoY change	
			PLN thousand	%
<b>Fee and commission income</b>				
loans, advances and leases	142,343	171,300	(28,957)	(16.9%)
account maintenance	114,895	114,071	824	0.7%
cash service	15,171	17,046	(1,875)	(11.0%)
cash transfers and e-banking	53,763	51,801	1,962	3.8%
guarantees and documentary operations	39,713	34,832	4,881	14.0%
asset management and brokerage operations	71,880	50,712	21,168	41.7%
payment and credit cards	214,803	199,133	15,670	7.9%
insurance mediation activity	88,670	94,563	(5,893)	(6.2%)
product sale mediation and Customer acquisition	7,374	6,915	459	6.6%
other commissions	19,021	20,112	(1,091)	(5.4%)
<b>Total fee and commission income</b>	<b>767,633</b>	<b>760,485</b>	<b>7,148</b>	<b>0.9%</b>
<b>Fee and commission expense</b>				



	6 months to 30.06.2024	6 months to 30.06.2023	YoY change PLN thousand	%
loans, advances and leases	(926)	(252)	(674)	267.5%
account maintenance	(5,042)	(4,783)	(259)	5.4%
cash service	(13,575)	(12,131)	(1,444)	11.9%
cash transfers and e-banking	(1,510)	(1,323)	(187)	14.1%
asset management and brokerage operations	(3,459)	(2,926)	(533)	18.2%
payment and credit cards	(64,913)	(56,418)	(8,495)	15.1%
insurance mediation activity	(13,198)	(12,401)	(797)	6.4%
product sale mediation and Customer acquisition	(12,990)	(10,735)	(2,255)	21.0%
other commissions	(29,450)	(26,497)	(2,953)	11.1%
<b>Total fees and commissions expense</b>	<b>(145,063)</b>	<b>(127,466)</b>	<b>(17,597)</b>	<b>13.8%</b>
<b>Net fee and commission income</b>	<b>622,570</b>	<b>633,019</b>	<b>(10,449)</b>	<b>(1.7%)</b>

## Dividend income

Dividend income in the first half of 2024 amounted to a total of PLN 5,352 thousand and was generated by profits of companies in 2023 in which the Bank held minority shares, i.e. among others Krajowa Izba Rozliczeniowa S.A. (PLN 2,125 thousand), VISA (PLN 1,207 thousand), Mastercard (PLN 58 thousand).

Dividend income in the first half of 2023 was PLN 4,198 thousand and came mainly from the profits of companies for 2022 in which the Group held minority shareholdings, i.e. among others Biuro Informacji Kredytowej S.A. (PLN 1,856 thousand) or VISA (PLN 425 thousand), Mastercard (PLN 27 thousand).

## Net trading and investment income

Net trading income in the first half of 2024 amounted to PLN 414,300 thousand and was lower by PLN 69,731 thousand, i.e. by 14.4% YoY. The level and volatility of this result are mainly driven by the result on foreign exchange and derivative transactions with Customers, the result on transactions concluded by CIB and the Asset and Liabilities Management Division as well as the valuation of equity instruments.

The decrease in the net trading income in the first half of 2024 compared to the corresponding period of the previous year was mainly related to the deterioration of the margin on foreign exchange and derivative transactions with Customers (in

the first half of 2024 PLN 355,155 thousand, a decrease by PLN 30,921 thousand, i.e. by 8.0% YoY) and a lower result on transactions in financial instruments in the CIB area.

In addition, the decrease in the result on trading activities was caused by the deterioration of the result on equity instruments measured at fair value through profit or loss, which in the first half of 2024 amounted to PLN 6,295 thousand and was lower by PLN 12,987 thousand, i.e. by 67.4% compared to the corresponding period of the previous year (PLN 19,282 thousand) and the valuation of transactions hedging the valuation of the loan portfolio measured at fair value lower by PLN 9,877 thousand.

The result on investment activities in the first half of 2024 was positive and amounted to PLN 8,789 thousand compared to a negative result of PLN 6,363 thousand in the corresponding period of the previous year (an improvement of PLN 15,152 thousand).

The increase in the result on investing activities was mainly related to a positive result on the valuation of the portfolio of loans and advances to Customers measured at fair value through profit and loss higher by PLN 16,805 thousand compared to the corresponding period of the previous year.

## Other operating income

Other operating income in the first half of 2024 amounted to PLN 106,831 thousand and was lower by PLN 12,841 thousand, i.e. by 10.7% compared to the first half of 2023.

The change in the level of other operating income was mainly due to:

- lower by PLN 32,752 thousand (i.e. by 75.2%) revenue from the reversal of provisions for disputes and other liabilities,
- higher by PLN 12,196 thousand (i.e. by 43.9%) other operating income,
- higher by PLN 3,705 thousand (i.e. by 111.9%) revenues on the sale or liquidation of fixed assets, intangible assets (sale of buildings of the branches in Stargard and Łomża),
- higher by PLN 1,690 thousand (i.e. by 96.7%) revenues from the reversal of impairment losses on other receivables,
- higher by PLN 1,588 thousand (i.e. by 16.3%) revenues from recovery of debt collection costs.



**Table 23. Other operating income**

PLN thousand	6 months	6 months	YoY change	
	to 30.06.2024	to 30.06.2023	PLN thousand	%
Sale or liquidation of property, plant and equipment and intangible assets	7,017	3,312	3,705	111.9%
Impairment allowances on other receivables	3,437	1,747	1,690	96.7%
Sale of goods and services	5,327	4,182	1,145	27.4%
Release of provisions for litigation and claims and other liabilities	10,801	43,553	(32,752)	(75.2%)
Recovery of debt collection costs	11,323	9,735	1,588	16.3%
Recovered indemnities	64	259	(195)	(75.3%)
Leasing operations	28,916	29,134	(218)	(0.7%)
Other operating income	39,946	27,750	12,196	43.9%
<b>Total other operating income</b>	<b>106,831</b>	<b>119,672</b>	<b>(12,841)</b>	<b>(10.7%)</b>

**Other operating expenses**

Other operating expenses in the first half of 2024 amounted to PLN 143,969 thousand and were higher by PLN 27,106 thousand (i.e. by 23.2%) compared to the corresponding period of 2023.

The level of other operating expenses was mainly affected by:

- higher by PLN 19,282 thousand (i.e. 42.2%) other operating expenses,
- higher by PLN 4,170 thousand (i.e. by 20.1%) the costs of creating provisions for litigation and claims and other liabilities
- higher by PLN 3,934 thousand (i.e. by 120.3%) costs of sale or liquidation of fixed assets, intangible assets,
- higher by PLN 3,286 thousand (i.e. by 145.7%) costs due to impairment losses on other receivables,
- lower by PLN 3,394 thousand (i.e. by 17.5%) costs from leasing operations.

**Table 24. Other operating expenses**

PLN thousand	6 months	6 months	YoY change	
	to 30.06.2024	to 30.06.2023	PLN thousand	%
Sale or liquidation of property, plant and equipment and intangible assets	(7,204)	(3,270)	(3,934)	120.3%
Impairment allowances on other receivables	(5,542)	(2,256)	(3,286)	145.7%
Creation of provisions for litigation and claims and other liabilities	(24,962)	(20,792)	(4,170)	20.1%
Debt collection	(18,453)	(19,582)	1,129	(5.8%)
Donations made	(5,908)	(4,464)	(1,444)	32.3%
Leasing operations	(15,996)	(19,390)	3,394	(17.5%)
Costs of compensations, penalties and fines	(917)	(1,404)	487	(34.7%)
Other operating expenses	(64,987)	(45,705)	(19,282)	42.2%
<b>Total other operating expenses</b>	<b>(143,969)</b>	<b>(116,863)</b>	<b>(27,106)</b>	<b>23.2%</b>

**Net allowances for expected credit losses on financial assets and provisions for contingent liabilities**

The result of net allowances for expected credit losses on financial assets and provisions for contingent liabilities in the first half of 2024 was negative and amounted to PLN 88,085 thousand compared to a positive impact of PLN 51,350 thousand in the first half of 2023 (deterioration by PLN -139,435 thousand). The result of the first half of 2023 was significantly affected by the high recoveries realized on the individually measured impaired portfolio and the release of provisions for future risk materialization. In the Bank's opinion, the result achieved in the first half of 2024 is a normalization of the cost of risk and, excluding additional effects (sales of the NPL portfolio, the impact of changes in macroeconomic forecasts, etc.), is in line with long-term expectations taking into account the specificity of the Bank's loan portfolio.

Considering the main operating segments:

- the Retail and Business Banking segment recorded an improvement in the negative result by PLN 20,174 thousand (PLN -23,296 thousand),
- SME Banking segment positive result and deterioration of the result by PLN 35,056 thousand (+PLN 3,091 thousand),
- Corporate Banking segment (including CIB) negative result and deterioration of the result by PLN 125,408 thousand (PLN -67,391 thousand),



- the segment of other banking activities recorded a negative result and an improvement in the result by PLN 856 thousand (PLN -488 thousand).

In the first half of 2024, the quality of the loan portfolio was maintained. At the same time, the cost of risk was influenced by solutions resulting from the following one-off events:

- adjustment of the level of impairment losses to expectations regarding the future macroeconomic situation, resulting in the release of provisions of PLN 36,554 thousand, which resulted from the update of the forecasts of macroeconomic variables included in the IFRS9 model used,
- positive result related to the sale of receivables of PLN 24,370 thousand (of which PLN 20,653 thousand related to institutional clients),
- creation of provisions for legal risk for the CHF mortgage portfolio, which resulted in the release of write-downs (ECL) for this portfolio in the amount of PLN 8,801 thousand.

In the first half of 2023, the result on expected credit losses on financial assets and provisions for contingent liabilities was significantly affected by the recoveries realized on the individually measured impaired portfolio. In particular, significant recoveries were made on two institutional clients, in the amount of PLN 37,130 thousand in Q1 2023 and in the amount of PLN 45,944 thousand in Q2 2023. In addition, as part of the adjustment of the level of impairments to expectations regarding the future macroeconomic situation, the level of provisions decreased by PLN 35,815 thousand (including the release of PLN 63,581 thousand in Q1 2023 and the addition in Q2 2023 in the amount of PLN 27,766 thousand), which resulted from the update of the forecasts of macroeconomic variables included in the IFRS9 model used.

In the first half of 2024, the Group concluded agreements for sales from the retail, SME and corporate portfolios. The gross carrying amount of the sold portfolio measured at amortised cost amounted to PLN 182,777 thousand, the amount of impairment losses amounted to PLN 122,007 thousand. The contractual price for the sale of these portfolios was set at PLN 85,140 thousand. The net impact on the Group's result on the sale of portfolios amounted to PLN 24,370 thousand and is presented in the line Net impairment losses on financial assets and provisions for contingent liabilities.

In the first half of 2023, the Group concluded agreements for the sale of a portfolio of loans from the retail and SME portfolio. The gross carrying amount of the portfolio sold measured at amortised cost amounted to PLN 106,560 thousand, and the amount of impairment losses amounted to PLN 82,706 thousand. The contractual price for the sale of these portfolios was set at PLN 34,444 thousand. The net impact on the Group's result on the sale of portfolios amounted to PLN 10,590 thousand and is presented in the line Result of impairment losses on expected credit losses on financial assets and provisions for contingent liabilities.

The cost of credit risk expressed as the ratio of net impairment allowances to the average balance of gross loans and advances to Customers, measured at amortised cost (calculated on the basis of balances at the end of the quarters) amounted to -0.20% in the first half of 2024 compared to a positive value of +0.12% in the first half of 2023. It is estimated that without taking into account the impact of the sale of receivables, the cost of risk would be -0.26% in H1 2024 and +0.09% in H1 2023.

## General administrative costs, depreciation and amortization

The Group's general administrative costs (including depreciation and amortization) for the first half of 2024 amounted to PLN 1,724,480 thousand and were higher by PLN 214,194 thousand, i.e. by 14.2% compared to the corresponding period of the previous year.

**Table 25. General administrative costs, depreciation and amortization**

PLN thousand	6 months	6 months	YoY change	
	to 30.06.2024	to 30.06.2023	PLN thousand	%
Personnel expenses	(766,214)	(696,834)	(69,380)	10.0%
Marketing	(48,553)	(35,269)	(13,284)	37.7%
IT and telecom expenses	(144,899)	(121,703)	(23,196)	19.1%
Short-term lease and operation	(41,066)	(41,755)	689	(1.7%)
Other non-personnel expenses	(108,015)	(95,413)	(12,602)	13.2%
External services under other contracts and consulting	(177,328)	(141,354)	(35,974)	25.4%
Business travels	(5,291)	(7,353)	2,062	(28.0%)
ATM and cash handling expenses	(15,463)	(13,227)	(2,236)	16.9%
Costs of outsourcing services related to leasing operations	(644)	(1,727)	1,083	(62.7%)
Bank Guarantee Fund fee	(143,992)	(123,909)	(20,083)	16.2%
Fees for the Commercial Bank Protection Scheme	-	(275)	275	(100.0%)
Supervisory fee (PFSA)	(19,197)	(7,928)	(11,269)	142.1%
<b>Total general administrative expenses</b>	<b>(1,470,662)</b>	<b>(1,286,747)</b>	<b>(183,915)</b>	<b>14.3%</b>
Depreciation and amortization	(253,818)	(223,539)	(30,279)	13.5%
<b>Total costs</b>	<b>(1,724,480)</b>	<b>(1,510,286)</b>	<b>(214,194)</b>	<b>14.2%</b>

An increase in the level of costs YoY was recorded in the following categories:

- personnel expenses – an increase of PLN 69,380 thousand, i.e. 10.0% and related mainly to the costs of base salaries, which increased from March 2024, which also translates into an increase in the costs of bonuses and salary mark-ups;
- external services under other contracts and consulting – an increase of PLN 35,974 thousand i.e. by 25.4%, including among others:



- services provided by the Group – an increase of PLN 27,065 thousand,
- costs of legal advice related mainly to court proceedings concerning loans in CHF – an increase by PLN 3,904 thousand,
- other consulting services – an increase of PLN 3,039 thousand,
- costs of external services in the leasing company – an increase of PLN 2,446 thousand;
- fees for the Bank Guarantee Fund – an increase of PLN 20,083 thousand, i.e. by 16.2% as a result of an increase in the annual contribution to the bank resolution fund; in the first half of 2024 the amount of PLN 143,992 thousand was recognized compared to PLN 123,909 thousand a year earlier. From the second quarter of 2022, the Bank does not incur the costs of the contribution to the bank guarantee fund, in accordance with the decision of the Bank Guarantee Fund to suspend the collection of this contribution;
- IT and telecom expenses – an increase of PLN 23,196 thousand, i.e. 19.1%, resulting from higher costs of software and hardware maintenance contracts, licence fees, Contact Centre Customer service costs, costs of BNP group systems and CyberSecurity costs, as well as a decrease in capital expenditures not subject to capitalisation;
- marketing – an increase of PLN 13,284 thousand, i.e. by 37.7%, mainly due to a higher number of campaigns in the first half of 2024, which translated into an increase in the costs of promotion and advertising in the media,
- other non-personnel expenses – an increase of PLN 12,602 thousand, i.e. by 13.2%, of which:
  - notary and court fees - an increase of PLN 11,137 thousand (related mainly to CHF loans: PLN 24,775 thousand in the first half of 2024 vs PLN 13,677 thousand in the first half of 2023),
  - material costs incurred by the leasing company – lower by PLN 1,838 thousand;
- PFSA supervisory fee – an increase of PLN 11,269 thousand, mainly caused by a change in the moment of cost recognition. In 2024, the entire fee due was included in the costs of the first quarter, while in 2023 it was spread over 12 months.

The total costs of legal services related to court cases regarding CHF loans in the first half of 2024 amounted to PLN 59,674 thousand (in the first half of 2023: PLN 44,672 thousand) and were included in the lines: External services under other agreements and consulting and Other non-personnel expenses (notary and court fees) – see the list above.

**Depreciation and amortization costs** in the first half of 2024 amounted to PLN 253,818 thousand and were higher than in the first half of 2023 by PLN 30,279 thousand, i.e. by 13.5%. This increase resulted mainly from further transformation and digitization of the Bank, capital expenditures incurred for this purpose to increase intangible assets, as well as acceleration of depreciation of some IT systems. Depreciation and amortization costs in the Group companies remained at a comparable level YoY.

**The Bank's capital expenditures** for the first six months of 2024 amounted to PLN 167,517 thousand and were higher by PLN 14,906 thousand, i.e. by 9.8%, compared to the corresponding period of the previous year. This increase was mainly related to computer hardware and software as well as improvements in external fixed assets. The amount of capital

expenditures is appropriate to the current needs and capabilities of the Bank. All projects are analysed from the point of view of rationality and impact on the financial and business standing of the Bank and the Group.

### Statement of other comprehensive income

The Group's other comprehensive income in the first half of 2024 amounted to PLN 1,249,391 thousand and was by PLN 102,114 thousand, i.e. 7.6% lower than in the first half of 2023 (PLN 1,351,505 thousand).

This was the result of changes in the valuation of financial assets measured by other comprehensive income (PLN 60,677 thousand in the first half of 2024 vs. PLN 456,295 thousand in the first half of 2023). The change in valuation is primarily driven by changes in expectations and the level of interest rates as well as in the structure of the securities portfolio.

The second element that contributed to the decrease in the Group's other comprehensive income was the negative valuation of derivatives hedging cash flows (PLN -15,726 thousand in the first half of 2024 vs. PLN 42,679 thousand in the first half of 2023).

The decrease in other comprehensive net income by PLN 368,048 thousand, i.e. by 91.1% YoY was partially offset by an increase in net profit by PLN 265,934 thousand, i.e. by 28.1%.

**Table 26. Statement of other comprehensive income**

PLN thousand	6 months	6 months	YoY change	
	to 30.06.2024	to 30.06.2023	PLN thousand	%
<b>Net profit</b>	<b>1,213,566</b>	<b>947,632</b>	<b>265,934</b>	<b>28.1%</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss upon fulfilment of certain conditions</b>	<b>36,410</b>	<b>404,169</b>	<b>(367,759)</b>	<b>(91.0%)</b>
Measurement of financial assets measured at fair value through other comprehensive income, gross	60,677	456,295	(395,618)	(86.7%)
Deferred income tax on the valuation of gross financial assets measured through other comprehensive income	(11,529)	(86,696)	75,167	(86.7%)
Measurement of cash flow hedge accounting derivatives	(15,726)	42,679	(58,405)	(136.8%)
Deferred tax on the valuation of derivatives hedging gross cash flows	2,988	(8,109)	11,097	(136.8%)
<b>Items that will not be reclassified to profit or loss</b>	<b>(585)</b>	<b>(296)</b>	<b>(289)</b>	<b>97.6%</b>





PLN thousand	6 months	6 months	YoY change	
	to 30.06.2024	to 30.06.2023	PLN thousand	%
Actuary valuation of employee benefits	(722)	(365)	(357)	97.8%
Deferred income tax on actuarial valuation of gross personnel expenses	137	69	68	98.6%
<b>Other comprehensive income (net)</b>	<b>35,825</b>	<b>403,873</b>	<b>(368,048)</b>	<b>(91.1%)</b>
<b>Total comprehensive income</b>	<b>1,249,391</b>	<b>1,351,505</b>	<b>(102,114)</b>	<b>(7.6%)</b>

## Statement of financial position

### Assets

The Group's balance sheet total as at the end of the first half of 2024 amounted to PLN 159,541,247 thousand and was lower by PLN 1,484,500 thousand, i.e. by 0.9%, compared to the end of 2023.

The most important change in the Group's asset structure compared to the end of 2023 was an increase in the share of the securities portfolio by 2.6 p.p., cash and balances at Central Bank by 0.8 p.p. and the loan portfolio by 0.4 p.p. (the sum of portfolios measured at amortized cost and fair value).

The Group's asset structure was dominated by loans and advances to Customers (the sum of portfolios measured at amortised cost and fair value), which accounted for 53.9% of all assets at the end of the first half of 2024 compared to 53.6% at the end of 2023. The volume of net loans and advances remained at a level similar to the end of 2023 and amounted to PLN 86,035,788 thousand (PLN -212,310 thousand, i.e. -0.2%). The portfolio of retail Customers decreased by 3.2% compared to the end of 2023 (including mortgage loans decreased by 5.7%). The loan portfolio of institutional Customers increased by 1.6% compared to the end of 2023 (mainly as a result of a 33.5% increase in the portfolio of loans and advances to non-bank financial entities).

The second largest asset item were securities, which accounted for 29.4% of the balance sheet total at the end of the first half of 2024 (26.8% at the end of 2023). As at 30 June 2024, their value increased by PLN 3,762,460 thousand (i.e. by 8.7%) compared to the end of 2023. The largest increase (by PLN 3,139,966 thousand, i.e. by 12.0%) was recorded in the portfolio of securities measured at amortised cost (mainly Treasury bonds). The portfolio of securities measured at fair value through other comprehensive income increased in the analysed period by PLN 609,265 thousand (i.e. by 3.7%), mainly in the item bonds issued by other financial institutions, with a decrease in the NBP bills portfolio.

The share of amounts due from banks (the third largest asset item) was 7.5% (at the end of 2023: 11.2%). Their value decreased compared to the end of 2023 by PLN 5,941,535 thousand (i.e. by 33.1%) and amounted to PLN 12,022,413 thousand. The share of cash and balances at Central Bank increased from 4.3% to 5.1% (by value by PLN 1,219,451 thousand, i.e. by 17.7%).

**Table 27. Assets**

PLN thousand	30.06.2024	31.12.2023	change	
			PLN thousand	%
Cash and balances at Central Bank	8,103,037	6,883,586	1,219,451	17.7%
Amounts due from banks	12,022,413	17,963,948	(5,941,535)	(33.1%)
Derivative financial instruments	2,870,033	3,146,745	(276,712)	(8.8%)
Differences from hedge accounting	126,830	94,496	32,334	34.2%
Loans and advances to Customers measured at amortised cost	85,488,299	85,594,516	(106,217)	(0.1%)
Loans and advances to Customers measured at fair value through profit or loss	547,489	653,582	(106,093)	(16.2%)
Securities measured at amortised cost	29,386,244	26,246,278	3,139,966	12.0%
Securities measured at fair value through profit or loss	304,580	291,351	13,229	4.5%
Securities at fair value through other comprehensive income	17,243,568	16,634,303	609,265	3.7%
Intangible assets	916,071	936,024	(19,953)	(2.1%)
Property, plant and equipment	954,049	959,923	(5,874)	(0.6%)
Deferred tax assets	844,943	766,504	78,439	10.2%
Current income tax assets	73	4,730	(4,657)	(98.5%)
Other assets	733,618	849,761	(116,143)	(13.7%)
<b>Total assets</b>	<b>159,541,247</b>	<b>161,025,747</b>	<b>(1,484,500)</b>	<b>(0.9%)</b>

### Loan portfolio

#### Loan portfolio structure

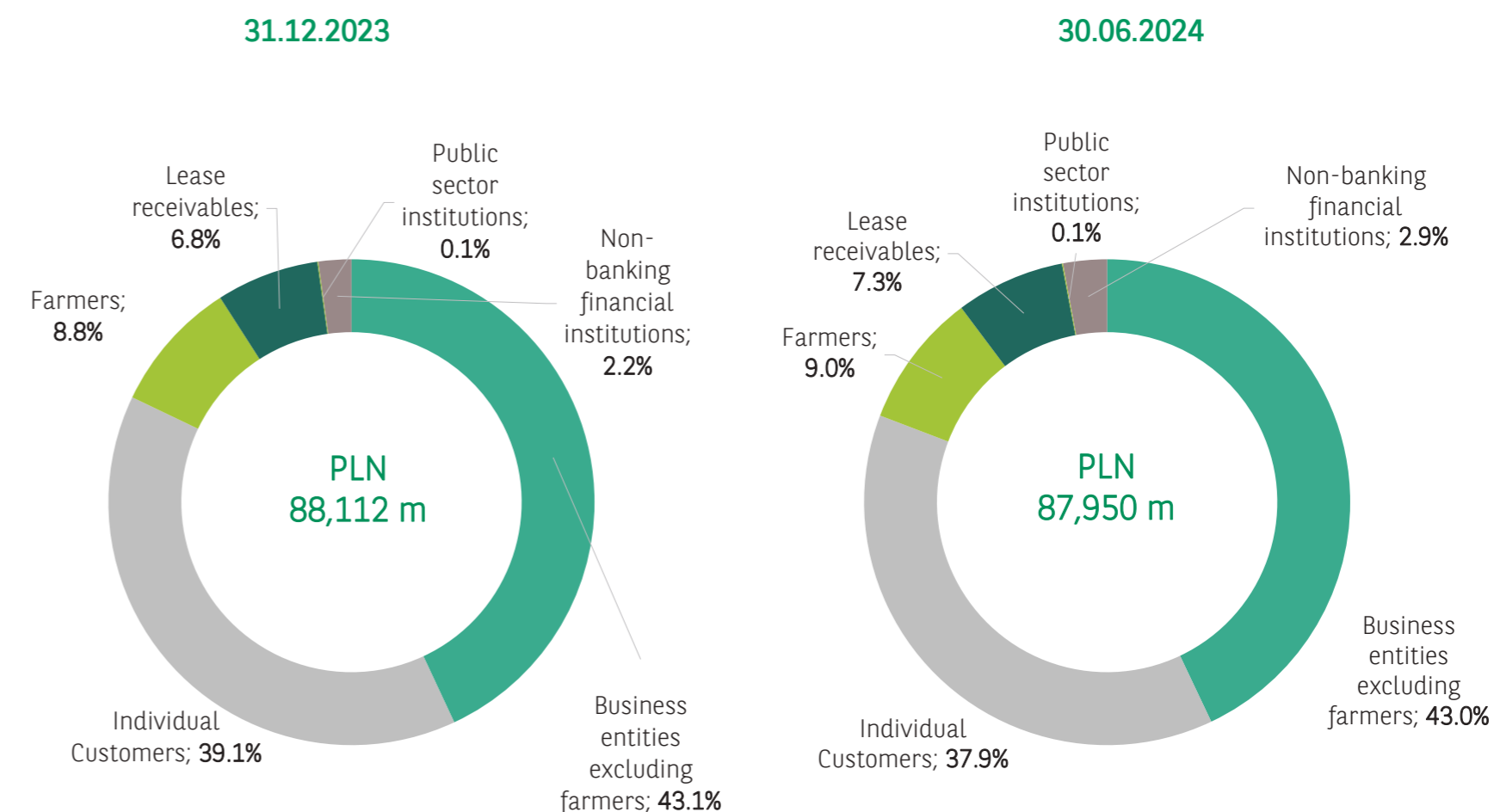
At the end of June 2024, gross loans and advances to Customers (the sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 88,580,189 thousand and remained at a similar level (slight decrease by PLN 276,857 thousand, i.e. by 0.3%) compared with the end of 2023.

The portfolio of gross loans and advances measured at amortised cost in the period under analysis amounted to PLN 87,949,976 thousand (PLN -161,857 thousand, i.e. -0.2%).

**Table 28. Structure of the loan portfolio measured at amortised cost**

PLN thousand	30.06.2024	31.12.2023	change	
			PLN thousand	%
Corporate Customers excluding farmers	37,777,942	37,934,568	(156,626)	(0.4%)
Farmers	7,876,337	7,765,713	110,624	1.4%
Consumer	33,290,248	34,410,687	(1,120,439)	(3.3%)
- mortgage loans	20,736,080	21,986,449	(1,250,369)	(5.7%)
PLN	20,053,443	21,146,369	(1,092,926)	(5.2%)
Currency	682,637	840,080	(157,443)	(18.7%)
- cash loans	8,480,531	8,217,733	262,798	3.2%
- other retail loans	4,073,637	4,206,505	(132,868)	(3.2%)
Leasing receivables	6,382,712	6,023,019	359,693	6.0%
Public sector institutions	63,727	58,375	5,352	9.2%
Non-bank financial entities	2,559,010	1,919,471	639,539	33.3%
<b>Gross loans and advances</b>	<b>87,949,976</b>	<b>88,111,833</b>	<b>(161,857)</b>	<b>(0.2%)</b>

The gross value of the portfolio of loans and advances granted to corporate Customers (excluding farmers) amounted to PLN 37,777,942 thousand (a decrease by PLN 156,626 thousand, i.e. by 0.4% compared with the end of 2023). Their share in the analysed loan portfolio at the end of the first half of 2024 was 43.0% (-0.1 p.p. compared to the end of 2023). Current account loans constitute 40.8% of this portfolio (-1.3 p.p. vs. 2023).

**Chart 16. Loans and advances gross measured at amortised cost – entity structure**

The gross value of loans and advances to retail Customers as at the end of June 2024 amounted to PLN 33,290,248 thousand (a decrease by PLN 1,120,439 thousand, i.e. 3.3% compared with the end of 2023). Their share in the loan portfolio measured at amortized cost in the period under review was 37.9% (a decrease of 1.2 p.p. compared to the end of 2023). Mortgage loans, which at the end of June 2024 amounted to PLN 20,736,080 thousand, accounted for 62.3% of the credit exposure of retail Customers. In the structure of mortgage loans, 96.7% are loans granted in PLN, while 3.2% are loans granted in CHF (compared to the end of last year, the share of CHF decreased by 0.5 p.p.).

The volume of loans granted to individual farmers at the end of June 2024 amounted to PLN 7,876,337 thousand, recording an increase of 1.4% compared to December 2023.

The value of leasing receivables amounted to PLN 6,382,712 thousand (an increase of 6.0% compared to the end of 2023). Their share in the loan portfolio measured at amortized cost in the period under analysis was 7.3% (compared to 6.8% at the end of 2023).

The volume of loans granted to non-bank financial entities and public sector institutions totalled PLN 2,559,010 thousand (an increase of 33.3% compared to December 2023).



### Quality of the loan portfolio

The ratio of exposures classified as Stage 3 in gross loans and advances to Customers and measured at amortized cost remained unchanged compared to the end of 2023 and amounted to 3.0% at the end of June 2024. Coverage of exposures in Stage 3 at the end of June 2023 was 57.8% and decreased by 2.1 p.p. compared to the end of 2023.

**Table 29. Coverage of the loan portfolio measured at amortised cost with impairment losses**

PLN thousand	30.06.2024	31.12.2023	change	
			PLN thousand	%
Gross loans and advances to Customers, total	87,949,976	88,111,833	(161,857)	(0.2%)
Allowance for receivables	(2,461,677)	(2,517,317)	55,640	(2.2%)
<b>Net loans and advances to Customers, total</b>	<b>85,488,299</b>	<b>85,594,516</b>	<b>(106,217)</b>	<b>(0.1%)</b>
<b>Non-impaired exposures (Stage 1 and 2)</b>				
Gross balance sheet exposure	85,310,275	85,471,034	(160,759)	(0.2%)
Allowance	(935,374)	(935,751)	377	(0.0%)
<b>Net balance sheet exposure</b>	<b>84,374,901</b>	<b>84,535,283</b>	<b>(160,382)</b>	<b>(0.2%)</b>
<b>Impaired exposures (Stage 3)</b>				
Gross balance sheet exposure	2,639,701	2,640,799	(1,098)	(0.0%)
Impairment allowance	(1,526,303)	(1,581,566)	55,263	(3.5%)
<b>Net balance sheet exposure</b>	<b>1,113,398</b>	<b>1,059,233</b>	<b>54,165</b>	<b>5.1%</b>

Indicators	30.06.2024	31.12.2023	change
Share of Stage 3 exposures in the gross portfolio	3.0%	3.0%	0.0 p.p.
Allowance coverage of Stage 3 exposures	57.8%	59.9%	(2.1 p.p.)

**Table 30. Quality of the loan portfolio measured at amortised cost**

PLN thousand	30.06.2024			31.12.2023		
	Total gross	Stage 3	% share	total gross	Stage 3	% share
Corporate Customers excluding farmers	37,777,942	1,252,604	3.3%	37,934,568	1,210,104	3.2%
Farmers	7,876,337	436,740	5.5%	7,765,713	478,658	6.2%
Consumer	33,290,248	761,406	2.3%	34,410,687	780,946	2.3%
- mortgage loans	20,736,080	306,030	1.5%	21,986,449	313,433	1.4%
PLN	20,053,443	171,487	0.9%	21,146,369	171,090	0.8%
Currency	682,637	134,543	19.7%	840,080	142,343	16.9%
- cash loans	8,480,531	341,985	4.0%	8,217,733	361,676	4.4%
- other retail loans	4,073,637	113,391	2.8%	4,206,505	105,837	2.5%
Leasing receivables	6,382,712	177,703	2.8%	6,023,019	157,463	2.6%
Public sector institutions	63,727	-	-	58,375	31	0.1%
Non-bank financial entities	2,559,010	11,248	0.4%	1,919,471	13,597	0.7%
<b>Gross loans and advances</b>	<b>87,949,976</b>	<b>2,639,701</b>	<b>3.0%</b>	<b>88,111,833</b>	<b>2,640,799</b>	<b>3.0%</b>

### Securitisation of the loan portfolio

On 28 March 2024 the Bank entered into an agreement with International Finance Corporation ("IFC", "Investor") for a synthetic securitisation transaction executed on a portfolio of corporate loans/advances with a total value of PLN 2,180 million as at 31 December 2023. The main objective of the transaction is to release the capital that the Bank will allocate to finance climate projects (projects related to climate change mitigation, focusing mainly on renewable energy sources, energy efficiency and financing green projects).

As part of the transaction, the Bank transferred a significant part of the credit risk from the selected securitised portfolio to the Investor. The selected loan portfolio covered by the securitisation remains in the Bank's books.

As at 30 June 2024, the value of the transaction portfolio disclosed in the balance sheet and off-balance sheet amounted to PLN 1,260 million.

The transaction completion date under the agreement is 31 December 2031.

The transfer of the risk of the securitised portfolio is carried out through a credit protection instrument in the form of a financial guarantee issued by the Investor up to the amount of PLN 125 million as at 30 June 2024.





As at 30 June 2024, the conclusion of the Transaction increases the consolidated Common Equity Tier 1 (CET1) ratio by 0.12 p.p. and the consolidated total capital adequacy ratio (TCR) by 0.16 p.p. in relation to the reported data of the BNP Paribas Bank Polska Group.

The transaction meets the requirements for significant risk transfer set out in the CRR Regulation and has been structured as meeting the STS criteria (simple, transparent and standardised securitisation) in accordance with Regulation 2021/557.

The Bank acted as the arranger of the Transaction.

### Liabilities and equity

As at 30 June 2024, the total value of the Group's liabilities amounted to PLN 145,932,197 thousand and was PLN 2,232,275 thousand, i.e. 1.5% lower than at the end of 2023. The share of liabilities in the Group's total liabilities and equity in the period under analysis was 91.5% (compared to 92.0% at the end of 2023).

The structure of liabilities is dominated by amounts due to Customers. Their share as at 30 June 2024 amounted to 86.0% and increased by 0.2 p.p. In value terms, the volume of these liabilities decreased by PLN 1,609,342 thousand, i.e. by 1.3% compared to December 2023 and amounted to PLN 125,565,489 thousand.

As at 30 June 2024, the Group's equity amounted to PLN 13,609,050 thousand and increased by 5.8%, i.e. by PLN 747,775 thousand, compared to 31 December 2023. The share of total equity in the total liabilities and equity of the Group amounted to 8.5% as at 30 June 2024 (compared to 8.0% at the end of 2023)

**Table 31. Liabilities and Equity**

PLN thousand	30.06.2024	31.12.2023	change	
			PLN thousand	%
Amounts due to the Central Bank	-	-	-	-
Amounts due to other banks	8,739,660	9,059,394	(319,734)	(3.5%)
Derivative financial instruments	2,578,234	2,865,275	(287,041)	(10.0%)
Differences from hedge accounting	1,703	(7,365)	9,068	(123.1%)
Amounts due to Customers	125,565,489	127,174,831	(1,609,342)	(1.3%)
Debt securities issued	-	-	-	-
Subordinated liabilities	4,298,870	4,336,072	(37,202)	(0.9%)
Leasing liabilities	621,443	626,269	(4,826)	(0.8%)
Other liabilities	2,357,871	2,191,890	165,981	7.6%
Current tax liabilities	129,287	376,736	(247,449)	(65.7%)

PLN thousand	30.06.2024	31.12.2023	change	
			PLN thousand	%
Provisions	1,639,640	1,541,370	98,270	6.4%
<b>Total liabilities</b>	<b>145,932,197</b>	<b>148,164,472</b>	<b>(2,232,275)</b>	<b>(1.5%)</b>
Share capital	147,800	147,677	123	0.1%
Supplementary capital	9,110,976	9,110,976	0	0.0%
Other reserve capital	4,040,016	3,525,056	514,960	14.64%
Revaluation reserve	(530,929)	(566,754)	35,825	(6.3%)
Retained earnings	841,187	644,320	196,867	30.6%
- retained profit	(372,379)	(368,226)	(4,153)	1.1%
- net profit for the period	1,213,566	1,012,546	201,020	19.9%
<b>Total equity</b>	<b>13,609,050</b>	<b>12,861,275</b>	<b>747,775</b>	<b>5.8%</b>
<b>Total liabilities and equity</b>	<b>159,541,247</b>	<b>161,025,747</b>	<b>(1,484,500)</b>	<b>(0.9%)</b>

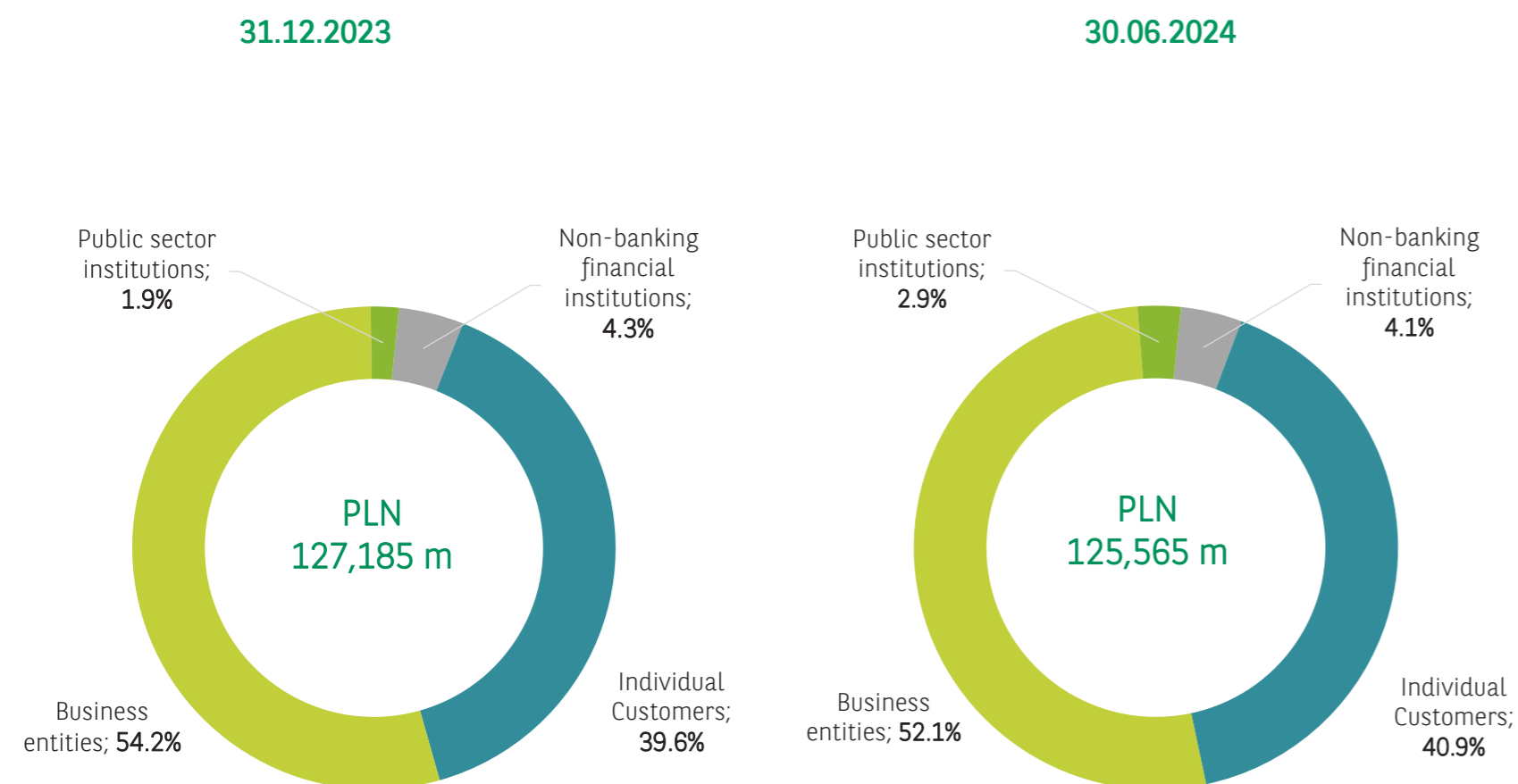
### Amounts due to Customers

At the end of June 2024 amounts due to Customers amounted to PLN 125,565,489 thousand and were lower by PLN 1,609,342 thousand, i.e. by 1.3%, compared with the end of 2023.

By entity, the decrease was mainly related to amounts due to corporates (as at 30 June 2024 amounted to PLN 65,437,980 thousand), the volume of which decreased by PLN 3,464,500 thousand, i.e. by 5.0%, compared to the end of 2023, mainly as a result of a decrease in funds on current accounts (by PLN 7,046,668 thousand), which was partially offset by an increase in term deposits (by PLN 3,637,726 thousand). The share of this segment in the structure of total amounts due to Customers was 52.1% compared to 54.2% at the end of December 2023.

A decrease in deposit volumes was also recorded in the group of non-bank financial entities, which at the end of June 2024 amounted to PLN 5,123,116 thousand and was PLN 406,256 thousand, i.e. 7.3%, lower than at the end of the previous year.

At the same time, the volumes of liabilities of public sector institutions (by PLN 1,228,355 thousand, i.e. by 51.4%) and individual Customers (by PLN 1,033,059 thousand, i.e. by 2.1%) increased compared to the end of 2023. The share of deposits of individual Customers in the structure of total amounts due to Customers amounted to 40.9% compared to 39.6% at the end of 2023.

**Chart 17. Amounts due to Customers – structure by entity****Table 32. Amounts due to Customers by product**

	30.06.2024		31.12.2023	
	PLN thousand	% share	PLN thousand	% share
Current accounts	78,537,827	62.5%	84,597,912	66.5%
Term deposits	45,552,769	36.3%	41,053,999	32.3%
Loans and advances received	453,303	0.4%	460,893	0.4%
Other liabilities	1,021,590	0.8%	1,062,027	0.8%
<b>Amounts due to Customers, including:</b>	<b>125,565,489</b>	<b>100.0%</b>	<b>127,174,831</b>	<b>100.0%</b>
Deposits	125,112,186	99.6%	126,713,938	99.6%

The share of current accounts in the structure of total amounts due to Customers amounted to 62.5% at the end of June 2024, recording a decrease of 4.0 p.p. compared to the end of 2023. Funds deposited in current accounts amounted to PLN 78,537,827 thousand and decreased by PLN 6,060,085 thousand, i.e. by 7.2%. This decrease was due to a decrease in the volume of corporates (by PLN 7,046,668 thousand, i.e. by 13.0%), partially offset by an increase in the volume of individual Customers (by PLN 1,630,456 thousand, i.e. by 6.3%).

The share of term deposits in the structure of amounts due to Customers in the period under analysis was 36.3% and increased by 4.0 p.p. compared to the end of 2023. In terms of value, term deposits increased by PLN 4,498,770 thousand to PLN 45,552,769 thousand, i.e. by 11.0% compared to December 2023.

The share of other liabilities and loans and advances received in total in the structure of amounts due to Customers was 1.2% and remained unchanged compared to the end of 2023. Their total volume amounted to PLN 1,474,893 thousand.

### Equity

As of 30 June 2024 the Group's equity amounted to PLN 13,609,050 thousand and was PLN 747,775 thousand, i.e. 5.8% higher than at the end of 2023.

In accordance with Resolution No. 7 of the Ordinary General Meeting of the Bank of 16 April 2024, PLN 503,998 was allocated to dividend from the Bank's profit after tax for 2023 (PLN 1,007,828 thousand) and the remaining part in the amount of PLN 503,830 thousand was allocated to the reserve capital.

### Contingent liabilities

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

**Table 33. Contingent liabilities**

PLN thousand	30.06.2024	31.12.2023	change	
			PLN thousand	%
<b>Contingent liabilities granted</b>	<b>47,176,188</b>	<b>50,888,418</b>	<b>(3,712,230)</b>	<b>(7.3%)</b>
financial commitments	31,574,706	34,470,777	(2,896,071)	(8.4%)
guarantees	15,601,482	16,417,641	(816,159)	(5.0%)
<b>Contingent liabilities received</b>	<b>55,355,172</b>	<b>57,137,307</b>	<b>(1,782,135)</b>	<b>(3.1%)</b>
financial commitments	8,109,698	8,176,478	(66,780)	(0.8%)
guarantees	47,245,474	48,960,829	(1,715,355)	(3.5%)



## Own funds and capital ratios

The calculation of the capital adequacy of the Bank and the Group as at 30 June 2024 was made in accordance with the provisions of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) on prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (CRR2).

The Group's own funds as at 30 June 2024 consisted of:

- common Equity Tier 1 capital in the amount of PLN 11,797,150 thousand compared to PLN 11,214,650 thousand at the end of 2023,
- Tier 2 capital in the amount of PLN 3,533,687 thousand compared to PLN 3,722,878 thousand at the end of 2023.

Key factors that affected the level of own funds in 2024:

- inclusion in the consolidated Common Equity Tier I capital of the verified consolidated net profit generated in the period from 1 January 2023 to 31 December 2023 in the amount of PLN 514,262 thousand (as a consequence of the decision of the Ordinary General Meeting of the Bank of 16 April 2024 regarding the distribution of BNP Paribas Bank Polska S.A. net profit for the financial year 2023);
- improvement of the result on unrealised gains and losses measured at fair value through other comprehensive income by PLN 35,825 thousand;
- reduction of the adjustment by PLN 40,705 thousand in Common Equity Tier 1 capital related to the deduction of intangible assets, taking into account the Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 with regard to the deduction of software assets from Common Equity Tier 1 capital items;
- reduction of own funds by a deduction in accordance with Article 36(1)(k) of the CRR Regulation in the amount of PLN 17,800 thousand; the adjustment is created for securitisation positions eligible for a risk weight of 1250% in accordance with Article 245(1)(b) and Article 253 of the CRR Regulation;
- increase in depreciation and amortization of Tier 2 instruments by PLN 151,966 thousand.

The total risk exposure amount as at 30 June 2024 amounted to PLN 89,124,445 thousand and decreased by PLN 490,671 thousand compared to 31 December 2023. This change was dominated by a decrease in total risk-weighted assets (RWAs) for credit risk (including yields on recognition of securitisation transactions in Q1 2024) and an increase in total risk-weighted assets (RWAs) for operational risk.

As a result of the above changes, the Group's capital ratios improved. The Group's total capital ratio as at 30 June 2024 amounted to 17.20% and increased by 0.53 p.p. compared to 31 December 2023. The consolidated Common Equity Tier 1 capital ratio (CET I) and the consolidated Tier 1 capital ratio of the Group as at 30 June 2024 were identical and amounted to 13.24% (an increase of 0.73 p.p. compared to the end of 2023).

**Table 34. Own funds and capital ratios of the Group**

PLN thousand	30.06.2024	31.12.2023	YoY change	
			PLN thousand	%
<b>Share capital (Tier I)</b>				
- share capital	147,800	147,677	123	0.1%
- supplementary capital	7,259,316	7,259,316	0	0.0%
- reserve capital	5,195,913	4,699,563	496,350	10.6%
- general banking risk fund	627,154	627,154	0	0.0%
- intangible assets	(453,857)	(498,045)	44,187	(8.9%)
- other components of own funds, included in the calculation of basic capital (Tier 1)	(979,174)	(1,021,015)	41,841	(4.1%)
<b>Total share capital (Tier I)</b>	<b>11,797,150</b>	<b>11,214,650</b>	<b>582,501</b>	<b>5.2%</b>
<b>Supplementary funds (Tier II)</b>				
- subordinated liabilities included in own funds	3,533,687	3,722,878	(189,191)	(5.1%)
<b>Total own funds</b>	<b>15,330,837</b>	<b>14,937,528</b>	<b>393,309</b>	<b>2.6%</b>
<b>Risk exposure amount due to</b>				
- credit risk	76,769,555	78,760,653	(1,991,098)	(2.5%)
- market risk	1,511,713	1,470,850	40,864	2.8%
- operational risk	10,791,753	9,346,897	1,444,856	15.5%
- credit valuation adjustments	51,424	36,717	14,707	40.1%
<b>Total risk exposure amount</b>	<b>89,124,445</b>	<b>89,615,117</b>	<b>(490,671)</b>	<b>(0.5%)</b>
<b>Capital ratios of the Group</b>				
Total Capital Ratio (TCR)	17.20%	16.67%		+0.53 p.p.
Tier I capital ratio	13.24%	12.51%		+0.73 p.p.





## Minimum capital requirements

The minimum levels of capital adequacy ratios of the Bank and the Group result from the following external regulations:

- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013: 4.5% for CET1, 6% for Tier 1 and 8% for TCR,
- The Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial sector (Journal of Laws of 2015, item 1513, as amended):
  - conservation buffer of 2.5% (unchanged compared to 2023),
  - Other Systemically Important Institution buffer of 0.25% of the total risk exposure amount (unchanged from 2023);
  - countercyclical buffer rate – the countercyclical capital buffer rate for credit exposures in the territory of the Republic of Poland, which was applicable at 30 June 2024, amounted to 0%. As at 30 June 2024, the Group-specific countercyclical capital buffer ratio, determined as a weighted average of the countercyclical capital buffer ratios applicable in the jurisdictions in which the Group's relevant credit exposures are located, amounted to 1 bps. The value of the ratio was mainly influenced by exposures in the Netherlands, where the countercyclical capital buffer rate was 2%.
- Act of 29 August 1997 – Banking Law (Journal of Laws of 1997 No. 140, item 939): capital charge recommended under Pillar II (P2G) – the Polish Financial Supervision Authority, in its letter of 13 December 2023, recommended mitigating the risk occurring in the Bank's operations by holding own funds by the Bank to cover the additional capital charge in order to absorb potential losses resulting from the occurrence of stress conditions, in the amount of 0.70 p.p. at the stand-alone level and 0.67 p.p. at the consolidated level over the value of the total capital ratio increased by the additional requirement for own funds and the combined buffer requirement. The additional add-on should consist entirely of Common Equity Tier 1 capital.

As a result of the requirements described above, the minimum levels of capital adequacy ratios resulting from the provisions of law and administrative decisions issued by the PFSA on a consolidated basis are:

Minimum levels of the Group's capital ratios	30.06.2024	31.12.2023	change
Common Equity Tier 1 Capital Ratio (CET I)	7.93%	7.93%	0.00 p.p.
Tier I capital ratio	9.43%	9.43%	0.00 p.p.
Total capital ratio	11.43%	11.43%	0.00 p.p.

At the end of June 2024, all capital adequacy ratios of the Group were higher than the minimum requirements by:

- 5.31 p.p. for the Common Equity Tier 1 capital ratio,
- 3.81 p.p. for the Tier 1 capital ratio,
- 5.77 p.p. for the total capital ratio.

## Minimum level of own funds and eligible liabilities (MREL) requirement

On 20 June 2023, the Bank received a letter from the Bank Guarantee Fund regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board and the Bank Guarantee Fund, on the minimum level of own funds and eligible liabilities (MREL). The Joint Decision indicates that the group resolution plan provides for a resolution strategy providing for a Single Point of Entry (SPE) in the event of resolution. The preferred resolution tool for the Bank is the open bank bail-in tool.

The MREL requirement for the Bank was set at the individual level at 16.11% of the total risk exposure (TREA) and 5.91% of the total exposure measure (TEM). This requirement was in force from 31 December 2023.

May 31, 2024 The Bank received an updated letter from the Bank Guarantee Fund regarding the MREL requirement. This requirement for the Bank has been set at the individual level at 16.02% of the total risk exposure ("TREA") and 5.91% of the total exposure measure ("TEM"). This requirement is effective from 31 May 2024.

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 Bank Guarantee Fund, which is a transposition of Article 45f(2) of the BRRD2. According to the Decision, the part of the MREL corresponding to the amount of recapitalisation (RCA) will be fulfilled in the form of AT1, T2 and other subordinated eligible liabilities acquired directly or indirectly by the parent undertaking. The bank fulfills this requirement. At the same time, the BFG indicated that instruments in Common Equity Tier 1 (CET1) capital held by the Bank for the purposes of the combined buffer requirement (CBR) cannot be included in the MREL requirement expressed as a percentage of TREA. This rule does not apply to the MREL requirement expressed as a percentage of TEM.

The Bank meets the defined MREL requirements as at June 30, 2024.

MREL factors	requirement for 30.06.2024	requirement for 30.06.2024 including CBR	30.06.2024	31.12.2023
TREA	16.02%	18.78%	22.34%	21.74%
TEM	5.91%	5.91%	11.00%	11.02%



## Financial ratios

The Group's return on equity (ROE) calculated on the basis of the reported values amounted to 18.3% in the first half of 2024 and was 2.3 p.p. higher than in the first half of 2023. The rate of return on assets (ROA) calculated in the same way was 1.5% and increased by 0.2 p.p. compared to the first half of 2023. The improvement in return ratios was mainly due to an increase in the result on banking activities and a lower negative impact of legal risk related to the foreign currency mortgage loans. The Group's return on equity (ROE) calculated excluding the impact of credit moratoria (normalized) would amount to 20.7% in the first half of 2024 and would be 5.4 p.p. higher compared to the ratio in the first half of 2023 (15.4%). In the case of the return on assets (ROA), the ratio would be 1.7%, i.e. it would be 0.5 p.p. higher than in the first half of 2023.

The Cost/Income ratio calculated on the basis of the reported values amounted to 47.4% (4.9 p.p. higher than in the first half of 2023). This change was the result of an increase in the cost base visible in the first half of 2024 resulting from the impact of inflationary processes and ongoing investments, as well as slightly higher regulatory costs.

Net interest margin calculated in relation to average assets amounted to 3.3% (unchanged compared to the first half of 2023). Without taking into account the impact of credit moratoria, it would have been 3.6% (+0.3 p.p. compared to the first half of 2023).

Changes in the ratio of net and gross loans to deposits and sources of funding reflect the good liquidity position observed in the first half of 2024 and the first half of 2023.

**Table 35. Financial ratios**

	30.06.2024	31.12.2023	30.06.2023	YoY change
Return on capital	18.3%	8.2%	16.0%	+2.3 p.p.
Normalized return on capital	20.7%	7.7%	15.4%	+5.4 p.p.
Rate of return on assets	1.5%	0.7%	1.3%	+0.2 p.p.
Normalized return on assets	1.7%	0.6%	1.3%	+0.5 p.p.
Net interest margin	3.3%	3.4%	3.3%	(0,0 p.p.)
Cost/Income	47.4%	42.5%	42.5%	+4.9 p.p.
Cost/Income excluding the Bank Guarantee Fund, SOBK, integration costs and the impact of credit moratoria	41.1%	41.1%	39.3%	+1.9 p.p.
Credit risk costs	(0.20%)	(0.04%)	0.12%	(0,32 p.p.)
Normalised credit risk costs	(0.26%)	(0.07%)	0.09%	(0,35 p.p.)
Net loans/Deposits	68.8%	68.1%	74.1%	(5.4%)
Gross loans/Total sources of financing	64.7%	64.0%	70.7%	(6.0%)



## Alternative performance Measures

The presented ratios and categories belong to the group of standard and commonly used in financial analysis. They allow for the assessment and comparison of the Group's profitability and financial situation. The presentation of the level of net profit and ratios on a normalised basis, i.e. calculated excluding the impact of unusual events, is intended to provide additional information allowing for a more adequate assessment of changes in the long term and for assessing the impact of various factors on the Group's results and financial position.

**Table 36. Alternative Performance Measurements**

PLN thousand / %	30.06.2024	31.12.2023	30.06.2023	Definitions and assumptions
Net profit	1,213,566	1,012,546	947,632	Income statement category from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group for the relevant years
<b>Total average equity</b>	<b>13,318,903</b>	<b>12,370,956</b>	<b>11,954,191</b>	<b>Average calculated on the basis of balances at the end of the last 3 quarters for the half year and the last 5 quarters for the full year (category of the statement of financial position from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group)</b>
Return on capital	18.3%	8.2%	16.0%	Total net profit to average equity ratio
<b>Net profit normalized</b>	<b>1,377,996</b>	<b>967,411</b>	<b>929,812</b>	<b>Category of the consolidated income statement adjusted for the negative impact of credit moratoria (H1 2024: PLN -203,000 thousand, 2023: PLN +55,722 thousand, H1 2023: PLN +22,000 thousand; see chapter Consolidated income statement). Impact of credit moratoria on net profit estimated using the 19% income tax rate</b>
Total average equity normalised	13,358,668	12,496,227	12,186,931	Average total equity adjusted as well as net profit normalized, adjustments made for each quarter
<b>Normalized return on capital</b>	<b>20.7%</b>	<b>7.7%</b>	<b>15.4%</b>	<b>Ratio of net profit normalized to average equity total normalized</b>
Total average assets	159,802,371	152,411,341	148,644,366	Average calculated on the basis of balances at the end of the last 3 quarters for the half year and the last 5 quarters for the full year (category of the statement of financial position from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group)
<b>Rate of return on assets</b>	<b>1.5%</b>	<b>0.7%</b>	<b>1.3%</b>	<b>Ratio of net profit to average total assets</b>
Average assets normalized	159,842,136	152,536,612	148,877,106	Total average assets adjusted as well as net profit normalized, adjustments made for each quarter
<b>Normalized return on assets</b>	<b>1.7%</b>	<b>0.6%</b>	<b>1.3%</b>	<b>Ratio of net profit normalized to average assets total normalized</b>
Net interest income	2,621,519	5,225,427	2,439,313	Category of the income statement from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group for the relevant periods
<b>Net interest margin</b>	<b>3.3%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>Ratio of net interest income to average total assets</b>
Costs	1,724,480	3,095,535	1,510,286	Sum of general administrative expenses and depreciation and amortisation (categories of profit and loss account from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group)
<b>Net banking income</b>	<b>3,638,148</b>	<b>7,282,798</b>	<b>3,552,289</b>	<b>Sum of net interest income, net fee and commission income, dividend income, trading income, investment income, hedge accounting, derecognition of assets/liabilities and other operating income and expenses (income statement categories from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group)</b>
Cost/Income	47.4%	42.5%	42.5%	Cost-to-income ratio





PLN thousand / %	30.06.2024	31.12.2023	30.06.2023	Definitions and assumptions
<b>Cost/Income excluding the Bank Guarantee Fund, SOBK, integration costs and the impact of credit moratoria</b>	<b>41.1%</b>	<b>41.1%</b>	<b>39.3%</b>	<b>The costs were adjusted by the costs of fees for the Bank Guarantee Fund and the Commercial Bank Protection Scheme (categories Notes Administrative expenses of the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group (H1 2024: PLN 143,992 thousand, 2023: PLN 124,184 thousand, H1 2023: PLN 124,184 thousand). Revenues in the first half of 2024 were adjusted by PLN 203,000 thousand of the negative impact of credit moratoria, in 2023 by PLN 55,722 thousand of the positive impact of credit moratoria, in the first half of 2023 by PLN 22,000 thousand of positive impact of credit moratoria; (see the Consolidated section profit and loss account).</b>
Net allowances for expected credit losses on financial assets and provisions for contingent liabilities	(88,085)	(34,369)	51,350	Category of the income statement from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group for the relevant periods
<b>Average gross loans and advances to Customers measured at amortised cost</b>	<b>88,069,833</b>	<b>89,280,552</b>	<b>89,835,519</b>	<b>Average calculated on the basis of balances at the end of the last 3 quarters for the half year and the last 5 quarters for the full year (category from the note Loans and advances to Customers measured at amortised cost from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group)</b>
Credit risk costs	(0.20%)	(0.04%)	0.12%	Relation of net allowances for expected credit losses on financial assets and provisions for contingent liabilities to the average gross loans and advances to Customers measured at amortised cost
<b>Net allowances for expected credit losses on financial assets and provisions for contingent liabilities normalised</b>	<b>(112,455)</b>	<b>(60,885)</b>	<b>40,760</b>	<b>Net impairment losses on expected credit losses on financial assets and provisions for contingent liabilities adjusted for the impact of sales of non-performing loan portfolios (H1 2024: PLN +24,370 thousand, 2023: PLN +26,516 thousand, H1 2023: PLN +10,590 thousand)</b>
Normalised credit risk costs	(0.26%)	(0.07%)	0.09%	Ratio of the result of allowances for expected credit losses of financial assets and provisions for normalised contingent liabilities to the average balance of gross loans and advances to Customers, measured at amortised cost
<b>Net Credits</b>	<b>86,035,788</b>	<b>86,248,098</b>	<b>87,049,821</b>	<b>The sum of net loans and advances to Customers, measured at amortised cost and net loans and advances to Customers, measured at fair value through profit or loss – from the notes to the Consolidated Financial Statements of the BNP Paribas Bank Polska Group. Balances at the end of period</b>
Deposits	125,112,186	126,713,938	117,435,582	Difference between Amounts due to Customers and loans received from non-bank financial entities – from the Note Amounts due to Customers from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group. Balances at the end of period
<b>Net loans/Deposits</b>	<b>68.8%</b>	<b>68.1%</b>	<b>74.1%</b>	<b>Net loan-to-deposit ratio</b>
Impaired loans and advances (Stage 3)	2,639,701	2,640,799	2,744,677	Category from the note: Loans and advances to Customers measured at amortised cost from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group
<b>Gross loans and advances to Customers measured at amortised cost</b>	<b>87,949,976</b>	<b>88,111,833</b>	<b>88,994,720</b>	<b>Category from the note: Loans and advances to Customers measured at amortised cost from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group</b>
Share of impaired receivables (Stage 3 share ratio)	3.0%	3.0%	3.1%	Ratio of impaired loans and advances (Stage 3) to gross loans and advances to Customers measured at amortised cost at the end of the period
<b>Impairment allowances (for Stage 3 receivables)</b>	<b>1,526,303</b>	<b>1,581,566</b>	<b>1,655,344</b>	<b>Category from the note: Loans and advances to Customers measured at amortised cost from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group</b>
Coverage of impaired receivables with write-downs (Stage 3)	57.8%	59.9%	60.3%	Ratio of impairment allowances (Stage 3 receivables) to impaired loans and advances (Stage 3)



## Business segment performance

### Retail and Business Banking Area

#### Commercial volumes

As at 30 June 2024, deposits of Customers in the Retail and Business Banking segment on a consolidated basis amounted to PLN 67,513,217 thousand and were PLN 1,358,662 thousand, i.e. 2.1%, higher than at the end of 2023. Both funds on current accounts and savings accounts increased by PLN 1,085,204 thousand (i.e. 3.5%) and PLN 1,062,052 thousand (i.e. 11.4%), respectively. Term deposits decreased by PLN 891,119 thousand, i.e. by 3.5% compared with the end of 2023.

The term structure of the deposit portfolio is dominated by current accounts, whose share amounted to 47.0% at the end of the first half of 2024 (+0.7 p.p. compared to the end of 2023). The share of savings accounts increased by 1.3 p.p. to 15.4%, with a simultaneous decrease in the share of term deposits (by 2.1 p.p. to 36.8%).

As at 30 June 2024, the value of the net loan portfolio of the Retail and Business Banking segment on a consolidated basis amounted to PLN 43,072,445 thousand, which represents a decrease by PLN 1,171,391 thousand (i.e. by 2.6%) compared to the end of 2023. In value terms, the largest decrease was observed in mortgage loans, down by PLN 1,249,009 thousand, i.e. by 5.8%. Investment loans decreased by PLN 346,026 thousand, i.e. 6.9%.

The decrease in net mortgage loans in the long term was significantly influenced by the recognition of the negative impact of the Act on crowdfunding for business ventures and assistance to borrowers (credit moratoria) in the second half of 2022. The decrease in the value of the portfolio in PLN compared to the end of 2023 was mainly due to the reduction in sales as a consequence of the Bank's adoption of a more selective policy of granting mortgage loans.

The volume of gross foreign currency mortgage loans (withdrawn from the offer in 2008-2009) in the analysed period amounted to PLN 682,637 thousand (PLN 840,080 thousand at the end of 2023). Loans granted in CHF accounted for 96.7% of this portfolio. The decrease in the value of the portfolio was the result of repayments, concluding settlements with Customers, strengthening of PLN against CHF (the exchange rate fell from 4.6828 at the end of 2023 to 4.4813 at the end of the first half of 2024) and a change in accounting policies related to the recognition of the impact of legal risk resulting from court proceedings regarding CHF mortgage loans. The value of the portfolio expressed in CHF decreased by 15.4% compared to the end of 2023.

<sup>1</sup> The volumes of deposits and loans of selected segments have been presented on the basis of data from management information systems, due to the availability of more detailed product information. For the sake of comparability, the data as at 31.12.2022 have been presented in accordance with the segmentation in force in 2023.

**Table 37. Retail and Business Banking Deposits and Loans<sup>1</sup>**

PLN thousand	30.06.2024	31.12.2023	change	
			PLN thousand	%
Current accounts	31,697,855	30,612,650	1,085,204	3.5%
Savings accounts	10,418,156	9,356,104	1,062,052	11.4%
Term deposits	24,872,538	25,763,657	(891,119)	(3.5%)
Overnight	524,669	422,144	102,525	24.3%
<b>Accounts and deposits</b>	<b>67,513,217</b>	<b>66,154,555</b>	<b>1,358,662</b>	<b>2.1%</b>
Consumer loans	11,222,625	11,057,350	165,275	1.5%
Investment loans	4,668,581	5,014,606	(346,026)	(6.9%)
Overdrafts	3,977,418	3,612,918	364,499	10.1%
Mortgage loans	20,441,885	21,690,894	(1,249,009)	(5.8%)
Leasing receivables	1,910,386	1,993,169	(82,784)	(4.2%)
Credit cards	848,724	871,731	(23,007)	(2.6%)
Other Loans	2,826	3,166	(340)	(10.7%)
<b>Loans and advances (net)</b>	<b>43,072,445</b>	<b>44,243,835</b>	<b>(1,171,391)</b>	<b>(2.6%)</b>

#### Profit before tax

In the first half of 2024, the Retail and Business Banking segment generated a profit before tax of PLN 341,984 thousand (compared to PLN 128,828 thousand in the first half of 2023), which represents an increase of PLN 213,156 thousand, i.e. 165.5% YoY, mainly due to lower negative result on legal risk related to foreign currency loans compared to the corresponding period of 2023 (by PLN 379,640 thousand, i.e. by 64.3%).

In the first half of 2024, the result on banking activities amounted to PLN 1,751,241 thousand and was PLN 67,801 thousand, i.e. 3.7%, lower than in the corresponding period of 2023. The largest decrease in terms of value was recorded in the result on trading and other activities (by PLN 62,297 thousand, i.e. by 71.6% YoY). Net interest income decreased by PLN

The volume of deposits does not include the balances of certain credit institutions, which are treated as interbank deposits in management reporting, but are included in Customer deposits in financial reporting. In addition, the balances do not include accrued interest that has not matured.



16,961 thousand, i.e. by 1.2% YoY among others due to the recognition in the first half of 2024 of the negative impact of credit moratoria in the amount of PLN 203,000 thousand.

Net banking income accounted for 48.1% of the Group's result in the period under review. The Personal Finance area generated 25.2% of the Retail and Business Banking segment net banking income (increase by 1.4 p.p. YoY).

In the first half of 2024, the Retail Banking segment recorded a slight decrease in the number of Customers by 10 thousand, i.e. by 0.2% YoY.

**Table 38. Profit before tax of the Retail and Business Banking segment<sup>2</sup>**

PLN thousand	6 months		change	
	to 30.06.2024	to 30.06.2023	PLN thousand	%
Net interest income	1,379,142	1,396,103	(16,961)	(1.2%)
Net commission income	347,434	335,977	11,457	3.4%
Net trading and other income	24,665	86,962	(62,297)	(71.6%)
<b>Net banking result</b>	<b>1,751,241</b>	<b>1,819,042</b>	<b>(67,801)</b>	<b>(3.7%)</b>
Net allowances on expected credit losses	(23,296)	(43,470)	20,174	(46.4%)
Result on legal risk related to foreign currency loans	(210,772)	(590,412)	379,640	(64.3%)
Operating expenses and depreciation and amortization	(639,713)	(600,783)	(38,930)	6.5%
Cost allocation	(442,560)	(369,889)	(72,671)	19.6%
<b>Operating result</b>	<b>434,900</b>	<b>214,488</b>	<b>220,412</b>	<b>102.8%</b>
Tax on financial institutions	(92,916)	(85,660)	(7,256)	8.5%
<b>Segment profit before tax</b>	<b>341,984</b>	<b>128,828</b>	<b>213,156</b>	<b>165.5%</b>

### Bank guarantees

In the first half of 2024, The Bank issued 10 bank guarantees at the request of Business Banking Customers for a total amount of PLN 1.3 million.

<sup>2</sup> Data based on the segmentation note included in the Consolidated semi-annual report of the BNP Paribas Bank Polska S.A. Group for the 6-month period ended 30 June 2023.

## Corporate Banking and Small and Medium-sized Enterprises

### Commercial volumes

#### Corporate Banking

As at 30 June 2024, deposits of Corporate Banking Customers amounted to PLN 40,700,922 thousand and were PLN 2,333,631 thousand, i.e. 5.4% lower than at the end of 2023. The share of term deposits in the portfolio structure increased significantly (from 21.8% at the end of 2023 to 32.6% at the end of the first half of 2024), with a simultaneous decrease in the share of current accounts (from 77.4% at the end of 2023 to 65.6% at the end of the first half of 2024).

The consolidated value of the Corporate Banking segment's net loan and borrowing portfolio amounted to PLN 28,863,608 thousand and increased by PLN 1,041,289 thousand, i.e. 3.7%, compared with the end of 2023. The largest increase in terms of value was recorded for overdrafts (by PLN 627,518 thousand) and investment loans (by PLN 358,295 thousand).

**Table 39. Corporate Banking Deposits and Loans<sup>3</sup>**

PLN thousand			change	
	30.06.2024	31.12.2023	PLN thousand	%
Current accounts	26,704,622	33,288,556	(6,583,934)	(19.8%)
Savings accounts	10,144	7,044	3,101	44.0%
Term deposits	13,252,730	9,376,501	3,876,229	41.3%
Overnight	733,425	362,452	370,973	102.4%
<b>Accounts and deposits</b>	<b>40,700,922</b>	<b>43,034,553</b>	<b>(2,333,631)</b>	<b>(5.4%)</b>
Investment loans	17,370,764	17,012,469	358,295	2.1%
Overdrafts	9,325,775	8,698,256	627,518	7.2%
Leasing receivables	1,984,651	1,986,263	(1,613)	(0.1%)
Factoring	180,290	121,038	59,252	49.0%
Other Loans	2,129	4,293	(2,164)	(50.4%)
<b>Loans and advances (net)</b>	<b>28,863,608</b>	<b>27,822,320</b>	<b>1,041,289</b>	<b>3.7%</b>

<sup>3</sup> The volumes of deposits and loans of selected segments have been presented on the basis of data from management information systems, due to the availability of more detailed product information. For comparability, the data as at 31.12.2023 have been presented in accordance with the segmentation in force in 2024. The volume of deposits does not include the balances of certain credit institutions, which are treated as interbank deposits in management reporting, but are included in Customer deposits in financial reporting; In addition, the balances do not include accrued interest not matured





## Small and Medium Enterprise Banking

As at 30 June 2024, deposits of Small and Medium-sized Enterprise Banking Customers on a consolidated basis amounted to PLN 16,559,067 thousand and were PLN 578,699 thousand, i.e. 3.4%, lower than at the end of 2023. The largest decrease in value was recorded in current accounts by PLN 1,413,100 thousand, i.e. 10.2%, compared with the end of 2023, partially offset by an increase of PLN 835,774 thousand, i.e. 25.7% in term deposits. Current accounts accounted for 74.9% of deposits of Small and Medium-Sized Enterprise Banking Customers and their share decreased from 80.6% at the end of 2023, with a simultaneous increase in the share of term deposits from 19.0% at the end of 2023 to 24.7% at the end of the first half of 2024.

The consolidated value of the SME Banking segment's net loan portfolio amounted to PLN 6,434,789 thousand as at 30 June 2024 and decreased by PLN 385,769 thousand, i.e. 5.7%, compared with the end of 2023. The largest decrease in value concerned investment loans (by PLN 289,541 thousand) and lease receivables (by PLN 99,121 thousand).

**Table 40. Deposits and loans of Small and Medium-sized Enterprise Banking<sup>4</sup>**

PLN thousand	30.06.2024	31.12.2023	change	
			PLN thousand	%
Current accounts	12,398,551	13,811,651	(1,413,100)	(10.2%)
Savings accounts	59,072	57,902	1,170	2.0%
Term deposits	4,086,157	3,250,384	835,774	25.7%
Overnight	15,287	17,830	(2,543)	(14.3%)
<b>Accounts and deposits</b>	<b>16,559,067</b>	<b>17,137,767</b>	<b>(578,699)</b>	<b>(3.4%)</b>
Investment loans	3,082,342	3,371,884	(289,541)	(8.6%)
Overdrafts	2,795,107	2,792,121	2,985	0.1%
Leasing receivables	554,965	654,086	(99,121)	(15.2%)
Factoring	284	286	(2)	(0.8%)
Other Loans	2,091	2,181	(90)	(4.1%)
<b>Loans and advances (net)</b>	<b>6,434,789</b>	<b>6,820,558</b>	<b>(385,769)</b>	<b>(5.7%)</b>

<sup>4</sup> The volumes of deposits and loans of selected segments have been presented on the basis of data from management information systems, due to the availability of more detailed product information. For comparability, the data as at 31.12.2023 have been presented in accordance with the segmentation in force in 2024. The volume of deposits does not include the balances of certain credit institutions, which are treated as interbank deposits in management reporting, but are included in Customer deposits in financial reporting. In addition, the balances do not include accrued interest not matured

## Profit before tax

### Corporate Banking

In the first half of 2024, the Corporate Banking segment generated a profit before tax of PLN 714,910 thousand (compared to PLN 742,771 thousand in the first half of 2023, which means a slight decrease of 3.8% YoY). The decrease in profit before tax was mainly due to higher (by PLN 55,701 thousand, i.e. by 26.7% YoY) operating expenses and depreciation and amortisation and lower positive impairment losses (by PLN 53,133 thousand, i.e. by 99.0% YoY).

Net banking income of Corporate Banking amounted to PLN 1,150,041 thousand and was higher by PLN 113,479 thousand, i.e. 10.9% compared with the first half of 2023, as a result of an increase in net interest income by PLN 137,217 thousand, i.e. by 21.2% YoY.

This result accounted for 31.6% of the Group's net banking income in the period under review.

**Table 41. Profit before tax of the Corporate Banking segment<sup>5</sup>**

PLN thousand	6 months	6 months	change	
	to 30.06.2024	to 30.06.2023	PLN thousand	%
Net interest income	783,190	645,973	137,217	21.2%
Net commission income	184,886	185,275	(389)	(0.2%)
Net trading and other income	181,965	205,314	(23,349)	(11.4%)
<b>Net banking result</b>	<b>1,150,041</b>	<b>1,036,562</b>	<b>113,479</b>	<b>10.9%</b>
Net allowances on expected credit losses	530	53,663	(53,133)	(99.0%)
Operating expenses and depreciation and amortization	(264,500)	(208,799)	(55,701)	26.7%
Cost allocation	(108,879)	(83,758)	(25,121)	30.0%
<b>Operating result</b>	<b>777,192</b>	<b>797,668</b>	<b>(20,476)</b>	<b>(2.6%)</b>
Tax on financial institutions	(62,282)	(54,897)	(7,385)	13.5%
<b>Segment profit before tax</b>	<b>714,910</b>	<b>742,771</b>	<b>(27,861)</b>	<b>(3.8%)</b>

<sup>5</sup> Data based on the segmentation note included in the Consolidated semi-annual report of the BNP Paribas Bank Polska S.A. Group for the 6-month period ended 30 June 2024.



## Small and Medium Enterprise Banking

In the first half of 2023, the Small and Medium-Sized Enterprises Banking segment generated a profit before tax of PLN 220,712 thousand (compared to PLN 204,137 thousand in the first half of 2023, which means an increase of PLN 16,575 thousand, i.e. 8.1% YoY).

Net interest income improved by PLN 79,430 thousand, i.e. 34.6%, while net commission income and net trading and other income were lower by PLN 6,115 thousand (i.e. 8.4%) and PLN 2,043 thousand (i.e. 4.7%), respectively, compared to the corresponding period of 2023.

The profit before tax was adversely affected by higher operating expenses and depreciation and amortisation (by PLN 3,429 thousand, i.e. by 4.9%) and a decrease in positive impairment losses (by PLN 35,056 thousand, i.e. by 91.9%).

The net banking income of the Small and Medium-sized Enterprise Banking in the first half of 2024 amounted to PLN 415,873 thousand and was higher by 20.8% compared to the corresponding period of 2023. This result accounted for 11.4% of the Group's net banking income in the period under review.

**Table 42. Profit before tax of the Small and Medium-sized Enterprises Banking segment<sup>6</sup>**

PLN thousand	6 months	6 months	change	
	to 30.06.2024	to 30.06.2023	PLN thousand	%
Net interest income	308,890	229,460	79,430	34.6%
Net commission income	66,809	72,924	(6,115)	(8.4%)
Net trading and other income	40,174	41,793	(1,619)	(3.9%)
<b>Net banking result</b>	<b>415,873</b>	<b>344,177</b>	<b>71,696</b>	<b>20.8%</b>
Net allowances on expected credit losses	3,091	38,147	(35,056)	(91.9%)
Operating expenses and depreciation and amortization	(73,544)	(70,115)	(3,429)	4.9%
Cost allocation	(111,775)	(95,485)	(16,290)	17.1%
<b>Operating result</b>	<b>233,645</b>	<b>216,724</b>	<b>16,921</b>	<b>7.8%</b>
Tax on financial institutions	(12,933)	(12,587)	(346)	2.7%
<b>Segment profit before tax</b>	<b>220,712</b>	<b>204,137</b>	<b>16,575</b>	<b>8.1%</b>

<sup>6</sup> Data based on the segmentation note included in the Consolidated semi-annual report of the BNP Paribas Bank Polska S.A. Group for the 6-month period ended 30 June 2024.

## Bank guarantees

In the field of guarantees and letters of credit, the Bank offers fast and comprehensive services based on dedicated IT solutions.

In the first half of 2024. The Bank, at the request of Clients:

- **Corporate Banking:** issued 2,951 bank guarantees for a total amount of PLN 1,274.3 million, opened 517 import letters of credit for a total amount of PLN 279.3 million and serviced 146 export letters of credit with a total value of PLN 531.8 million issued by third banks to these Clients;
- **SME Banking:** issued 356 bank guarantees for a total amount of PLN 112.7 million, opened 42 import letters of credit for a total amount of PLN 11.2 million and serviced 26 export letters of credit with a total value of PLN 16.5 million issued by third banks to these Clients.



# Risk Management

Risk management system

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Principal types of risk

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*Wioletta Gagol, Business Analysis Lead Expert*





## Risk management system

The risk management system is an integrated set of principles, mechanisms and tools (including policies and procedures) relating to risk processes. Risk management is part of the overall bank management system. In addition to regulatory requirements, the Bank takes into account the specific nature, scale and complexity of its business activities and the associated risk. The main objectives of the risk management system:

- ensuring early identification and appropriate management of all significant types of risk associated with the conducted activity,
- supporting the implementation of the business strategy through effective risk control and maintaining it within the accepted risk appetite,
- reflecting the Bank's adopted risk attitude and risk culture,
- measurement or estimation and monitoring of risk, including securing potential losses through appropriate control mechanisms,
- limiting risk by determining a system of limits and procedures to be followed in case of their exceedance,
- defining an organizational structure adapted to the size and profile of the risk incurred.

The risk management system operating in the Bank is organized based on the three independent lines of defense scheme, used to define roles and scopes of responsibility for effective supervision and organization of risk management in the Bank:

- **the first line of defense** is made up of business units, which are responsible for managing risk in the Bank's operational activity, including compliance with control mechanisms,
- **the second line of defense** is made up of designated organizational units of the Risk Area, Finance Area, Compliance Monitoring Division, and Legal Division, which are responsible for managing individual risks, including measuring, monitoring, controlling, and reporting risks, independently of the first line,
- **the third line of defense** is the activity of the Internal Audit Division, which makes independent assessments of actions related to risk management carried out by both the first and second line of defense.

The supreme role in the risk management system in the Bank is played by the Bank's Management Board, which sets the risk management strategy, risk appetite, and adopts risk management policies, and sets limits for significant types of risk and risk control procedures. The principles of risk management originate from the Risk Management Strategy document in BNP Paribas Bank Polska S.A. defined by the Bank's Management Board and approved by the Supervisory Board.

The organization of the risk management system in the Bank primarily takes into account the role of the Supervisory Board, the Bank's Management Board, dedicated committees (Audit Committee and Risk Committee at the Supervisory Board level, Asset and Liability Management Committee (ALCO), Risk Management Committee, Retail Banking Risk Committee, Personal

Finance Risk Committee, Credit Committee, Difficult Loans Committee, TAC/NAC Committee and Internal Control Committee), Risk Area, Compliance Monitoring Division, and Security and Business Continuity Management Division.

## Assessment of the adequacy of internal capital

The purpose of the internal capital adequacy assessment process is to monitor and control the level of the Bank's internal capital. The implementation of the ICAAP process is dictated by the desire to maintain the Bank's stable financial situation, guaranteeing the Bank's operation despite incurring unexpected losses. The Bank has a duty to ensure that the risk management process is consistent with the Bank's risk profile and that it limits excessive risk in its operation. The details of the process are defined in the Policy for estimating internal capital at BNP Paribas Bank Polska S.A.

The Bank has developed comprehensive principles for identifying and assessing risks in response to the requirements of the supervisory review and evaluation process. The principles aim to identify and assess all risks to which the Bank is or may be exposed, taking into account regulatory requirements, best practices, and the use of the Bank's proven existing risk management processes. The Bank takes into account the specific nature, scale, and complexity of its business activity and the associated risk, ensuring that all significant types of risk in the Bank's activity are measured and limited. The Bank seeks to identify and assess threats from both the internal and external environment that could have a significant impact on the Bank's financial stability.

The identification of potentially material risks involves distinguishing threats and potential risks that may occur in the future with an appropriate degree of probability.

The risk management process is tasked with:

- protecting the Bank from risk materialization,
- ensure an adequate assessment of capital needs necessary for identified risks.

The risk identification process is carried out annually in the Bank.

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

- defining the concept of risk significance,
- defining the factors determining the significance of risks,
- carrying out a risk materiality assessment,
- preparing a report from the conducted assessment.

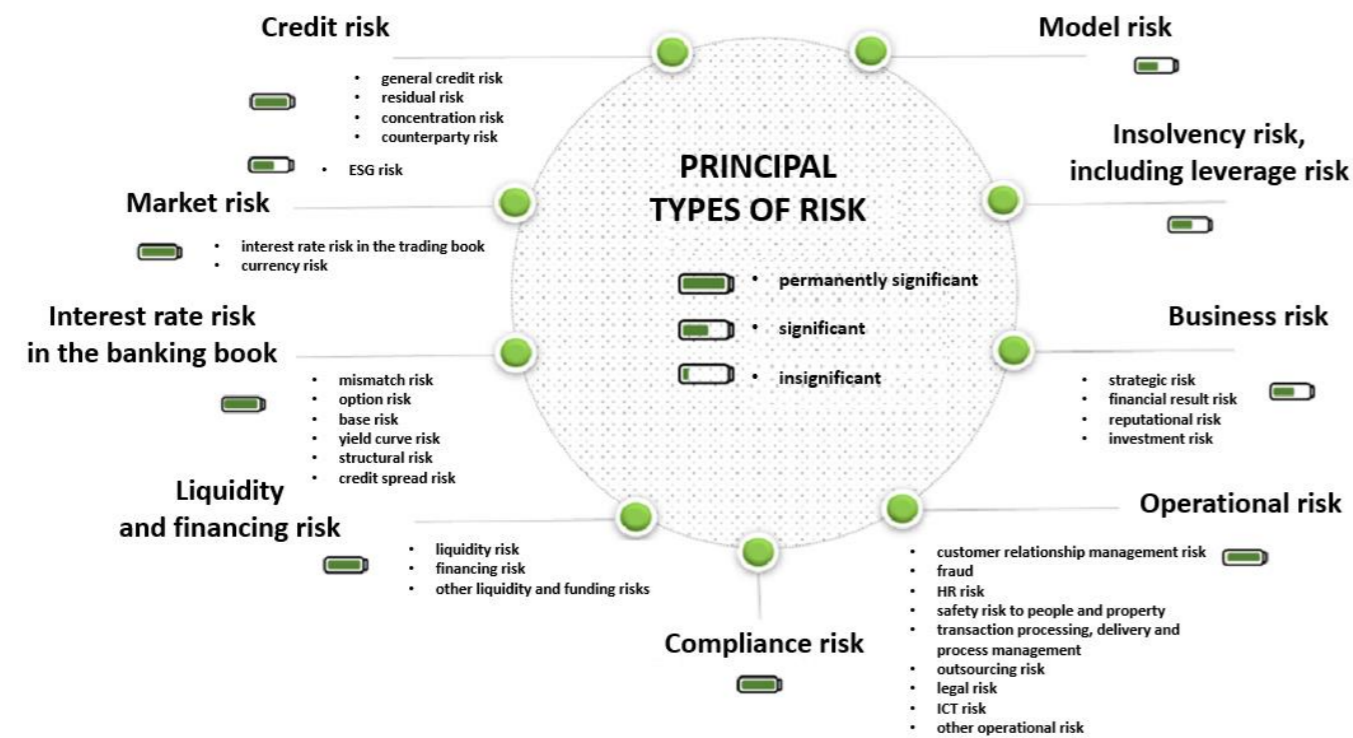
The process of assessing the significance of risks is carried out annually in the Bank.



The Bank identifies the following types of risks:

- permanently significant - inherently linked to the profile of the activity carried out (do not require periodic significance assessment),
- significant:
- risks for which the Bank has incurred costs related to their realization in the past,
- exposure to risk, severity of losses, and lack of suitable risk mitigation processes and procedures expose the Bank to unexpected financial losses (risks for which the significance assessment is at least medium),
- insignificant - risks for which the significance assessment is low.

As a result of the risk identification process and materiality assessment conducted in 2023, the structure of identified risks is as follows:



Internal capital reporting focuses on presenting the results of monitoring the level of internal capital and the main factors determining its level. The Bank reports capital on a monthly basis both in individual terms and on a consolidated basis. The reports are presented at the Risk Management Committee meeting on a monthly basis and on a quarterly basis for the Bank's Management Board and Supervisory Board.

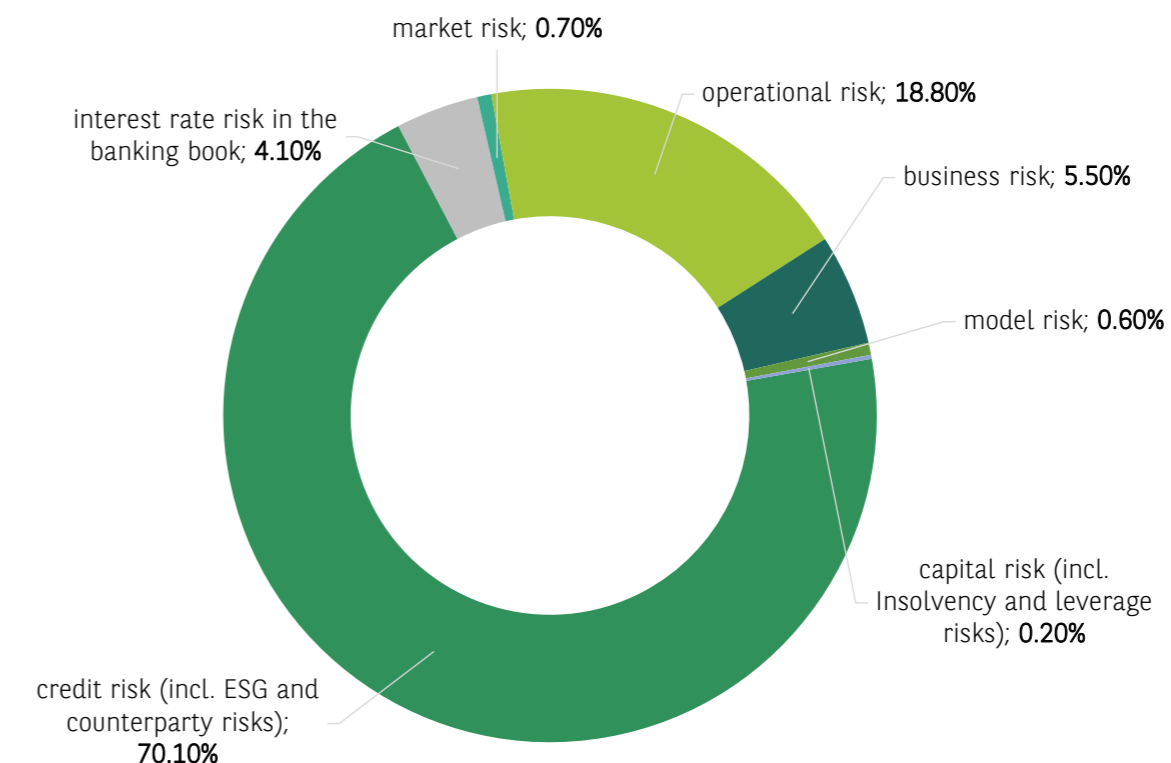
A review of the capital adequacy process is conducted once a year, and the review report is submitted to the Bank's Management Board and Supervisory Board. In addition, internal audit regularly conducts an independent review of the ICAAP process.

In order to measure risk, the Bank uses two approaches: quantitative and qualitative. The use of a particular approach is related to the characteristics of the risk.

Risk measurement methods:

- quantitative methods - are used when the Bank has information about the realization of risk and is able to measure a quantitative feature,
- qualitative methods - are used when the Bank does not have accumulated information on the historical realization of risk or the effect of risk measure variability is determined by many risk factors, from which the Bank cannot distinguish the effect related to the source of the assessed risk. The Bank considers the risk to be difficult to measure and conducts an assessment using a qualitative method, presenting qualitative characteristics of risk realization.

Chart 18. The structure of the internal capital in the BNP Paribas Bank Polska S.A. as of 30 June 2024.





## Risk appetite

For identified significant risks, the Bank defines the risk appetite. By setting the level of risk appetite, the Bank defines its risk profile and adopted risk posture. Risk appetite specifies the maximum level of risk that the Bank is ready to accept in pursuing the assumptions of the business strategy and financial plan.

Risk appetite, within the boundaries set by risk tolerance, determines how the Bank uses its ability to take on risk by specifying for each type of risk the degree of exposure that a given area can take. The Bank sets the level of risk appetite in the form of risk measures that reflect the Bank's current and future readiness to take on risk. All methods and procedures are subject to periodic reviews for their adequacy and accuracy. The level of risk appetite is set by the Bank's Management Board, requiring approval from the Supervisory Board.

Additionally, the Bank monitors individual types of risks using a formal limit system, which is set in such a way to:

- ensure the Bank complies with supervisory standards,
- maintain the desired risk profile defined in the business strategy and risk management strategy of the Bank,
- the limits do not exceed the level of risk acceptable by BNP Paribas Group.

In case of limit exceedances, corrective actions are taken to reduce the value of a given risk in line with existing procedures in the Bank. The information system used in risk management ensures the collection of data on operations and transactions and their impact on the Bank's risk profile. The Bank has rules for risk control and risk management that include procedures for dealing with crisis events.

## Stress tests

In accordance with the Methodology of the stress test program in BNP Paribas Bank Polska S.A. The bank performs, among others, the following types of bottom-up tests:

- stress tests based on the recommendations of the Polish Financial Supervision Authority (PFSA),
- business model stress tests,
- internal capital stress tests,
- recovery plan stress tests.

Stress tests are an important tool in the risk management process. They allow extending risk measurement to sensitivity to non-standard changes in market parameters, significantly deviating from changes observed during normal functioning of financial markets. The aim of the stress test program is to estimate potential risks to which the Bank is exposed under hypothetical market conditions. Macroeconomic assumptions are developed by the Bank's Chief Economist. The stress test program fulfills the requirements of EBA/GL/2018/04 guidelines dated July 19, 2018, concerning stress tests.

The stress tests program covers:

- sensitivity analysis,
- scenario analysis,
- reverse stress testing.

The Bank conducts tests referring to the level of risk appetite expressed in the form of risk appetite measures and capital targets set out in the Capital Management Policy in BNP Paribas Bank Polska S.A. Through stress tests, the Bank assesses the credibility of its financial plan and capital plan under extreme conditions, to ensure that the Bank meets the capital requirements that apply to it. The Bank's Management Board approves the stress test program and supervises its implementation and results.

## Principal types of risk

### Credit risk

Credit risk is the risk of the Bank incurring a loss due to a failure to fulfill obligations within the time specified in the agreement as a result of a deterioration or loss of creditworthiness by the Customer.

The Bank's credit risk management system has been specified in the Credit Policy of BNP Paribas Bank Polska S.A. adopted by the Management Board. Detailed rules and criteria for financing within the product offer of a given business line, types of available loans, financing objectives, conditions and limits are specified in the credit policies for individual business lines. The Bank's intention, in accordance with the criteria of the credit policy, is to cooperate with Customers characterized by a good reputation and a good economic and financial situation.

Credit policies also establish detailed rules for identifying, measuring, and accepting risk, securing the repayment of the loan, and monitoring Customers during the term of the loan agreement.

The credit risk management process is organizationally adapted to the business line structure adopted in the Bank. A key role in the credit risk management system is played by the organizationally distinct Risk Area, which is headed by a member of the Management Board (Chief Risk Officer). Activities in the area of credit risk management are supported by the Risk Management Committee and the Retail Banking/Personal Finance Risk Committees.

The Bank assesses the risk of borrowers using rating and scoring classification systems and risk classification according to IFRS standards.

Credit decisions are made in accordance with the decision-making model approved by the Bank's Management Board and adapted to the standards applicable in the BNP Paribas group. The decision-making model takes into account the structure of business lines, establishes the number of decision-making levels, the scope of their competences, and the rules, criteria, and conditions for making credit decisions. The thresholds for decision-making powers depend on criteria such as the





Customer segment, Customer risk profile, and loan period. At all competency levels, credit decisions are made in a two-person mode (the "four eyes" principle) by a representative of the business line and a representative of the organizational unit responsible for an independent assessment of the Customer's risk and transaction. For Customers whose credit risk assessment is made using simplified risk assessment rules or risk assessment models, including scoring models approved by the Risk Management Committee or Retail Banking/Personal Finance Risk Committees, credit decisions can be made unilaterally by representatives of business lines.

In terms of credit risk management, the Bank follows the following principles:

- each credit transaction requires a comprehensive assessment of credit risk, the result of which is an internal rating or scoring assessment,
- a thorough and careful financial analysis forms the basis for recognizing the credibility of the Customer's financial data and information about the value of security; the Bank's prudent analyses always take into account the necessary safety margin,
- as a general rule, the basis for financing a Customer is their ability to generate cash flows that ensure repayment of obligations to the Bank,
- the prepared credit risk assessment is subject to additional verification by credit risk assessment services independent of business services,
- the pricing conditions of the credit transaction must cover the risk of this transaction,
- credit risk is diversified in terms of geographical areas, economic sectors, products, and Customers,
- only authorized persons can make credit decisions,
- the client and the transactions concluded with him are monitored in a manner transparent to the client and strengthening relations with the client.

### Credit risk management in the Bank's subsidiaries

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

The Bank recommends, reviews, and accepts the policies, principles, and methodologies used by the companies in managing credit risk.

In the Bank and its subsidiaries, methods of credit risk management are used in parallel, including:

- a rating system for Corporate Banking and Small and Medium Enterprises Banking Customers,
- risk classification system according to IFRS standards,

- assessment of the creditworthiness of the Bank's and subsidiaries' common Customers,
- credit decision-making model,
- the Bank's internal limit system for concentration risk, including limits on receivables portfolios of subsidiaries.

### Measurement of the impairment of financial assets

The principles used by the Group in measuring impairment are described in Note 7a. Impairment of financial assets of the Consolidated Half-Year Report for the 6-month period ended June 30, 2024

In the first half of 2024, as part of adjusting the level of provisions to expectations regarding the future macroeconomic situation, the level of reserves decreased by PLN 36,554 thousand. This resulted from updating the forecasts of macroeconomic variables included in the used MSSF9 model.

In the first half of 2024, the Group did not make any changes in the process of calculating write-offs.

In the first half of 2024, the level of write-offs was influenced by the update of the Post Model Adjustments maintained in connection with the risk of Customers particularly sensitive to changes in the economic environment and corrections of parameters for sensitive Customers using credit holidays - the Group net solved PLN 5,797 thousand. of write-offs created for this purpose (including the solution in the amount of PLN 2,243 thousand. for exposures of Customers particularly sensitive to changes in the economic environment and PLN 3,554 thousand. of the solution in the form of parameter corrections for sensitive Customers using credit holidays).

Considering the changes indicated above, the balance of additional write-offs in the form of Post Model Adjustments as of June 30, 2024, was PLN 64,066 thousand, while the balance as of December 31, 2023, was PLN 69,863 thousand.

### Debt restructuring and recovery

In the first half of 2024, a total of PLN 866.7 million in receivables was obtained, of which:

- PLN 194.4 million - as a result of portfolio restructuring (corporate entities PLN 104.7 million, SMEs PLN 75.6 million, retail Customers PLN 6.5 million, micro-enterprises PLN 7.0 million, mortgage loans PLN 0.6 million),
- PLN 587.1 million - as a result of recovery actions (retail Customers PLN 293.8 million, SMEs PLN 34.1 million, micro-enterprises PLN 176.4 million, corporate entities PLN 4.6 million, mortgage loans PLN 78.2 million),
- PLN 85.1 million - as a result of the sale of a portfolio with impairment.

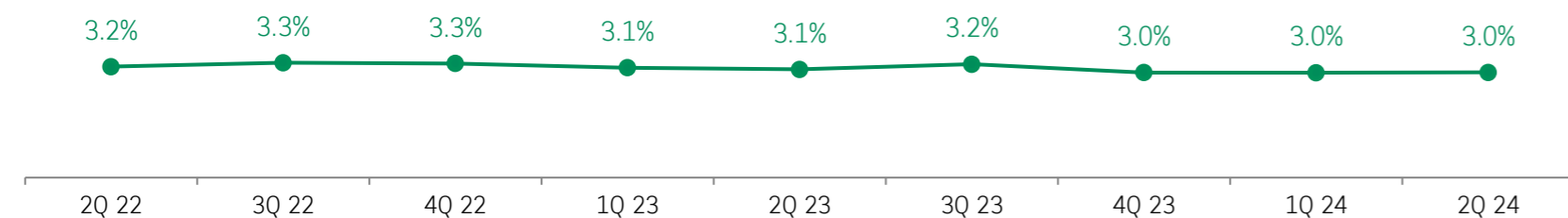


### Credit portfolio quality

#### Loan structure by stages

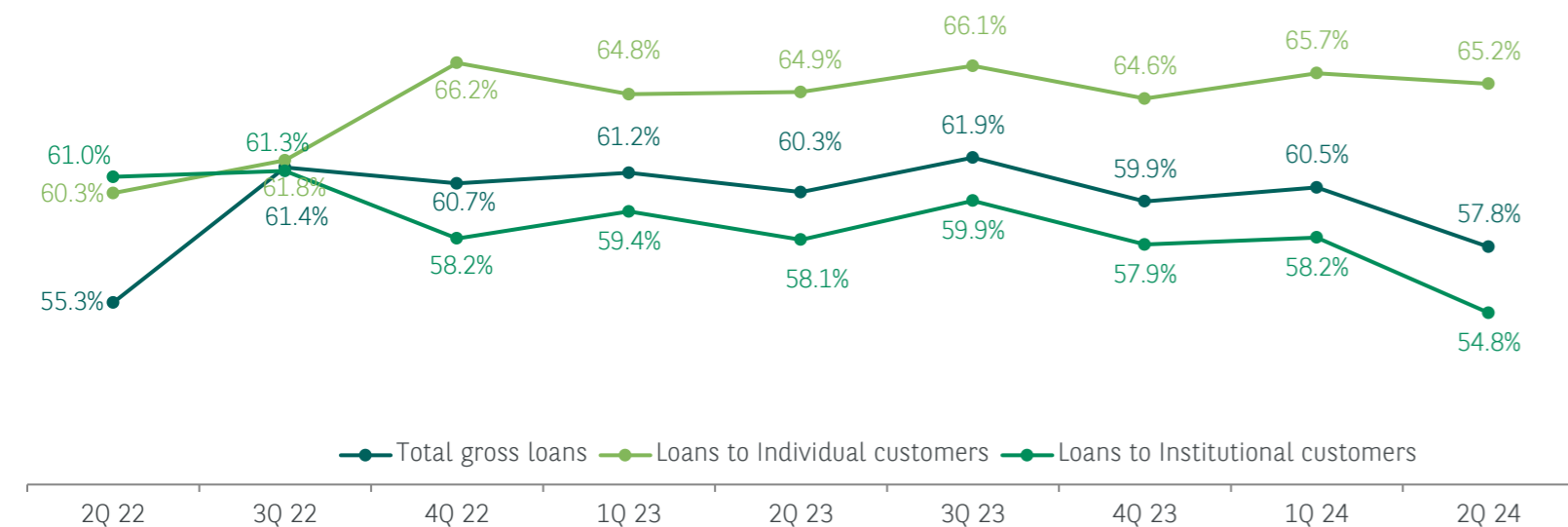
The share of loans valued at amortized cost, classified as Stage 3 as of June 30, 2024, remained at the level of 3.0%. Maintaining the ratio at a low level was possible thanks to the high effectiveness of actions at various stages of handling threatened loans in the process of active management of the NPL portfolio, and in particular thanks to an effective monitoring of Customers potentially threatened with entry into Stage 3, and high effectiveness of recovery actions.

Chart 19. Share of receivables valued at amortized cost, classified as Stage 3



As of June 30, 2024, the coverage ratio of the portfolio classified as Stage 3 was 57.8%, which represents a slight decrease compared to the coverage level observed at the end of 2023

Chart 20. Provision coverage for the portfolio classified as Stage 3



Detailed information about the quality of the portfolio is presented in the chapter on financial results in the part concerning the credit portfolio of this Report.

The Group also actively monitors the structure of the loan portfolio, in particular, the industry structure. Details have been described in the subchapter Concentration Risk.

#### Concentration risk

Concentration risk is an inherent risk that the Bank takes as part of its statutory activities and is subject to a specific process and management rules.

The Management Board assesses the adopted concentration risk management policy in terms of how it is applied, particularly in terms of checking its effectiveness and adequacy of the implementation of principles in the context of current and planned activities and taking into account the risk management strategy. In the event of significant changes in the Bank's environment or risk management strategy, the adequacy of the concentration risk management process is reviewed immediately after this event occurs.

To limit concentration risk, mechanisms for identifying and measuring concentration risk and concentration limits, including large exposure limits, are used. They allow for monitoring and maintaining diversification of the credit portfolio at levels consistent with the Bank's strategy and risk appetite. The Bank's limit system also takes into account external conditions and macroeconomic and sector perspectives.

As of the end of June 2024: the limits in a consolidated and individual approach as defined in article 395 of EU Regulation No. 575/2013 were not exceeded in relation to entities of the BNP Paribas S.A. Group and amounted to 14.1% of Tier 1 capital in a consolidated approach.

In the case of the exposure limit to entities outside the BNP Paribas S.A. Group, the limits were also not exceeded, the largest exposure constituted 19.4% of Tier 1 capital in a consolidated approach.

Internal limits for credit concentration risk are set, among others, for:

- selected economic sectors/industries,
- exposures denominated in foreign currency,
- Customer segment (internal Customer segmentation),
- loans secured by a particular type of security,
- geoChartic regions,
- average probability of default (PD),



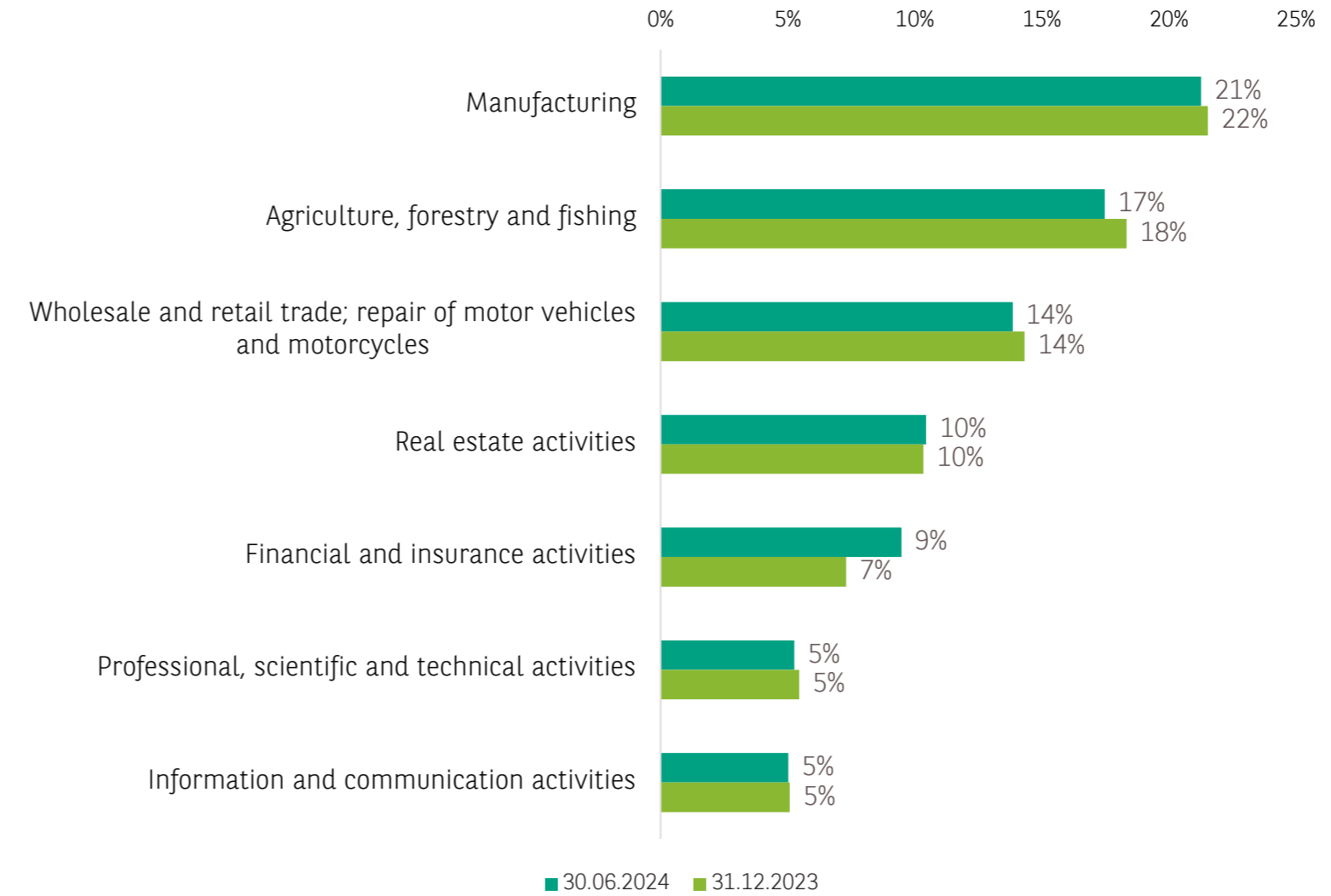
- exposures with a specific rating (the Bank's internal rating scale),
- exposures with a specific debt-to-income ratio,
- exposures with a specific loan-to-value ratio.

Actions limiting the Bank's exposure to concentration risk can include system-wide actions as well as actions related to individual/specific decisions and transactions. The Bank includes the following in system-wide actions:

- limiting the scope of lending to a particular type of Customer, by modifying the conducted credit policy,
- reducing limits on concentration risk,
- diversification of asset types at the level of the Bank's financial statement,
- changing the business strategy in such a way as to counteract excessive concentration,
- diversification in terms of the types of accepted securities.
- the Bank categorizes actions limiting single / specific decisions and transactions as follows:
  - Limiting further transactions with a given Customer or group of related Customers,
  - sale of selected assets / credit portfolios,
  - securitization of assets,
  - establishing new security for existing or new credit exposures.

The industry concentration analysis conducted by the Bank covers all of the Bank's credit exposures to institutional clients.

**Chart 21. Industry participation in the portfolio of institutional clients' loans (industries above 5%)**

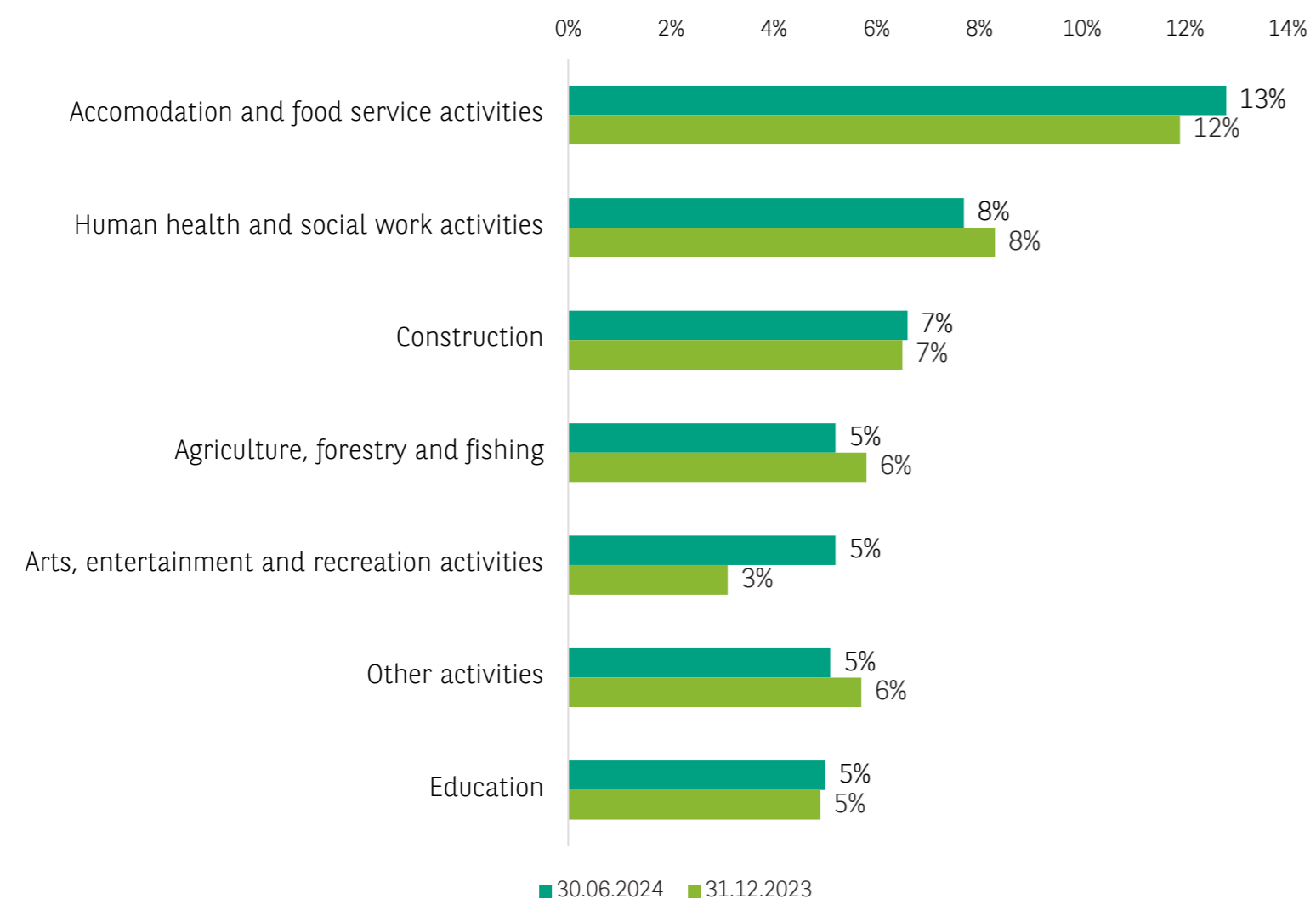


The Bank's industry concentration analysis covers all the Bank's credit exposures to institutional Customers.





Chart 22. The share of loans with recognized loss of value (over 5%) in the portfolio of a given industry



The BNP Group has the highest share in the "Industrial Processing" sector, where the share of risky loans is less than 5%, similar to the previous year. Meanwhile, the industry with the highest share of risky loans is "Accommodation and catering services", which constitutes only 1% of the balance sheet exposure to Institutional Clients.

More detailed information about the industry engagement can be found in note no. 51 of the Consolidated Half-Year Report for the 6-month period ended June 30, 2024.

In connection with the ongoing war in Ukraine and economic sanctions issued against Russia and Belarus, the Bank has analysed credit exposures directly related to these countries and on this basis has not identified significant exposures in both the Institutional Customers and Retail Customers portfolios.

### Counterparty risk

Counterparty risk is a credit risk related to the counterparty with whom financial market transactions are concluded and for whom the amount of obligation can assume different values over time, depending on market parameters. Therefore, counterparty risk is associated with transactions whose value can change over time depending on factors such as interest rates or exchange rates. A different exposure value can affect the counterparty's solvency and is crucial for the counterparty's ability to fulfil its obligations at the time of transaction settlement. The Bank determines the level of exposure based on the current valuation of contracts and the potential future change in exposure value, which depends on the type of transaction, the type of counterparty, and settlement dates.

As of the end of June 2024, the counterparty risk calculation included the following types of transactions: foreign exchange transactions, interest rate swaps, currency options, interest rate options, and commodity derivatives.

The assessment of counterparty credit risk for transactions generating counterparty risk is analogous to granting credit products. This means that these transactions are covered by limits whose value directly results from the assessment of Customers' creditworthiness, carried out similarly to the needs of offering credit products. The assessment also takes into account the specific nature of the transactions, especially their variable value over time, or their direct dependence on market parameters.

The rules for concluding foreign exchange transactions, derivative transactions, and granting, utilizing, and monitoring credit limits for transactions covered by counterparty risk limits are regulated by dedicated procedures. According to the adopted policy, the Bank concludes all transactions based on individually granted limits and takes into account its knowledge of the Customer. The Bank has defined product groups which are offered to Customers depending on their knowledge, experience, and risk tolerance. The Bank has transparent rules for securing counterparty risk exposure.

In connection with the armed conflict in Ukraine and the economic sanctions issued against Russia and Belarus, the Bank observes increased volatility of market risk parameters, which translates into fluctuations in exposure to counterparty risk. The Bank continuously assesses the counterparty risk, conducting reviews of the client portfolio where this risk occurs. The Bank maintains the application of its basic "Know Your Customer" principle. Due to the non-standard situation, some Customers may be asked for additional information related to changes in the conditions of conducting their business activities. In its risk assessment, the Bank also takes into account the higher volatility of the above parameters when entering into new transactions.

### ESG Risk

#### ESG risk management principles

As part of the Bank's risk identification and evaluation principles, a separate group of risk factors related to environmental, social, and governance factors was defined. In the process of identifying risks, the significant impact of ESG factors on credit risk was recognized. Given that ESG factors are not yet comprehensively covered within the quantitative measurement of credit risk, it was decided to separate ESG risk as a category of difficult to measure risk until ESG factors



are included in credit parameters. As a result, the Bank included ESG risk in the internal risk management framework by recognizing ESG risk as a subtype of credit risk in the Risk Management Strategy and Risk Appetite. To limit and control the risk, principles for measuring ESG risk were also developed in the process of determining the Bank's internal capital (ICAAP). The capital plan for 2022-2025 was supplemented with limits to cover ESG risk, determined based on the conducted risk measurement. ESG risk management principles were also developed, which include provisions on risk monitoring and reporting, and stress tests.

### Factors considered in ESG risk analysis

#### Environmental factors:

- greenhouse gas emissions,
- energy consumption and efficiency,
- water, air, and soil pollution,
- effective management of water consumption (risk of freshwater shortage),
- soil degradation,
- deforestation,
- consumption of natural resources,
- waste management,
- biodiversity and ecosystem protection,
- risk of not transitioning to renewable energy sources,
- development in the field of low-emission technologies and other environmental technologies (transition risk),
- regulatory restrictions, including additional taxes and fees e.g. carbon tax (transition risk),
- physical risks related to climate change (extreme weather events and gradually deteriorating climatic conditions), including the effects of natural disasters that may result in, among others, a decrease in asset values,
- changes in consumer attitudes and preferences related to growing awareness of environmental risk,
- risk of financial liability for the negative impact of activities (compensation, penalties).

#### Social factors:

- social integration,
- supporting social cohesion,
- respect for diversity,
- protection of whistleblowers,
- investments in human and social capital,
- counteracting discrimination of any kind,
- combating inequality and promoting equal opportunities,
- safe and healthy work environment,
- Health and safety of Customers, local communities, surroundings,
- Protection of Customer privacy,
- training and development,
- disregard for human rights (forced labor, child labor, modern slavery),
- violation of labor rights: the right to associate, the right to strike, the right to collective agreements, ethical standards of employment,
- risk of lack of prevention against terrorism and cybercrime,
- infectious diseases (affecting humans or animals),
- financial liability risk for negative impact of operations (compensation, penalties).

#### Governance factors:

- unethical and unfair business practices,
- non-compliance with corporate governance standards (code of ethics, complaint and irregularity reporting mechanisms, transparency of information),
- gender diversity in corporate bodies,
- internal Audit,
- independence of the board,



- executive compensation,
- abuses and corrupt practices,
- shareholder rights,
- stakeholder engagement,
- faulty ESG risk control systems,
- supply chain requirements,
- compliance with non-financial sector regulations,
- financial liability risk for negative impact of operations (compensation, penalties).

The Bank recognizes that risks related to environmental protection, social policy and corporate governance can pose a significant risk to businesses and a systemic risk to the economy. In order to manage this risk, the Bank monitors the work of supervisory bodies and legislative proposals concerning the financial sector.

### ESG analysis in the credit process

In 2021, in response to the requirements of the EBA/GL/2020/06 Guidelines of 29 May 2020 on loan origination and monitoring, the Bank developed ESG assessment questionnaires that have been implemented in the credit process for corporate, SME and micro-business Customers. The aim of the assessment is to identify any risks associated with ESG factors affecting clients' financial situation, as well as the impact of clients' business activities on ESG factors.

Key figures in the ESG analysis and assessment in the first half of 2024:

- 12,609 ESG analyses conducted (requirement to implement ESG questionnaires in line with EBA/GL/2020/06),
- 201 recommendations and issued ESG risk assessments, including 106 sector analyses.

The Bank also uses a comprehensive assessment of the level of advancement of sustainable development practices among its Clients (ESG Assessment). The analysis is carried out based on questionnaires that comply with EU regulations in the field of sustainable development and focus on ESG factors relevant to a given industry. Thanks to the complexity of the analysed issues, the Bank:

- assesses the scale of clients' engagement in key areas of their social and environmental impact,
- determines whether clients are aware of sustainable development challenges, as well as the commitments and actions they undertake,
- monitors the progress in implementing ESG practices.

So far, the ESG Assessment process has included Strategic Clients. From 2024, the Bank also included lower Corporate Customer segments in the analysis.

The Bank also follows the Equator Principles (EP), which serve to identify, assess, and manage the risks associated with financing a given project and its impact on the natural environment and society. The Principles provide minimum standards for conducting project due diligence.

The Bank, like the entire BNP Paribas Group, also adheres to the following:

- **Ocean protection policy**, which establishes criteria for financing activities deemed risky for the environment and oceanic biodiversity,
- **Human rights policy**, which sets ethical standards and ensures respect for human rights in all actions taken by the Bank.

### Sector policies

The sector policies applied by the Bank identify nine sectors as particularly sensitive due to ESG risks. These are the coal energy, mining, oil and natural gas, nuclear, forest - pulp, forest - palm oil, tobacco, agri-food, defense and security sectors.

All entities operating in these sectors that wish to become a Bank client or obtain financing are obliged to fulfill the requirements described in the Bank's sector policies. At the same time, the Bank made a strategic decision to stop servicing the sectors most harmful in terms of sustainable development.

### from 2018

The Bank is implementing a process to exit financing the tobacco sector. No new client from this sector will receive financing from the Bank

### in 2020

The Bank has tightened its policy towards clients whose activities involve coal energy

### from 2020

The Bank has ceased financing the fur farming sector

### in 2023

The Bank has tightened its policy towards the oil and natural gas sector. The Bank does not finance the development of new oil and gas deposits



**Table 43. Sector policies**

Sector	The Bank's commitments
Coal energy sector	<ul style="list-style-type: none"> <li>the Bank will not start cooperation with any new client who obtains more than 25% of its revenue from coal energy and coal-based activities.</li> <li>the Bank will only cooperate with coal energy companies that have a coal exit strategy by 2030, both for their owned and operated coal-fired power plants.</li> <li>the Bank will not provide financial products or services for new coal energy projects, regardless of their location, or for the modernization of existing coal power/heat plants aimed at extending their usage period or increasing their production capacity.</li> </ul>
Mining sector	<ul style="list-style-type: none"> <li>the Bank will not provide any financial products or services to infrastructure companies significantly involved in the coal energy industry.</li> <li>the Bank will not provide any financial products or services to entities belonging to mining groups that produce over 10 million tons of coal energy annually or obtain over 20% of their revenue from coal energy.</li> <li>the Bank will not provide any financial products or services to companies engaged in coal energy extraction.</li> </ul>
Oil and gas sector	<ul style="list-style-type: none"> <li>the Bank will not finance the development of new oil and gas deposits.</li> <li>the Bank does not provide financing for investments related to the exploration and extraction of oil and gas from unconventional deposits, nor for pipelines and export terminals primarily fueled by unconventional LNG.</li> <li>the Bank does not finance any oil and gas projects or infrastructure related to such projects in the Arctic and Amazon regions and the Esmeraldas province in Ecuador.</li> </ul>
Nuclear sector	<ul style="list-style-type: none"> <li>as a financial institution, the Bank can offer its products and financial services to government entities supporting businesses developing non-military nuclear energy. The Bank believes that for countries planning to develop nuclear energy or new power plants, as well as for the international community, it is not only necessary to act in accordance with safety requirements and population protection, but also to act with regard for environmental protection for future generations.</li> <li>through the application of the Sector Policy, the Bank wants to ensure that the projects it could finance are in line with the principles of monitoring and mitigating the social and environmental impact of the nuclear energy sector.</li> </ul>
Forest sector - tree pulp	<ul style="list-style-type: none"> <li>the Bank has noted that due to the process of tree pulp production, the heavy industry activity has a significant impact on the environment, pollution of water, soil and air, as well as on the health and safety of pulp mill workers and the surrounding communities.</li> <li>the Bank wants to support responsible producers who implement sustainable development practices in the tree pulp production sector.</li> </ul>

Forest sector - palm oil	<ul style="list-style-type: none"> <li>the Bank refrains from financing or investing in businesses that actively contribute to deforestation or violate the rights of local communities.</li> <li>the Bank wants to support responsible producers who implement sustainable development practices in the palm oil production sector.</li> </ul>
Tobacco sector	<ul style="list-style-type: none"> <li>the Bank is in the process of exiting financing for tobacco product manufacturers, as well as growers and wholesalers whose main business is related to tobacco.</li> </ul>
Agri-food sector	<ul style="list-style-type: none"> <li>the Bank provides a wide range of financial products and services for the agri-food sector across the value chain. The Bank's partners are distinguished by a high level of responsibility, which is reflected in the commitment to feed people with healthy and safe products in a way that does not threaten food supplies for future generations.</li> <li>since 2021, the Bank has introduced new criteria for companies engaged in activities related to soy and beef in the Brazilian Amazon and Cerrado. The Bank will offer financial products or services exclusively to companies that have adopted a zero-deforestation strategy in their production and supply chains no later than 2025.</li> <li>for the Amazon, the Bank will not finance clients producing or purchasing beef and soy from areas cleared or converted after 2008, in the case of Cerrado, in areas cleared or converted after January 1, 2020, in accordance with global standards.</li> <li>for all clients, the Bank will require full traceability of beef and soy supply chains (direct and indirect) by 2025.</li> <li>the Bank encourages clients to engage in transitioning to systems that include cage-free infrastructure for broilers and laying hens by 2025, and to implement the Responsible Minimum Standards of the FARMS Initiative by encouraging all poultry companies (broilers and laying hens) to adhere to a maximum stocking density of 30 kg/m<sup>2</sup>.</li> </ul>

**Market risk (including interest rate risk in the trading book and foreign exchange risk)**

The process of managing market risk in the Bank is divided into managing interest rate risk in the trading book and currency risk. The process is centralized, which means that all transactions exposing the Bank to the above-mentioned risks are transferred to the Financial Markets Division, which is the unit responsible for operational risk management within the granted limits. The unit responsible for measuring and monitoring the level of market risk is the Market and Counterparty Risk Department, organizationally separate up to the level of the Bank's Management Board from the units conducting activities exposing the Bank to risk. The key participants in the market risk management process are the Risk Management Committee, the Management Board and the Supervisory Board, which, within the competences and responsibilities set out in written regulations, grant and allocate amounts of market risk limits, the level of risk appetite and monitor their use and the compliance of the conducted activities with the adopted strategy.



In measuring market risk, the Bank uses, among other methods, the Value at Risk (VaR) method. This is the change in the market value of an asset component or asset portfolio under specific assumptions regarding market parameters, in a specified time period and with a given probability. It is assumed that VaR for currency risk monitoring purposes is determined with a 99% confidence level in a one-day time horizon. The VaR methodology is subject to at least an annual process of evaluating the quality of the implemented models, including by performing a test that involves comparing forecast values and values determined based on actual changes in risk factors, assuming a constant open position (historical verification or "back testing").

In addition to VaR, in the process of managing market risk, the Bank used a number of other measures, such as open position limits for a given risk factor, loss limits, the analysis of the results of stress tests, as well as gamma and vega limits for option instruments.

Interest rate risk in the trading book is the risk of adverse changes in the Bank's financial result or the value of the Bank's capital, due to one of the following reasons:

- differences in the timing of interest rate changes on the Bank's assets and the liabilities financing them (mismatch risk),
- differences in the base rates that form the basis for determining the interest rate on positions with the same revaluation term (basis risk),
- changes in market interest rates, which affect the fair value of the Bank's open positions (interest rate volatility risk).

Interest rate risk in the trading book has been classified as significant, while the economic capital allocated to this type of risk constitutes less than 1% of the Bank's total economic capital.

Exposures to interest rate risk were the main source of risk in the trading book. The Bank assesses this risk level as moderate. In addition to linear risk instruments, the Bank maintained a small open position in interest rate options to ensure the possibility of servicing Customer transactions at more favorable pricing conditions.

The following table shows the level of interest rate risk in the trading book in terms of Value at Risk with a 99% confidence level in a one-day time horizon, allowing to estimate the sensitivity of the Bank's result to changes in market interest rates, including in particular potential losses.

**Table 44. The level of interest rate risk in the trading book in terms of Value at Risk with a 99% confidence level in a one-day time horizon**

IR VaR (PLN thousand)	H1 2024	H2 2023
Average	3,078	3,526
Maximum	4,266	7,060
Minimum	1,655	1,974

**Foreign exchange risk** is the risk of adverse changes to the Bank's financial result due to changes in market exchange rates.

The Bank conducts activities resulting in currency positions sensitive to changes in exchange rates. At the same time, it strives to limit exposure to foreign exchange risk arising from offering clients products in foreign currencies. The Bank conducts limited activity on the foreign exchange market aimed at realizing the financial result from short-term arbitrage positions. In addition to instruments with linear risk characteristics, the Bank maintained a small open position in currency options to ensure the possibility of servicing Customer transactions at more favorable pricing conditions.

Foreign exchange risk has been classified as significant, while the economic capital allocated to this type of risk constitutes less than 1% of the Bank's total economic capital.

The following table presents the level of currency risk in terms of Value at Risk with a 99% confidence level in a one-day time horizon, allowing to estimate the sensitivity of the Bank's result to changes in market interest rates, including in particular potential losses.

**Table 45. The level of foreign exchange risk in terms of Value at Risk with a 99% confidence level in a one-day time horizon**

FX VaR (PLN thousand)	H1 2024	H2 2023
Average	336	224
Maximum	1,403	921
Minimum	26	43

### Interest rate risk in the banking book

The Group's core business activity - granting loans and accepting deposits from clients - results in the creation of open interest rate risk positions, which are transferred from business lines to portfolios managed by the Asset and Liability Management Division through a transfer pricing system.

Structural elements (a stable part of current accounts insensitive to interest rate changes and capital) are hedged with transactions with longer maturities. The Group's intention for the remaining portfolio is to close the interest rate risk.

When defining the interest rate risk profile, the Group takes into account not only contractual parameters, but also the actual characteristics of products resulting from Customer behavioral behaviors and embedded options using models e.g. for current accounts, savings accounts, fixed-rate loans, credit cards.

Modeling product behavior divided into business lines allows for the separation of stable and unstable parts, responding in different ways to interest rate changes.



The Group's policy on interest rate risk defines the following basic types of interest rate risk analysis (combined and broken down into major currencies):

- mismatch in the revaluation terms of assets and liabilities in individual terms (so-called "gapping") for a banking portfolio,
- sensitivity of interest income to defined - expected and crisis - scenarios of shifts in interest rate curves, assuming different scenarios of interest rate curves (EaR),
- the amount of interest income in defined scenarios of changes in interest rate curves (NII),
- sensitivity due to different reference rates (base risk),
- average duration of capital investment and non-interest bearing current accounts (so-called structural elements),
- sensitivity of fair value to parallel shift in interest rate curves by 1 basis point and to shift in interest rate curves by 1 basis point at a selected curve node,

- sensitivity of fair value, expressed in the form of notional amount of an annual transaction (position) with the same sensitivity (OYE),

- change in the fair value of capital in defined scenarios of changes in interest rate curves.

The above analyses are a fundamental part of the system for limiting interest rate risk in the banking book. Individual analyses are carried out on a daily, monthly or quarterly basis. In addition, the Group conducts sensitivity analyses for extreme conditions for the banking portfolio, using significantly larger changes in interest rates than those usually observed (extreme condition tests).

The table below presents the interest rate gap for the banking portfolio as of June 30, 2024. The gap shows net revaluation amounts in individual time intervals for positions, broken down by product. The use of established limits is below the maximum values.

**Table 46. Interest rate gap**

PLN thousand	to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	total
Cash and Balances at Central Bank	8,103,037	-	-	-	-	8,103,037
Amounts due from banks	11,947,883	5,000	1,500	-	-	11,954,383
Loans granted to clients	30,344,606	29,466,661	12,829,562	10,805,137	1,623,732	85,069,697
Securities	1,092,940	676,081	4,734 800	18,999,083	21,573,976	47,076,881
Other assets	469,726	166,014	316,522	1,638,980	764,401	3,355,643
<b>Total assets</b>	<b>51,958,191</b>	<b>30,313,757</b>	<b>17,882,383</b>	<b>31,443,200</b>	<b>23,962,109</b>	<b>155,559,641</b>
Amounts due to banks	(5,381,432)	(6,527,705)	(513,534)	(258,054)	(4,959)	(12,685,685)
Amounts due to Customers	(43,293,142)	(18,897,443)	(26,780,906)	(22,954,532)	(12,890,512)	(124,816,535)
Other loans	-	-	-	-	-	-
Capital	(1,050,303)	(313,018)	(1,408,582)	(7,512,439)	(3,756,219)	(14,040,562)
Other liabilities	(4,663,049)	(94,646)	(10,713)	(25,506)	(853)	(4,794,765)
<b>Total liabilities</b>	<b>(54,387,926)</b>	<b>(25,832,811)</b>	<b>(28,713,735)</b>	<b>(30,750,531)</b>	<b>(16,652,543)</b>	<b>(156,337,547)</b>
Net off-balance-sheet liabilities	(1,934,837)	(4,917,993)	3,547,965	5,302,290	(1,529,136)	468,289
<b>Interest rate gap</b>	<b>(4,364,572)</b>	<b>(437,047)</b>	<b>(7,283,387)</b>	<b>5,994,959</b>	<b>5,780,431</b>	<b>(309,617)</b>





The average investment period of capital and non-interest-bearing current accounts as of June 30, 2024, was 4.3 years.

The sensitivity of the interest result to shifts in interest rate curves, largely depends on the share of non-interest bearing and low-interest bearing deposits in the total deposit base, assumptions regarding the behaviour of the unstable part of deposit base and the assumptions made regarding changes in the balance sheet structure.

Table 47 shows the sensitivity of the interest result on June 30, 2024, with an immediate change in interest rates in all currencies by 100 bp in a 12-month horizon. The most probable assumption was made that there were no shifts between non-interest-bearing current accounts and interest-bearing deposits resulting from high levels of interest rates in PLN currency. In the sensitivity analysis of the net interest income an assumption was made about an increase/decrease in business margin in case of an increase/decrease in interest rates. A significant factor influencing the sensitivity of the interest result is a large proportion of non-interest-bearing current accounts, part of which is secured for prudential reasons (from the point of view of interest rate risk) by short-term (O/N/1M) financial transactions. The impact of mismatching maturities of assets and liabilities on interest income sensitivity is low.

**Table 47. Interest income sensitivity as of 30 June 2024**

Change in interest rates (PLN million)	+100 b.p.	-100 b.p.
For PLN	181	(181)
For all currencies combined	263	(264)

The Bank also determines the sensitivity of the net interest income in the banking book (SOT NII) in accordance with the guidelines of the EU Commission Delegated Regulation 2024/856. The value of the measure as at 30 June 2024 amounted to 4.10% of Tier 1 capital and is below the applicable regulatory limit of 5% of Tier 1 capital.

The Supervisory test of the Group's economic capital sensitivity (change in the fair value of the Group's assets and liabilities, excluding own funds, according to internal prices, assuming changes in interest rate curves) in monetary values and as a percentage of own funds is presented in the table below:

**Table 48. Supervisory test of the economic capital sensitivity of the Group**

Scenario	PLN million	% own funds
+200 b.p.	(179)	(1.17%)
-200 b.p.	(208)	(1.36%)

The economic sensitivity of capital is at a low level at the end of June 2024

As of June 30, 2024, the Group applies hedge accounting:

- macro fair value hedge - the hedged risk is interest rate risk, in particular changes in the fair value of fixed-rate assets and liabilities, due to changes in certain reference rates. The hedged items are current accounts with a fixed interest rate in PLN, EUR and USD. The hedging instruments are standard interest rate swap (IRS) transactions, so-called plain vanilla IRS in PLN, EUR and USD, under which the Bank receives a fixed interest rate and pays a variable rate based on WIBOR 6M, WIBOR 3M, EURIBOR 6M, EURIBOR 3M, EUR ESTR, USD SOFR rates.
- macro fair value hedge - the hedged risk is interest rate risk, in particular changes in the fair value of fixed-rate assets and liabilities, due to changes in a certain reference rate. The hedged items are fixed-rate loans in PLN currency. The hedging instruments are standard interest rate swap (IRS) transactions, so-called plain vanilla IRS in PLN, under which the Bank pays a fixed interest rate and receives a variable rate based on WIBOR 6M, WIBOR 3M rates.
- micro fair value hedge - the hedged risk is interest rate risk, in particular changes in the fair value of fixed-rate assets and liabilities, due to changes in a certain reference rate. The hedged items are fixed-coupon bonds in EUR and USD currencies. The hedging instruments are standard interest rate swap (IRS) transactions, so-called plain vanilla IRS in EUR and USD, under which the Bank pays a fixed interest rate and receives a variable rate based on EUR ESTR and USD SOFR rates.
- cash-flow hedge - The hedged risk is interest rate risk, in particular the lack of variability of interest flows on the hedged paper, caused by changes in a certain reference rate. The hedged items are: variable-coupon bonds WZ1131. The hedging instruments are standard interest rate swap (IRS) transactions, so-called plain vanilla IRS in PLN, under which the Bank receives a fixed interest rate and pays a variable rate based on the WIBOR 6M rate.

The war in Ukraine has essentially not affected the way interest rate risk is managed in the banking portfolio.

### Liquidity risk

Liquidity risk is defined as the risk of the Bank losing the ability to meet its financial obligations, where liquidity is defined as the ability to:

- financing assets and meeting obligations on time in the course of the Bank's normal operations or under other conditions, without incurring a loss, where - given that maintaining liquidity is a priority for the Bank - optimizing liquidity costs is a factor considered last,
- obtaining alternative and supplementary funds to those currently held, in case of their non-renewal and/or early withdrawal, to meet the current or potential demand for funds from current depositors, to cover lending actions and other potential liabilities associated with, among others, settlement of derivative transactions or securities established by the Bank,



- generating a positive cash flow balance by the Bank over a certain time horizon, regardless of macroeconomic developments, the implementation of business plans, and changes in the regulatory environment.

The Bank operates in an environment based on free market rules as a participant in the financial market, in particular the retail, corporate and interbank markets. This means a wide spectrum of possibilities for regulating the level of liquidity, but at the same time makes the Bank sensitive to crises in any of these environments. The Bank has an automated risk monitoring system that allows daily information to be obtained about the current level of future liquidity risk and online information about the level of intraday liquidity risk.

The Bank distinguishes the following types of liquidity:

- immediate (intraday) liquidity - during the current day,
- future liquidity - in the period beyond the current day, with an additional breakdown into:
  - current liquidity - in a period up to 7 days,
  - short-term liquidity - in a period longer than 7 days up to 1 month,
  - medium and long-term liquidity - in a period longer than 1 month.

The Bank defines liquidity risk as the risk of losing its ability to:

- settle payment obligations on time,
- obtain alternative and supplementary funds to those currently held,
- generate a positive cash flow balance over a certain time horizon.

The Bank's policy in terms of liquidity risk management involves:

- balanced, organic balance sheet growth (asset growth must be linked to a corresponding increase in financing these assets with stable liabilities) and off-balance-sheet transactions and liabilities;
- limiting the Bank's dependence on volatility of external conditions and ensuring that in a crisis situation - local, global, or directly affecting the Bank - the Bank will be able to meet its obligations in the short term without limiting the spectrum of services provided and initiating changes in the basic business profile. In the case of a longer-term crisis situation, the Bank's policy assumes maintaining liquidity, but allows for changes in development directions and the introduction of costly processes to change the business profile;
- actively reducing the likelihood of adverse events that may affect the Bank's liquidity situation. This applies in particular to events that may affect reputation risk. In such a case, the Bank will take action to restore the trust of clients and financial institutions as quickly as possible;

- ensuring high-quality standards for liquidity management processes. Activities aimed at improving the quality of liquidity management processes are of the highest priority in the Bank.

The main sources of funding are liabilities to clients, supplemented by medium and long-term received credit lines and capital. Medium- and long-term received credit lines, taking into account subordinated loans and funds obtained in the securitization process of the loan portfolio, mainly come from the BNP Paribas group, as well as the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Council of Europe Development Bank (CEB) and other financial institutions. The Bank's policy also allows for other sources of financing, such as the issuance of own debt securities or structured transactions.

### Loan financing structure

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

The Bank mainly finances loans using funds collected by clients in the form of current and term deposits, striving to maintain a stable relationship between these positions, and funds collected on the accounts of non-banking financial institutions, as shown in the table below:

**Table 49. The structure of the Group's loan portfolio financing**

PLN million	30.06.2024	30.06.2023
Net loans	86,036	87,050
<b>Total sources of funding</b>	<b>138,604</b>	<b>129,308</b>
Customer deposits, including:	125,565	117,912
- Retail Customers	51,388	48,102
- Corporate Customers	65,438	63,470
- Non-banking financial institutions	5,123	3,306
- Public sector institutions	3,616	3,033
Amounts due to banks*	13,039	11,396
Debt securities issued	-	-

\* Including subordinated liabilities related to the BNP Paribas Group

As of the end of June 2024, compared to June 2023, the amount of wholesale funding obtained from the BNP Paribas Group increased by EUR 646 million. At the end of 2023, the Bank obtained funding from the BNP Paribas Group to meet the MREL requirement.



The Bank finances its foreign currency loans using deposits received from clients, using currency exchange transactions if needed. If necessary, the Bank can use funds from medium and long-term loans from the BNP Paribas Group, which provides stable financing to cover shortages in currencies: EUR, USD, CHF. At the end of June 2024, the CHF mortgage portfolio, in the part not covered by established provisions, was financed by a subordinated loan from the BNP Group and customer deposits in CHF.

As of June 30, 2024, the structure of activated long-term credit lines was as follows:

**Table 50. Structure of loans from the BNP Paribas Group in original currency**

PLN million	30.06.2024	30.06.2023
CHF	150	150
EUR	1,377	620
PLN	6,816	6,384

**Table 51. Structure of loans from EBRD, EIB and CEB**

PLN million	30.06.2024	30.06.2023
PLN	342	465
EUR	12	16

The Liquidity Coverage Ratio (LCR) for the Group was 225.4% at the end of June 2024, which represents an increase of 20.5 p.p. compared to June 2023 (204.9%). The increase in the LCR measure is primarily due to an increase in client deposits, a decrease in loans, and an increase in the amount of highly liquid assets.

The Net Stable Funding Ratio (NSFR) for the Bank was 156.0% at the end of June 2024, and for the Group – 156.5%, which represents an increase compared to the end of June 2023 respectively by 13.4 p.p. and 14.9 p.p. The observed increase in the ratio results from the increase in long-term financing (MREL), stable growth in the deposit base of non-financial customers and the lack of growth in the loan portfolio.

The ongoing war in Ukraine did not affect the Bank's overall liquidity situation. Maintaining high NBP interest rates in 2024 and macroeconomic factors (e.g., gradually declining inflation but with continued uncertainty, economic slowdown, wage pressure) translated into lower demand for loans among Customers and lower loan sales in 2024.

## Operational Risk

The Bank defines operational risk, in accordance with the requirements of the Polish Financial Supervision Authority included in Recommendation M, as the risk of suffering a loss caused by inappropriate or failed internal processes, people, technical systems or the influence of external factors. This term includes legal risk, but does not cover strategic risk. The Bank also recognizes the consequences of materializing compliance risk as operational risk events and losses. Operational risk accompanies every type of banking activity. The Bank identifies operational risk as permanently significant.

## Goals of operational risk management

The Bank's goals in operational risk management are, in particular, to maintain a high standard of operational risk management, ensuring the security of client deposits, bank capital, stability of the bank's financial result, and keeping operational risk within the accepted operational risk appetite and tolerance. The basic measure used to assess risk within the accepted operational risk appetite is the indicator of operational losses recorded by the Bank over a given period of time. In developing the operational risk management system, the Bank follows legal requirements, including in particular the recommendations and resolutions of the national financial supervision and the standards of the BNP Paribas group.

## Operational risk management strategy and policy

The operational risk management strategy is described in the document "Operational Risk Management and Internal Control Strategy at BNP Paribas Bank Polska S.A." approved by the Bank's Management Board and accepted by the Supervisory Board. The Strategy is reviewed at least once a year, and the results of the review are reported to the Bank's Supervisory Board by the Bank's Management Board. Changes to the Strategy require the acceptance of the Supervisory Board, which assesses the implementation of the Strategy's assumptions and its compliance at least once a year.

The priority of the Strategy is to ensure that the Bank achieves its business objectives in a safe manner, accepting a level of risk only within the accepted risk appetite, eliminating unacceptable events, limiting the possibility of unexpected events with severe consequences for the Bank, and actively responding and addressing identified events that could cause such consequences. Achieving the above priority also includes promoting an appropriate operational risk management culture within the Bank. The objectives of the Strategy, which the Bank implemented in the first half of 2024, related to activities reducing the risk of abuse, including phishing, as well as mitigating the materialization of other risks and optimizing the internal control environment.

The Bank's Management Board is regularly informed about 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 the Supervisory Board are regularly informed about the shaping of operational risk appetite measures defined in the Operational Risk Management Strategy.

The Operational risk management strategy also includes the Bank's subsidiaries. According to supervisory regulations, the Bank supervises the operational risk associated with the activities of its subsidiaries. Operational risk management in subsidiaries is carried out within the framework of dedicated units/people appointed for this purpose. The way and methods





of managing operational risk in subsidiaries are organized adequately to the scope of the entity's operation and the profile of its activity, in accordance with the principles applicable in the Bank.

The organizational framework and standards for operational risk management are defined in the "Operational Risk Policy of BNP Paribas Bank Polska S.A.", adopted by the Bank's Risk Management Committee. According to the "Operational Risk Policy of BNP Paribas Bank Polska S.A.", the operational risk management processes include, among others:

- identification and assessment of operational risk. Including gathering information about operational events, assessing risk in processes and products, and determining key risk indicators,
- setting the appetite and limits for operational risk at the level of the entire Bank and individual business areas, analysis of operational risk and its monitoring and ongoing control,
- counteracting an elevated level of operational risk, including risk transfer.

### Operational risk management organization

The Bank maintains and develops an operational risk management system that comprehensively integrates the management of individual types of operational risk in all areas of the Bank's activity. The aim of the operational risk management system is to ensure the safety of the Bank's operational activity by implementing effective mechanisms for identifying, assessing and quantifying, monitoring, controlling, reporting, and taking actions to limit operational risk. These actions take into account structures, processes, resources, and scopes of responsibility at various organizational levels of the Bank.

The Bank precisely defines the division of responsibilities for operational risk management, which is adapted to its organizational structure. The operational risk management process is carried out within three lines of defense. The first line of defense is the management of risk in the Bank's operational activity. The second line of defense consists, in particular, of risk management by employees specifically appointed to this organizational units, independently of risk management on the first line of defense and the compliance unit's activity. The third line of defense consists of the internal audit unit's activity.

As part of the second line of defense, comprehensive supervision over the organization of standards and methods of operational risk management is exercised by the Operational Risk, Internal Control and Anti-Fraud Division operating within the Risk area. The Division's responsibilities include, among others, issues related to operational risk management, combating abuses against the Bank, and supervision of internal control, including control of personal data protection processes.

The determination and implementation of the Bank's strategy regarding insurance as a method of risk limitation is the competence of the Real Estate and Administration Department. On the other hand, continuity management, including issues related to continuity plans ensuring continuous and undisturbed operation of the Bank and emergency plans ensuring the possibility of conducting the Bank's current operations, is the responsibility of the Security and Continuity Management Division.

As part of legal risk management, the Legal Division monitors, identifies, and analyses changes in common law, their impact on the Bank's operations, and court and administrative proceedings concerning the Bank. The Compliance Monitoring Department is responsible for the ongoing examination of the risk of non-compliance and the development and improvement of adequate control techniques.

Other significant areas of operational risk management also include:

- HR risk management,
- risk management of entrusting tasks to external entities (outsourcing risk),
- model risk management,
- IT systems risk management (ICT risk),
- conduct risk management,

for which risk management policies and procedures are defined - in accordance with the scope of competences - by designated organizational units of the Bank.

The Bank periodically verifies the functioning of the implemented operational risk management system and its adequacy to the current risk profile of the Bank. Reviews of the organization of the operational risk management system are carried out as part of regular control by the Internal Audit Division, which does not directly participate in the operational risk management process, but provides a professional and independent opinion, supporting the achievement of the Bank's goals.

Supervision over the control of the operational risk management system is exercised by the Bank's Supervisory Board, which assesses its adequacy and effectiveness.

### Risk identification and assessment tools

The Bank places particular emphasis on the processes of identifying and assessing the causes of current exposure to operational risk within banking products. The Bank aims to reduce the level of operational risk by improving internal processes and also to limit the operational risk associated with the introduction of new products and services, and outsourcing).

According to the "Operational Risk Policy of BNP Paribas Bank Polska S.A.", operational risk analysis aims to understand the relationships between the factors generating this risk and the types of operational events, and its most important result is the determination of the operational risk profile.



The Bank manages operational risk using, among others, the following tools:

USED TOOLS	MAIN PURPOSE OF TOOL APPLICATION
<b>OPERATIONAL RISK EVENT REGISTRATION</b>	<ul style="list-style-type: none"> <li>• Effective analysis and monitoring of operational risk</li> <li>• Responding to disclosed vulnerabilities to operational risk</li> </ul>
<b>SELF-ASSESSMENT OF OPERATIONAL RISK AND CONTROL (RCSA)</b>	<ul style="list-style-type: none"> <li>• Building awareness about operational risk</li> <li>• Identification of operational risk, determination of threats and identification of their sources, as well as determination of the size and potential consequences of threats</li> <li>• Evaluation of control mechanisms used to limit identified threats</li> <li>• Improving processes and reducing identified operational risks</li> <li>• Ensuring adequate risk control in processes exposed to operational risk</li> </ul>
<b>OPERATIONAL RISK SCENARIO ANALYSIS (SA)</b>	<ul style="list-style-type: none"> <li>• Identifying events characterized by low frequency but high losses</li> <li>• Assessing the impact of possible extreme events on the Bank's operations by estimating the probability of occurrence and the anticipated severity of the scenarios under consideration</li> <li>• Raising the Bank's awareness by providing information about possible operational risk scenarios</li> <li>• Supporting the process of creating action plans for identified risks</li> </ul>
<b>KEY RISK INDICATORS (KRI)</b>	<ul style="list-style-type: none"> <li>• Continuous monitoring and reporting of exposure to operational risk</li> <li>• Providing warning signals about the functioning and exposure to operational risk of processes and areas of the Bank's activities</li> <li>• Monitoring changes in risk level over time</li> </ul>
<b>RISK ASSESSMENT OF ONGOING PROJECTS</b>	<p>Identification and assessment of operational risk associated with projects undertaken by the Bank, including implemented or modified products</p> <ul style="list-style-type: none"> <li>• Independent verification and checking by the second line of defense of the correctness of risk identification and limitation by the first line of defense units</li> <li>• Recommending actions to reduce risk</li> </ul>
<b>OPERATIONAL RISK IDENTIFICATION FOR CONTRACTS WITH EXTERNAL SUPPLIERS (OUTSOURCING)</b>	<ul style="list-style-type: none"> <li>• Ensuring proper identification and assessment, control and monitoring, and mitigation of operational risk</li> <li>• Ensuring compliance with regulatory requirements regarding the process of outsourcing tasks by the Bank to external suppliers</li> </ul>

USED TOOLS	MAIN PURPOSE OF TOOL APPLICATION
<b>OPERATIONAL RISK REPORTING</b>	<ul style="list-style-type: none"> <li>• Providing current and periodic, management-tailored information on operational risk: to the Bank's Management Board, Committees responsible for risk management, Supervisory Board, and other members of the Bank's management, according to the scope of responsibility</li> <li>• Allowing for the assessment of the Bank's exposure to operational risk and the effectiveness of its management</li> <li>• Disclosure of information about operational risk in accordance with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the conditions for the admission of credit institutions to business and prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended (CRD IV Directive) and the standards required by the institutions supervising the Bank's activities.</li> </ul>

The operational risk profile is an assessment of the level of significance of this risk, understood as the scale and structure of exposure to operational risk, determining the degree of exposure to this risk (i.e. operational losses), expressed in dimensions of structure and scale chosen by the Bank. The periodic evaluation and review of the Bank's operational risk profile are conducted based on an analysis of the Bank's current risk parameters, changes and risks occurring in the Bank's environment, the implementation of business strategy, as well as an assessment of the adequacy of the organizational structure and the effectiveness of the risk management system and internal control functioning in the Bank.

In accordance with the applicable regulations, the Bank sets regulatory capital to cover operational risk. For calculations, the Bank uses the standard method (STA). For entities dependent on the Bank, in a consolidated perspective, the requirements relating to these entities are determined using the Basic Indicator Approach (BIA).

### Internal control system

The internal control system in BNP Paribas Bank Polska operates in accordance with the requirements of Polish supervisory authorities and is adapted to the internal control principles applicable in the BNP Paribas group. The Bank has and develops an internal control system adapted to its organizational structure, which includes organizational units and basic organizational units of the Bank as well as subsidiaries of the Bank.

The description of the internal control system has been presented in the Corporate Governance chapter, in the System of Control and Risk Management in the process of report preparation section.

### Operational risk control and monitoring

The purpose of internal control is effective risk control, including preventing the emergence of risk or its early detection. The role of the internal control system is to achieve the general and specific objectives of the internal control system, which should be taken into account when designing control mechanisms. The principles of the internal control system have



been defined in the "Policy on Internal Control in BNP Paribas Bank Polska S.A.", approved by the Bank's Management Board. This document defines the main principles, organizational framework, and standards for the functioning of the Bank's control environment, maintaining compliance with the requirements of the PFSA as defined in Recommendation H. Detailed internal regulations related to specific areas of the Bank's operations are adapted to the specifics of the Bank's operations. The appropriate organizational units of the Bank are responsible for developing detailed regulations relating to the area of internal control, in accordance with the scope of tasks assigned to them.

The Bank's internal control system is based on the 3 lines of defense model.

The Bank ensures the exercise of internal control through independent monitoring of compliance with control mechanisms, including ongoing verification and testing.

### Limiting operational risk

In the first half of 2024, the Bank undertook and continued a number of actions limiting operational risk and strengthening the control mechanisms and processes over this type of risk. In particular, processes and tools for countering and combating abuse to the Bank's detriment were strengthened, including, among others, combating credit abuse and phishing. The Bank continued a program to reduce the risk of abuse. The Bank constantly monitored exposure to legal risk, including the risk arising from ongoing court cases related to CHF-denominated loans, in order to adequately respond to changes in the level of risk. In relation to the ongoing war in Ukraine, the Bank continuously monitored potential threats to the Bank, including those related to security and ensuring business continuity.

The effectiveness of the solutions implemented by the Bank is periodically informed, in particular, to the Bank's Management Board and the Risk Committee at the Supervisory Board.

### Risks arising from the war in Ukraine

In terms of operational risk management, the Bank continuously analyses risks associated with the consequences of military actions in Ukraine (including in particular cyber or physical attacks aimed at payment or banking infrastructure that could cause disruptions to operational continuity) and takes appropriate actions to ensure the safety of both employees and Bank Customers, as well as to ensure the uninterrupted implementation of processes related to the conducted activity.

### Compliance Risk

The Bank defines compliance risk as the risk of adverse effects, including legal and regulatory sanctions, financial penalties, and reputation loss, in connection with the Bank's non-compliance with laws, supervisory standards and recommendations, ethical and market standards, and internal regulations applicable in the Bank.

### Compliance assurance system

The compliance assurance system consists of organizational solutions, processes, and control mechanisms aimed at ensuring the Bank's compliance with laws, internal regulations, and market standards. This system operates within the internal control system and is implemented on three lines of defense:

- the first line of defense includes all organizational units responsible for the Bank's operational functioning. These units are obliged to comply with internal regulations, apply the control mechanisms and compliance risk control mechanisms established in the Bank, and ensure independent horizontal monitoring of compliance with control mechanisms aimed at ensuring compliance,
- the second line of defense consists of managing compliance risk by independent organizational units appointed for this purpose - the Compliance Monitoring Division responsible for implementing the compliance risk management process and other organizational units of the Bank responsible for ensuring compliance in their areas of competence (e.g. risk monitoring cells, legal cell),
- the third line of defense includes the activity of internal audit responsible for examining the adequacy and effectiveness of the internal control system.

The Compliance Monitoring Division assists, in terms of compliance risk, the Bank's Management Board in introducing and ensuring the operation of an adequate and effective internal control system and the Supervisory Board in supervising its introduction.

### Role of the Compliance Unit

In the Bank, as part of the second line of defense of the internal control system, there is a separate, independent compliance unit - the Compliance Monitoring Division. The activity of this unit aims to implement the process of managing the risk of non-compliance i.e. introducing solutions that allow for the identification, assessment, control and monitoring of this risk. This unit is also responsible for reporting in this area to the Bank's Management Board and the Supervisory Board.

As part of the compliance assurance system, the activities of the Compliance Monitoring Division also include: designing and implementing internal regulations, consulting, conducting explanatory proceedings, shaping compliance risk control mechanisms, vertical ongoing verifications, and vertical and horizontal testing of the effectiveness of control mechanisms ensuring the Bank's compliance with laws, internal regulations and market standards, including their adherence by the Bank's first line of internal control defense, with particular emphasis on the following areas:

- counteracting money laundering and terrorist financing,
- compliance with international embargoes and sanctions,
- protection of Customer interests,
- professional ethics and anti-corruption,





- conducting on financial markets,
- counteracting market manipulations and the use of confidential information,
- managing conflicts of interest,
- compliance by the Bank and its clients with regulations on tax avoidance and those related to financial markets, with a transnational scope.

Appropriate mechanisms have been implemented in the Bank to ensure the independence of the compliance unit and to enable it to perform its assigned tasks. As part of the Bank's organizational structure, the Director of the Compliance Monitoring Division reports directly to the President of the Bank's Management Board, and the regulations governing the operation of this Division and the necessary mechanisms to ensure its independence are approved by the Bank's Supervisory Board. Furthermore, there is a special procedure in the Bank for appointing and dismissing the person leading the compliance unit, and necessary mechanisms are in place to protect the employees of this unit from unjustified termination of employment.



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*Rafał Piotrowski, Product Owner*





## Court cases and administrative proceedings

### Legal risk

As of 30 June 2024, 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 first 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 first 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:

- a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9.65 million; and
- 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. The case is pending, on 10 June 2024 the Bank has been provided with an expert opinion in relation to which the Bank's position is being prepared.

### Corporate claims against the Bank (interchange fee)

By 30 June 2024, the Bank has received a total of:

- 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 Polish Financial Supervision Authority. 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.
- most of the settlement attempts after the Bank's refusal to enter into discussions did not reach court. In the LPP claim case, in which the Bank is only a side intervener, the Court of Appeal dismissed the opposing party's appeal; LPP filed a cassation appeal. In the Orlen action, in which the Bank is also only a collateral intervener, the Court ordered that English translations of the statement of claim and pleadings be prepared and served on VISA (acting without an attorney) at its registered address (London).

### Litigation and claims of investment fund participants in connection with the performance of the function of investment fund depositary.

As of 30 June 2024, the Bank had received a total of 156 individual lawsuits and five collective lawsuits by investment fund participants, related to the performance of the function of investment fund depositary (including the performance of this function by Raiffeisen Bank Polska S.A.). The total amount of claims under the above-mentioned lawsuits is PLN 194 million. The majority of the lawsuits were filed by participants of the Retail Parks Fund Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Liquidation (hereinafter RPF Fund) and participants of the EPEF Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and EPEF2 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych. The first collective lawsuit was filed on behalf of 397 participants of the RPF Fund, and concerns claims in the total amount of PLN 96.2 million. The second collective action was filed on behalf of 181 participants in the RPF Fund and concerns claims totalling PLN 25.3 million. Other lawsuits in the class actions concern the determination of the Bank's liability for the Bank's actions as depositary of the following funds: the PSF 2 Closed Asset Investment Fund (lawsuit filed on behalf of 17 fund participants; no indication of the amount of claims) and the PSF Closed Asset Investment Fund (lawsuit filed on behalf of 81 fund participants; no indication of the amount of claims) and the EPEF Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (lawsuit filed on behalf of 42 fund participants; value of the subject of the dispute PLN- 0.12 million).

The allegations raised by the plaintiffs in the lawsuits focus, in particular, on the improper performance by Raiffeisen Bank Polska S.A., and then the Bank, of its obligations to ensure that the value of an investment fund's net assets and the value of net assets per investment certificate are calculated in accordance with the law and the investment fund's statute, and the obligation to verify the compliance of an investment fund's operations with the law governing investment funds or with the statute. The Bank's position is that the claims of fund participants are unfounded.

All legal proceedings are pending before courts of first instance.

On 20 March 2024, the first judgment concerning the Bank's liability related to the performance of its function as depositary of investment funds was handed down. The District Court for Warsaw-Wola, in a case brought by a participant in the InMedica Fundusz Inwestycyjny Zamknięty fund, awarded the Bank the amount of PLN ca 64 thousand plus interest in favour of the fund participant. A statement of reasons for the judgment had not been prepared by 30 June 2024. The judgment is not final.





### Administrative proceedings of the Polish Financial Supervision Authority for the imposition of a penalty in connection with the performance of the function of depositary of investment funds

On 28 September 2022, the Polish Financial Supervision Authority initiated administrative proceedings for the imposition of an administrative penalty on the Bank pursuant to Article 232(1a) of the Act on Investment Funds and Management of Alternative Investment Funds, in connection with a suspected violation by the Bank, in the period 31 January 2017 to 31 August 2019, of the provisions of the aforementioned Act, by failing to properly control the factual and legal actions carried out by the two investment funds to ensure that the net asset value of these funds and the net asset value per investment certificate were calculated in accordance with the provisions of the law and the statutes of these funds.

In its decision of 14 June 2024, the Polish Financial Supervision Authority imposed a fine of PLN 1,000 thousand on the Bank for breaching its obligations related to ensuring that the net asset value of the funds and the net asset value per investment certificate were calculated in accordance with the law, for valuation days falling between 31 October 2018 and 31 July 2019. In its reasoning for the decision, the Polish Financial Supervision Authority indicated that the breach of the aforementioned duties of the Depositary consisted mainly in: i.) failing to obtain full information on the financial situation of the issuers of the bonds that the funds purchased, which resulted in the Depositary not being able to fully assess the bond issuers' ability to redeem the bonds, ii.) failing to analyse the impact of the circumstances concerning the financial situation of the bond issuers on the reasonableness of impairment losses on the bonds and the final valuation of the fair value of the bonds, iii.) failing to investigate the reasons for the occurrence of negative capitals on the part of the bond issuers and the possible impact of these circumstances on the bond issuers' ability to repay their bond redemption obligations. The Polish Financial Supervision Authority discontinued the proceedings in part to ensure that the net asset value of these funds and the net asset value per investment certificate are calculated in accordance with the statutes of these funds for the asset valuation days falling between 31 October 2018 and 31 July 2019, and in part to ensure that the net asset value of these funds and the net asset value per investment certificate are calculated in accordance with the law and the statutes of these funds for the asset valuation days falling between 31 January 2017 and 30 October 2018. (acting as depositary by Raiffeisen Bank Polska S.A.) and from 1 August 2019 to 31 August 2019.

The Bank has applied for reconsideration by the Polish Financial Supervision Authority.

On 7 December 2022, the Polish Financial Supervision Authority initiated administrative proceedings for the imposition of a penalty pursuant to Article 232(1a) of the Act on Investment Funds and Management of Alternative Investment Funds, in connection with the Bank's suspected breach of the provisions of the aforementioned Act in 2017-2019, by failing to exercise continuous control over the factual and legal actions carried out by the investment fund, in connection with the valuation of the fund's assets, aimed at ensuring that the net asset value of the fund and the net asset value per investment certificate are calculated in accordance with the provisions of the law.

By decision of 14 June 2024, the Polish Financial Supervision Authority imposed a fine of PLN 500 thousand on the Bank for breach of duties related to ensuring that the fund's net asset value and the net asset value per investment certificate were calculated in accordance with the law, for the valuation days falling on 30 November 2018 and 28 February 2019 and 28 February 2019. In the justification for the decision, the PFSA indicated that the breach of the above-mentioned duties of the Depositary consisted primarily in the failure to conduct a thorough analysis of the circumstances affecting the

determination of the situation of the issuers of the bonds purchased by the fund and to obtain sufficient information on the circumstances affecting this situation. As a result the Depositary failing to recognise the legitimacy of making impairment allowances for the bonds in an appropriate amount the valuation of the bonds was inadequate. The PFSA dismissed the proceedings in the part concerning the suspected breach in the period from 1 January 2017 to 30 October 2018.

On 4 July 2024 the Bank has applied for reconsideration of the case by the Polish Financial Supervision Authority.

### Proceedings on practices violating collective consumer interests – unauthorised transactions

On 8 July 2022, the UOKiK initiated proceedings related to the practices violating the collective interests of consumers. The UOKiK alleges that the Bank, upon receipt of a consumer complaint regarding an unauthorised transaction, did not automatically return funds to Customers within the D+1 deadline, but instead conducted a preliminary investigation procedure to determine whether the incident could be classified as a security incident (fraud) or a transaction accepted/conducted by the Customer. The second allegation of the UOKiK relates to the Bank providing inappropriate information to Customers when rejecting complaints about the disputed transaction. When rejecting such complaints, the Bank explains that, according to its systems, the transaction is considered authorised, and thus, if the Customer questions this the situation should be considered as Customer negligence.

On 31 August 2022, the Bank replied to the UOKiK, using the following reasoning:

The Bank refunds the amounts of transactions that were unauthorised - the lack of authorisation is verified in the Banking systems due to the provisions of the agreement concluded with the Customer. The agreement specifies the procedure and factors required to authenticate and accept transactions in accordance with European and Polish law.

The Bank disagrees with the UOKiK's position that the questioning of any transaction by a Customer automatically triggers an obligation to return it. Such a position is contrary to Article 72 of the PSD. This obligation should arise and be reviewed taking into account all provisions of the PSD, the Regulatory Technical Standards (RTS) and the Polish Payment Services Act, not only in terms of authentication, but also in terms of liability for the transaction or fraud disclosed by the Customer.

According to the Bank, the UOKiK's position is the result of incorrect implementation of the PSD into Polish law. According to the PSD, the Bank should prove proper authentication, and not authorisation. Under Polish law, the Bank is obliged to demonstrate that authorisation has been carried out by the Customer.

When rejecting complaints, the Bank correctly informs Customers of the verification of the correct authentication of the transaction, which at this stage constitutes proof that the Customer has performed it. Accordingly, the Bank informs the Customer that if the Customer still claims that such a transaction was not authorised, the transaction must be the result of fault or negligence on the part of the Customer. The investigation is ongoing and, according to a letter dated 9 April 2024, UOKiK plans to continue until 11 August 2024.

### Proceedings for practices violating the collective interests of consumers - suspension of performance of mortgage contracts (moratorium)



On 5 September 2022, the Bank received the UOKiK's decision to initiate proceedings against practices that violate the collective interests of consumers by limiting the possibility to apply for a mortgage loan withholding by limiting one application to 2 months, whereas the Customer should be able to apply for all periods at the same time (up to 8 months).

In addition, the Bank disagreed with the allegations and has sent its reply to UOKiK, in which it pointed that BNP accepted and processed all individual applications applied by Customers (for any number of months). Thus, there was no violation of the collective interests of consumers, as the Bank did not deprive Customers of their rights, but only failed to fully automate the electronic application as of the effective date of the law. At the same time, the Bank informed UOKiK that it had changed the questioned practice by launching a new application form in GOonline e-Banking on 8 September 2022, allowing Customers to apply for any/all periods simultaneously (up to 8 months).

On 17 January 2023, the Bank received the Decision of the UOKiK, in which:

- it recognized the questioned practice as violating the collective interests of consumers;
- the practice was found to be abandoned;
- it ordered publication of the decision;
- it imposed a penalty on the Bank in the amount of PLN 2,721 thousand (reduced by 50%: 30% - for cessation of the practice, 20% - as a result of initiating a meeting and expressing willingness to cooperate).

On 17 February 2023, the Bank has appealed the decision to the Competition and Consumer Protection Court. On 8 December 2023, the court delivered to the Bank the OCC's response to the Bank's appeal, filed with the OCC on 28 August 2023.

The Bank has created a provision in the amount of the penalty imposed. A court hearing has been set for 9 September 2024.

### WIBOR Lawsuits concerning mortgage loan agreements with interest rates based on WIBOR

In the first quarter of 2022, the first media reports of lawsuits against Banks challenging WIBOR in loan agreements (with allegations that clauses relating to WIBOR are abusive, or alternatively that the agreement is invalid) appeared in Poland. These lawsuits seek to challenge WIBOR as the basis for variable interest rates.

In January 2023, the Bank received the first lawsuits challenging the WIBOR and variable interest rate clauses based on the WIBOR benchmark in the mortgage loan agreements.

By 30 June 2024, the Bank had received a total of 48 lawsuits. The lawsuits were mostly filed on behalf of consumers and relate to mortgage loan agreements in PLN and also, in their great majority, contain a request for security of action, while 1 lawsuit was filed by an entrepreneur and concerns a revolving credit agreement.

In the case of the Bank's products offered to consumers, only mortgage loans and certain products for Wealth Customers are based on the WIBOR reference index, mortgage loans account for approximately 48.2% of the Bank's retail PLN loan

exposure. The total amount of claims covered by the lawsuits received amount to approximately PLN 12,6 million. All court proceedings are pending before courts of first instance.

In addition, in 23 debt collection cases brought by the Bank, Customers have raised arguments challenging WIBOR as a reference index.

The vast majority of lawsuits are accompanied by applications to secure the claim by withholding the interest portion of the instalment based on the WIBOR interest rate for the duration of the lawsuit. Most of the applications are dismissed by the courts (44 out of 49 applications for security were dismissed; the higher number of applications than lawsuits is due to plaintiffs filing several applications in one case). As of 30 June 2024, only two orders granting the security are binding, of which one order is final after the Bank's complaint was dismissed; for the other order, the Bank is scheduled to file a complaint.

The Bank's position is that the Customers' claims are unjustified, in particular in view of the fact that WIBOR is an official index whose administrator has received the relevant approvals required by law, among others from the Polish Financial Supervision Authority, and the process of its determination, carried out by the administrator (an independent entity not affiliated with the Bank), is in accordance with the law and is also subject to supervisory assessment by the Polish Financial Supervision Authority. The Polish Financial Supervision Authority confirmed WIBOR's compliance with the requirements of the law. An analogous position was also presented by the Financial Stability Committee, which comprises representatives of: the National Bank of Poland, the Polish Financial Supervision Authority, the Ministry of Finance and the Bank Guarantee Fund.

On 29 June 2023, the Polish Financial Supervision Authority, published an assessment of WIBOR's ability to measure the market and economic realities, concluding that WIBOR has the ability to measure the market and economic realities it was designed to measure and responds appropriately to changing liquidity conditions, changes in central Bank rates and economic realities.

On 26 July 2023, the Office of Polish Financial Supervision Authority (PFSA) published a position paper on legal and economic concerns relating to mortgage loan agreements in Polish currency in which the WIBOR interest rate benchmark is used. The position paper contains an explicit statement that WIBOR meets all the requirements prescribed by law and that, in the PFSA's view, there are no grounds to question the reliability and legality of WIBOR, in particular in the context of the use of this index in Polish currency mortgage contracts. PFSA indicated that its position could be used by Banks in court proceedings.

According to data from the Polish Banks Association (as at the end of June 2024), there are currently 1,111 court proceedings underway in which customers are challenging contractual provisions providing for interest rates based on the WIBOR reference rate. In 70 judgments out of 74 passed, the courts of first instance ruled in favour of the banks. 24 proceedings have been finally concluded, all with a ruling in favour of the banks.

By decision of 31 May 2024, in a case brought by borrowers against PKO BP SA, the Regional Court of Częstochowa addressed legal questions to the CJEU concerning the possibility of examining contractual provisions on variable interest





rates based on the WIBOR index, the bank's information obligations regarding variable interest rate risk and the possibility of continuing a loan agreement based on a fixed margin if contractual provisions on variable interest rates based on the WIBOR are considered unfair.

### Administrative proceedings of the PFSA to impose a fine

On 22 November 2023, the Polish Financial Supervision Authority started administrative proceeding against BNP Paribas Bank Polska S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

### Litigation concerning CHF credit agreements in the banking sector

According to data from the Polish Bank Association (ZBP), the number of pending lawsuits relating to CHF-indexed/denominated loan agreements at the end of June 2024 was over 169 thousand compared to over 153 thousand at the end of 2023.

This has resulted in an increase in provisions for these proceedings created by banks with CHF mortgage loan portfolios. The amount of provisions created by the largest listed banks in 2023 amounted to approximately PLN 18.3 billion and in Q1 2024 to approximately PLN 3.5 billion, translating into total provisions for these proceedings of PLN 39.7 billion at the end of 2023 and of approximately PLN 39.0 billion at the end of Q1 2024.

### 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 retail customers in CHF as of 30 June 2024 amounted to PLN 0.66 billion, compared to PLN 0.82 billion at the end 2023.

As of 30 June 2024 the Bank was the defendant in 6,297 (1,551 new cases in 2024) pending court proceedings (including validly closed cases, Customers brought a total of 8,426 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 declare the contract permanently ineffective and pay the amounts hitherto paid. The claims are based on the occurrence of abusive clauses which cause the contract cannot be remained in force (article 3851 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 2024 was PLN 3,281.90 million (as of 31 December 2023 was PLN 2,835.20 million), and in legally binding cases PLN 787.31 million (PLN 434.54 million as of 31 December 2023).

As of 30 June 2024, the following judgments have been issued in 2,129 proceedings that have been legally concluded: 479 judgments in favour of the Bank, including 342 proceedings in case of which a court settlement agreement was concluded, and in 1,650 cases the courts ruled against the Bank by declaring the loan agreement invalid or permanently ineffective.

The Bank continuously assesses the impact of legal risks related to pending court proceedings involving denominated or foreign currency loans, taking into account the current status of judgments in cases against the Bank and the line of jurisprudence.

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 total impact of legal risks related to lawsuits recognised in the Bank's statements as at 30 June 2024 was PLN 3,068.1 million (as at 31 December 2023 it was PLN 3,404.0 million), with an impact of PLN 210.8 million on the Bank's profit or loss statement in in the first half of 2024 (in 2023 it was PLN 1,978.1 million).

At the same time, the Bank has taken into account the right to recognise a deferred tax asset in connection with the entitlement to apply a tax preference in respect of settlements falling within the scope of the Ordinance of the Minister of Finance of 11 March 2022, as amended by the Ordinance of 20 December 2022, in force until the end of 2024, on the abandonment of the collection of income tax on certain income (revenue) related to a residential mortgage loan. As at 31 December 2023, the Bank held assets of PLN 25,422 thousand, of which PLN 25,422 thousand was realised in the first half of 2024 and an additional PLN 8,683 thousand on the basis of a created reserve. Based on a new estimate of the impact of the legal risk associated with foreign currency loans at the end of the half year, the Bank leaves PLN 24,581 thousand in assets with an expected realisation by the end of 2024.

In addition, the Bank - based on the NSA ruling on the tax treatment of returned interest related to cancelled foreign currency loan agreements and the exchange rate differences arising in relation to these loans, recognised in previous years, as well as the individual interpretation, according to which statutory interest for late payment ordered by the court consists of a tax-deductible cost for the Bank on the date of payment - analysed their impact on the estimated deferred income tax, as a result, decided to create, as at June 30, 2024, an additional deferred income tax asset in the amount of PLN 135,535 thousand in relation to the interest of the estimated impact of legal risk related to loan agreements denominated in CHF in the amount of PLN 713,343 thousand.

Also based on the above-mentioned NSA judgment and interpretation, the Bank revised the CIT declaration for 2023 in May this year for the amount of PLN 19,023 thousand in connection with the settlement of the invalidation of CHF loans for this year.

In estimating the impact of legal risk, the Bank takes into account, among other things, the number of certificates taken by Customers for litigation purposes, the estimated probability of Customers filing lawsuits, the estimated number of future lawsuits, the number of lawsuits filed, the probability of losing the case, and the Bank's estimated loss in the event of an unfavourable judgment. In addition, the Bank has included in the model the estimated number of settlements that will be made with Customers. The amount of the estimated impact of the legal risk associated with the settlements was PLN 196.6 million of the total impact estimate.





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 capital paid out without taking into account other benefits from the consumer (remuneration for the use of the capital or valorisation), that the Bank is obliged to return the sum of the capital and interest instalments repaid together with the statutory default interest awarded in the case of pending cases and that the Bank writes off the credit exposure. The loss estimate takes into account the time value of money.

The accounting effect of signing a settlement agreement with a Customer is the derecognition of a CHF loan, recognition of a new loan in PLN and the recognition of a result from the derecognition as well as the use of a provision for legal risk of CHF loans. In H1 2024, the Bank used PLN 182.3 million from the estimated impact of the legal risk of CHF loans in connection with settlements reached (in 2023, the Bank used PLN 376.1 million on this account).

The accounting effect of the final judgment declaring the loan agreement invalid is the derecognition of CHF loan exposure as well as the utilization of the provision for legal risk of CHF loans. In H1 2024, the Bank used PLN 228.1 million from the estimated impact of the legal risk of CHF loans due to final judgments received declaring loan agreements invalid (in 2023, the Bank used PLN 243.4 million on this account).

Should the assumed average loss change by +/- 5%, with all other significant assumptions unchanged, the impact estimate would change by +/- PLN 115 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 million +59
	-5 p.p.	PLN million -119

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	scenario	impact on Bank's loss due to legal risk
Number of future lawsuits	+20%	PLN million +74
	-20%	PLN million -74

Additionally, according to the Bank's assessment if 1% of Customers with CHF loans filed a lawsuit against the Bank, the loss due to legal risk would increase by approx. PLN 40 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 certificates collected and the change in the number of lawsuits in order to update the estimate of the impact of legal risk of foreign currency loans accordingly.

The current line of jurisprudence in cases involving actions by CHF borrowers is unfavourable to Banks, but nevertheless some legal issues are still not clarified, in particular the qualification of loans as foreign currency loans. The above issue is relevant to the assessment of the risks associated with proceedings on part of the Bank's portfolio.

The Bank continuously monitors the judgments handed down and it will adjust the level of estimation of the impact of legal risk to the current line of case law. At the same time, the Bank is aware that the assumptions made are subjective assessments of the current situation, which may change in the future. In estimating the impact of legal risk, the Bank relies on all information available at the date of signing the Financial Statements.

#### 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 total impact of legal risk.

Following the CJEU judgment of 15 June 2023 in case C-520/21, the Bank has observed slight changes in customer behaviour (i.a. related to some Customers withdrawing from the settlement despite having previously accepted terms and conditions), which affect the parameters and assumptions made to date, including the propensity of Customers to settle.

At 30 June 2024, the Bank had presented individual settlement proposals to 13,651 Customers (12,807 Customers at 31 December 2023) and 5,428 Customers accepted the terms of the proposals presented (4,237 in 2023), of which 4,594 settlements were signed (3,567 settlements signed in 2023).

#### CJEU case law (judgments made in 2023 and 2024)

On 16 March 2023, the CJEU's ruling in Case C-6/22 was issued, from which it follows that:

- the protection granted to consumers by Directive 93/13 is not limited only to the duration of the contract, but also applies after the completion of the contract (this may increase the risk of lawsuits on loans that have already been repaid);
- for the assessment of the consequences, with regard to the situation of the consumer caused by the cancellation of the entire contract, the will expressed by the consumer in this regard is decisive (if the consumer demands the cancellation of the contract, the national court cannot refuse, even if the court informs the consumer that the consequences are particularly unfavourable for him);



- the CJEU confirmed that the national court cannot fill the gap created after the removal of an abusive term by a provision other than a dispositive provision, even if the cancellation of the contract has negative consequences for the consumer. However, in such a situation, the national court should take all necessary measures to protect the consumer, in particular, call on the parties to negotiate in order to establish a real balance of the rights and obligations of the contractual parties

On 8 June 2023, in Case C-570/21, the CJEU favoured a broad interpretation of the definition of consumer, indicating that:

- the concept of 'consumer' within the meaning of Article 2(b) of Directive 93/13 is objective in nature and independent of the particular knowledge which a person may have or of the information which he actually possesses;
- a person who has concluded a contract for purposes falling partly within the scope of his commercial or professional activity is to be regarded as a consumer if the purpose of the commercial or professional activity is so limited as not to be predominant in the overall context of that contract;
- in the context of a credit agreement concluded with an entrepreneur, an individual person in the position of co-debtor is covered by the concept of 'consumer' within the meaning of Article 2(b) of Directive 93/13 when he is acting for purposes which are outside his commercial or professional activities and should, when he is in a situation analogous to that of the debtor vis-à-vis that entrepreneur, benefit, together with the latter, from the protection provided by that directive
- the national court must examine, taking into account all the evidence and, in particular, the wording of that contract, whether the person who is party to it can be classified as a 'consumer', as well as taking into account all the circumstances of the case, in particular the nature of the good or service which is the subject of the contract in question.

On 15 June 2023, the CJEU has ruled on Case C-520/21 concerning whether, in the event of the cancellation of a credit agreement, the parties have any claim for the use of capital by the other party. The CJEU has reformulated the content of the questions originally asked by the Referring Court. The CJEU's answers therefore relate to the reformulated and not to the original version of the questions.

**With regard to the consumer's claims against a Bank**, the CJEU held that the provisions of Directive 93/13 do not preclude a judicial interpretation of national law according to which the consumer is entitled to claim compensation from the credit institution over and above the reimbursement of monthly instalments and costs paid for the performance of that contract and over and above the payment of statutory default interest from the date of the demand for payment, provided that the objectives of Directive 93/13 and the principle of proportionality are respected.

**With regard to the possibility for Banks to pursue claims of a similar nature against consumers**, the CJEU held that the provisions of Directive 93/13 preclude a judicial interpretation of national law according to which a credit institution is entitled to seek compensation from a consumer over and above the reimbursement of the capital paid in performance of that contract and over and above the payment of statutory default interest from the date of the demand for payment.

The concept of 'compensation' is not defined in the cited judgment, nor is it defined in Polish law. As the CJEU points out, however, in paraChart 78 of the judgment: "Similarly, an interpretation of national law according to which a credit institution is entitled to demand from a consumer compensation that goes beyond the return of the capital paid out for the

performance of that contract, and thus to receive remuneration for the use of that capital by the consumer, would contribute to eliminating the deterrent effect on entrepreneurs by declaring that contract void". At the same time, the CJEU did not explicitly refer to the valorisation of the Bank's benefit.

The Bank notes that remuneration for the use of capital for the Bank is not included in the Bank's current model. In contrast, the Bank's previous models did not take into account the remuneration to the Customer for the Bank's use of the instalments of a loan repaid by the Customer that has been declared invalid.

The accuracy of the Bank's assumptions is confirmed by the resolution of the entire Civil Chamber of the Supreme Court in case III CZP 25/22, which ruled out the right of banks and consumer-borrowers to claim so-called remuneration for the use of capital.

On 21 September 2023, the CJEU has issued judgment in Case C139/22, stating that:

- for a contractual term to be deemed unfair, it is sufficient to establish that its content corresponds to the content of a term of a model contract entered in the register of prohibited clauses, which, however, does not exclude that in a given proceeding a Bank may prove that, in light of all relevant circumstances of a given case, this contractual term is not abusive (in particular, it does not produce effects identical to the one entered in the register of prohibited clauses),
- an unfair contractual term does not lose its unfairness by the fact that the consumer may choose to perform his or her obligations under the contract on the basis of another contractual term that is fair,
- the entrepreneur has a duty to inform each consumer about the essential features of the contract and the risks associated with the contract, also if the specific consumer has relevant knowledge and experience in the field (even if the consumer is an employee of the Bank)

On 7 December 2023, the CJEU ruled in Case C-140/22, concerning the statute of limitations, maturity and scope of the parties' restitutionary claims for an invalid credit agreement. The CJEU ruled that the provisions of Directive 93/13 preclude:

- exercise of the rights that the consumer derives from this directive was determined by the consumer's submission to the court of a statement in which he claims: first, that he does not consent to the maintenance of an abusive contractual condition, second, that he is aware, on the one hand, of the fact that the invalidity of the indicated condition entails the invalidity of the credit agreement, and, on the other - of the consequences of this recognition of invalidity, and third, that he agrees to declare the agreement invalid;
- the compensation claimed by the consumer concerning the return of the amounts he paid in the execution of the invalid credit agreement was reduced by the equivalent of the interest that the Banking institution would have received if the agreement had remained in force.

In the justification of the judgment, the CJEU referred to the role of the Customer's statement concerning his awareness of the effects of the loan agreement invalidity and pointed out that it does not have to be submitted to the national court, nor



does it have to be formalized, and that the consumer's rights arising from the abusiveness of the contractual terms cannot depend on the submission of such a statement by the consumer.

The CJEU did not directly answer the preliminary question concerning the beginning of the limitation period for the Bank's restitutionary claims against the consumer.

However, the CJEU's position has important implications for the calculation of interest due to the consumer in disputes with the Bank. This is because it follows from the judgment that interest for delayed performance in favor of the consumer should not be calculated only from the date of the consumer's formalized statement.

Regarding the second thesis of the judgment, the CJEU reiterated its earlier position expressed in the judgment in Case C-520/21, indicating that since the CJEU's jurisprudence has determined that if a credit agreement is declared invalid, the Bank is not entitled to demand from the consumer the so-called remuneration for the use of the capital, there are no grounds for reducing the consumer's restitution claim by the equivalent of the interest rate due to the Bank if the credit agreement had remained in force. Due to the wording of the preliminary questions, which did not refer to the Bank's demand for the valorisation of the loan principal paid, the CJEU did not rule on the admissibility of such a demand.

On 11 December 2023, the CJEU ruled in Case C-756/22, indicating that the provisions of Directive 93/13 preclude a judicial interpretation of a member state's national law, according to which a Bank is entitled to demand from a consumer the reimbursement of amounts other than the capital paid out in the execution of an invalid agreement and statutory interest for delay from the date of the demand for payment.

On 14 December 2023, the CJEU issued a judgment in Case C-28/22, concerning the statute of limitations for restitution claims of the parties to an invalid credit agreement and the permissibility of the Bank's use of the right of retention in a dispute with a Customer.

The CJEU ruled that the provisions of Directive 93/13, in connection with the principle of effectiveness, preclude the limitation period for a trader's claims arising from the invalidity of an agreement from running only from the date on which the contract becomes permanently ineffective, while the limitation period for a consumer's claims arising from the invalidity of that contract begins to run at the time when the consumer learned or should have learned of the abusive nature of the condition causing the invalidity.

The CJEU did not directly rule from when the statute of limitations for a trader's claims against a consumer should be counted, however, it indicated that the statute of limitations for such claims cannot start only from the date of "permanent ineffectiveness of the agreement," which the CJEU judgment equated with the date when the judgment declaring the loan agreement invalid became final. It follows from the above that the beginning of the running of the limitation period for the entrepreneur's claims should not be linked to the date of the final judgment.

At the same time, the CJEU stressed the symmetrical nature of the limitation periods for the restitution claims of the entrepreneur and the consumer. However, the CJEU did not resolve what event starts the running of the limitation period

for the Bank's and consumer's restitution claims. In addition, the CJEU indicated that the entrepreneur is not obliged to verify the consumer's awareness of the consequences of removing abusive terms from the contract.

Regarding the second thesis of the judgment, the CJEU did not question the Bank's entitlement in principle to exercise its right of retention in a dispute with a consumer. The CJEU only noted that the Bank's raising of a retention plea cannot have the effect of limiting the consumer's interest claim.

On 12 January 2024, the CJEU issued an order in Case C-488/23, concerning the admissibility of the judicial valorisation of a Bank's consideration in the form of the paid-up capital of a loan. Referring to Case C-520/21, the CJEU pointed out that, where a credit agreement is declared invalid in its entirety as a result of the elimination of abusive clauses from it, the provisions of Directive 93/13 preclude a judicial interpretation of the law of a Member State according to which a credit institution is entitled to demand from the consumer in addition to reimbursement of the capital disbursed pursuant to the credit agreement and statutory default interest from the date of the demand for payment, compensation consisting in a judicial adjustment of the benefit of the capital disbursed in the event of a material change in the purchasing power of money after that capital has been paid to the consumer.

On 18 January 2024, the CJEU issued its judgment in Case C-531/22, concerning the examination by national courts of their own motion of the control of unfairness of contractual terms and the universality of the entry of an unfair contractual term in the register of prohibited clauses.

On the first issue, the CJEU ruled that procedural rules which do not provide for any examination by the court of its own motion of the potentially unfair nature of contractual terms are contrary to the principle of effectiveness expressed in Directive 93/13. If such an examination was not carried out in the preliminary examination proceedings (particularly where the court hearing the case did not have the legal and technical ability to carry out such an examination), then this obligation falls on the court supervising the enforcement proceedings.

As regards the second issue, the CJEU ruled that the entry of a contractual term in the national register of unfair terms has the effect that such term must be considered unfair in any proceedings involving the consumer, including against a trader other than the one against whom the proceedings for entry of the unfair term in the register were pending, and where the term in question does not have the same wording as the term entered in the register, but has the same meaning and produces the same effect in relation to the consumer concerned. At the same time, the CJEU stipulated that the national court is obliged to assess the equivalence of the disputed contractual term with the term of the contractual model contract which has been declared unfair and entered in the register. The trader concerned is able to challenge that equivalence before the national court in order to determine whether, in the context of all the relevant circumstances of the case, that term is identical, in particular in view of the effects it produces, to the term entered in the register.

On 25 April 2024, the CJEU issued judgments in cases C-484/21 and C-561/21, concerning the running of limitation periods for claims raised on the basis of claims that the terms are unlawful.





In the first judgment, the CJEU ruled that the provisions of Directive 93/13 preclude:

- the limitation period for a claim for reimbursement of expenses incurred by the consumer when concluding a contract with the trader in respect of a term which has been declared unfair by a final court ruling subsequent to the payment of those expenses runs from the date of that payment, irrespective of whether the consumer was or could have been aware of the unfair nature of the term at the time of that payment or before that term was declared void by the judgment,
- the limitation period for a claim for reimbursement of costs incurred by a consumer on the basis of a term in a contract with a trader which has been found unfair by a final judgment of a court shall run from the date on which the national supreme court delivered an earlier judgment, in a separate case, declaring a standard term corresponding to that term in that contract unfair.

In the second judgment, the CJEU ruled that the provisions of Directive 93/13:

- do not preclude the limitation period for a claim for the reimbursement of expenses incurred by a consumer in respect of a contract term declared unfair by a final judgment of a court following payment of those expenses from running from the date on which the judgment becomes final, subject to the trader being able to prove that the consumer knew or could have known of the unfair nature of the term in question before that judgment became final,
- preclude the running of the limitation period for a claim for the reimbursement of costs incurred by a consumer in respect of a term in a contract concluded with a trader the unfair nature of which has been established by a final court judgment subsequent to the payment of those costs from commencing on an earlier date on which the national supreme court has, in separate cases, given judgments declaring unfair the terms corresponding to the relevant term in that contract,
- preclude the limitation period for a claim for reimbursement of costs incurred by a consumer on the basis of a term of a contract concluded with a trader which has been declared unfair by a final judgment of a court from running from the date of certain judgments of the CJEU which confirmed in principle the compatibility with Union law of the limitation periods for claims for reimbursement.

The CJEU confirmed that a consumer's claim to establish the unfairness of contractual terms is not time-barred, whereas a consumer's restitutionary claims (for reimbursement of benefits fulfilled on the basis of unfair contractual terms) may be time-barred, provided that the time limits provided for in national law do not make it impossible or excessively difficult for the consumer to pursue claims under Directive 93/13. The CJEU reiterated that the limitation period for a consumer's restitutionary claim cannot start to run before the consumer has become aware of the unfair nature of the contractual term in question. In particular, the time limit cannot start to run already on the date of the consumer's performance of the wrongful act or on the date of a judgment of the CJEU (e.g. in Case C-260/18) or the Supreme Court in another similar case (without the involvement of that consumer), if at that time the consumer had no knowledge of the unfair nature of the term. According to the CJEU, the starting date of the limitation period of a consumer's claim may be, in particular, the date on which the court issues a final judgment in a case involving the consumer, if it was only on that date that the consumer became aware of the unfair nature of the condition in question. Due to the scope of the preliminary questions, the CJEU did not rule on the limitation period of the Bank's claims.

On 3 May 2024, the CJEU issued an order in Case C-348/23, concerning BNP Paribas Bank Polska SA. The CJEU ruled that the provisions of Directive 93/13 precluded a judicial interpretation of national law according to which the legal effects attaching to the declaration of invalidity of a credit agreement in its entirety (following the elimination of abusive clauses therein) were subject to the fulfilment by the consumer of a condition precedent, consisting in the consumer making a declaration before a national court in which he indicates, firstly, that he does not consent to the condition remaining in force, secondly, that he is aware, on the one hand, that the unfairness of the condition entails the declaration of invalidity of the credit agreement and, on the other hand, of the consequences of the declaration of invalidity, and thirdly, that he consents to the declaration of invalidity of the agreement. The CJEU's position is in line with the CJEU's current jurisprudence, according to which the legal consequences resulting from the declaration of invalidity of a credit agreement containing abusive conversion clauses follow by operation of law and cannot be made subject to additional conditions, in particular the submission of a formalised declaration by the consumer before the national court.

On 8 May 2024, the CJEU issued an order in Case C-424/22 on a plea of retention. The CJEU ruled that the provisions of Directive 93/13 preclude a judicial interpretation of national law according to which, in the context of the annulment of a mortgage loan contract concluded by a banking institution with a consumer on account of the unfair nature of certain terms of that contract, reliance by that institution on a right of retention has the effect of making the consumer's ability to obtain payment of the amounts which that institution has been ordered to pay on account of the restitutionary effects of the unfairness of those terms, is subject to the consumer at the same time offering to reimburse, or to secure the reimbursement of, the entire consideration received from that institution by the consumer under that contract, irrespective of the repayments already made in performance of that contract. Thus, in the CJEU's view, the provisions of Directive 93/13 preclude the application of the right of retention in such a way that, in the calculation of the amount to be paid or secured by the consumer to the Bank (following the Bank's reliance on the right of retention), no account is taken of the amount of the repayments made by the consumer to the Bank.

On 30 May 2024, the CJEU ruled in Case C-325/23 that:

- a condition of a credit agreement denominated in a foreign currency, in which the Bank unilaterally determines the conversion rate prior to the conclusion of the agreement in order to determine the amount of the credit, is not individually negotiated,
- if the credit agreement transfers the exchange rate risk to the consumer and the bank benefits from an exchange rate differential between the rate chosen by the Bank for determining the final amount of credit and other rates, the lack of information on the differential means that the condition is not expressed in plain and intelligible language,
- a term of a credit agreement transferring the exchange rate risk to the consumer and giving the Bank the benefit of the exchange rate difference may create a significant imbalance to the detriment of the consumer,
- provisions of Directive 93/13 do not preclude a contract for credit denominated in foreign currency from being declared void if a term relating to the fixing of the amount of credit is unfair, even if other terms relating to currency conversion are not unfair, provided that the court finds that the contract cannot be valid without that term.



The CJEU ruled that a contract may be declared invalid as a result of the elimination of the terms concerning the determination of the amount and currency of the loan. At the same time, the CJEU recalled that the abusiveness of these terms does not automatically mean that the entire agreement is invalid. According to well-established case law of the CJEU, the elimination of these terms should, in principle, have the effect that these terms should be non-binding on the consumer and the contract should continue to be binding on the parties for the rest, if such maintenance of the contract is objectively possible under national law. Indeed, the purpose of Directive 93/13 is not to invalidate all contracts containing unfair terms, but to replace the balance between the rights and obligations of the parties to the contract established by the contract by a real balance which allows equality between them to be restored.

### Supreme Court case law on CHF denominated and foreign currency loans

The key decisions that occurred before the Supreme Court included the following theses:

- it is not justifiable to extend the Code concept of a consumer by distinguishing direct and indirect links with the conduct of a business or professional activity. If such a relationship exists (also on the part of e.g. a spouse), there are no grounds for extending protection to such a person (Judgment of the Supreme Court of 18 May 2022 (II CSKP 362/22 [mBank]) / noting that on 8 June 2023, in Case C-570/21, the CJEU opted for a broad interpretation of the definition of consumer/;
- the consumer's previous experience with credit products (including those linked to a foreign currency) is not legally relevant (Supreme Court judgment of 13 May 2022 (II CSKP 464/22));
- the possibility to convert the loan does not constitute a means of reducing the risk for the consumer (Judgment of the Supreme Court (SSN) of 13 May 2022 (II CSKP 464/22));
- currency risk clauses, understood as clauses introducing an economic risk for the consumer, are subject to abusiveness testing, and there can be no question of clarity/transparency of such clauses unless the entrepreneur can show that the consumer was fully aware that a strong depreciation of the domestic currency may have consequences that are difficult to bear. General risk instructions, even fulfilling Recommendation S, are insufficient to assume compliance with the instruction standard (e.g. II CSKP 382/22; II CSKP 464/22; I CSK 1867/22);
- spread clauses (both concerning loan drawdown and loan repayment) referring to Bank tables as abusive require confirmation by the consumer, otherwise they are ineffective (e.g. I CSK 1867/22; II CSKP 163/22; II CSKP 382/22);
- it is not possible to "supplement" a credit agreement by introducing an alternative means of determining the exchange rate, e.g. on the basis of Article 358 § 2 of the Civil Code. - this would be contrary to the preventive objectives of the directive (e.g. I CSK 1867/22, II CSKP 163/22, II CSKP 382/22);
- the inability to complete the contract, in the absence of the consumer's will to the contrary, leads to the demise of the contract, both in the case of indexed and denominated loans. The only exception that emerges from the case law is the credit agreement of Bank BPH, where the collapse of the margin clause, while the reference to the NBP average exchange rate is left in the agreement, makes it possible (within the scope of this element) to continue the agreement (e.g. II CSKP 364/22, I CSK 55/22);

- the assessment of the advantage/disadvantage of the collapse of the contract is made by the consumer (Order of the Supreme Court of 19 May 2022 (I CSK 55/22));
- the Supreme Court opted for a two-condition theory in the event that a credit agreement is declared invalid. At the same time, the Supreme Court pointed out in a written justification that the risks associated with the insolvency of one of the mutually enriched parties are largely prevented by the right to retain the consideration received until the other party either offers to return the consideration received or secures a claim for repayment (Resolution of 16 February 2021, III CZP 11/20);
- in disputes with consumers, the provision of Article 385(1) of the Civil Code constitutes *lex specialis* in relation to Article 353(1) of the Civil Code. Consequently, when the prerequisites for the application of both of the above-mentioned legal norms exist, the court should apply the sanction of ineffectiveness of the contractual provision, without ruling on its invalidity on general principles (Resolution of 28 April 2022, III CZP 40/22).

On 25 April 2024, the entire Civil Chamber of the Supreme Court adopted the so-called 'large franking resolution', resolving the key legal issues submitted for consideration by the First President of the Supreme Court in January 2021, file III CZP 25/22. The resolution reads as follows:

- 1) If a provision of an indexed or denominated credit agreement relating to the manner in which the foreign currency exchange rate is to be determined constitutes an illicit contractual term and is not binding, it cannot be assumed in the current state of the law that another manner of determining the foreign currency exchange rate resulting from law or custom takes its place.
- 2) If it is not possible to establish a foreign currency exchange rate binding on the parties in an indexed or denominated credit agreement, the agreement is also not otherwise binding.
- 3) If, in the performance of a loan agreement which is not binding due to the illicit nature of its provisions, the bank has paid all or part of the loan amount to the borrower and the borrower has made loan repayments, independent claims for the return of the wrongful performance arise in favour of each party.
- 4) If a credit agreement is not binding due to the illicit nature of its provisions, the statute of limitations for the bank's claim for reimbursement of amounts paid under the credit begins, in principle, from the day following the day on which the borrower challenged the bank on its bindingness to the provisions of the agreement.
- 5) If a credit agreement is not binding due to the illicit nature of its terms, there is no legal basis for either party to claim interest or other consideration for the use of its funds during the period from the time the wrongful performance is made until it falls into delay as to the repayment of that performance.

The Resolution was passed by a majority. There were dissenting opinions from 6 of the 17 judges, primarily as to whether the agreement should be upheld after the elimination of the conversion clauses. In its wording, the resolution refers only to the effects of declaring conversion clauses in indexed or denominated loan agreements abusive (without prejudging the abusiveness of such clauses). The resolution does not apply to foreign currency loans, where the conversion clauses are of an optional nature and as such are not necessary for the performance of the contract.





There is still no uniformity on the definition of foreign currency credit. On 20 May 2022, the Supreme Court issued its first ruling on a foreign currency loan granted by the Bank (II CSKP 713/22). According to the Supreme Court, a foreign currency loan exists only if the agreement unambiguously establishes the amount of the loan granted and actually disbursed to the borrower exclusively in a foreign currency and provides for repayment of instalments exclusively in the currency of the loan granted. According to the Court, the parties entered into a loan agreement denominated in CHF, and nothing in the agreement directly provided for the Customer's claim for payment of the amount of loan made available in CHF.

However, it should be noted that in another decision, the Supreme Court took a different stance (decision of 24 June 2022, I CSK 2822/22), stating that the features of a foreign currency loan are the expression of the amount of the loan granted in a foreign currency and the repayment of the loan instalments in that currency, while not indicating as a characteristic the making of the loan payment in a foreign currency.

In its judgment of 26 January 2023 (II CSKP 408/22), the Supreme Court emphasised that the decisive factor in assessing the currency character of a credit agreement is the indication in the agreement of the amount and currency of the credit in a foreign currency and the granting to the borrower of the possibility to disburse the credit in that currency, and not the actual manner of implementation of the agreement. The fact that the loan is disbursed in PLN as a result of the borrower's instruction cannot lead to the conclusion that the loan agreement does not specify the amount and currency of the loan.

In a judgement of 31 January 2023 (II CSKP 334/22), the Supreme Court indicated that a loan in which, on the one hand, a foreign currency is indicated in the agreement as the so-called loan amount, but the disbursement, i.e. the Bank's performance, is to take place in the Polish currency pursuant to the agreement, is not a foreign currency loan. The recognition of a provision providing for disbursement of a loan in Polish currency as prohibited means that the Court must assess the impact of its ineffectiveness towards the consumer on the content of the entire agreement (the remaining provisions), and in particular whether this means that the parties could remain bound by the agreement to the remaining extent. It is not possible to continue to operate an agreement which, once the unauthorised provisions (which may, after all, under certain conditions relate to the main benefits of the parties) have been excluded from it, cannot be enforced - to determine the manner and amount of the parties' performance.

The Supreme Court ruled similarly in a judgment dated 15 September 2023 (II CSKP 1356/22), in which - following the borrower's complaint - the judgment of the Court of Appeals in Wrocław, favorable to the Bank, was overturned, and it was pointed out that a foreign currency loan may be identified when the contract unambiguously establishes the amount of the loan granted and actually disbursed to the borrower exclusively in foreign currency and provides for repayment of instalments exclusively in the currency of the loan granted, and therefore the purpose and intention of the parties, expressed in the contract, is to carry out all mutual settlements only in foreign currency.

On 5 April 2023, the Supreme Court, in its judgment in case II NSNc 89/23, dismissed the extraordinary appeal of the Public Prosecutor General against the judgment of the Court of Appeal in Kraków of 11 December 2019. (I ACa 100/19) concerning a denominated loan agreement. The Court of Appeal in Kraków dismissed the borrower's appeal, finding that some of the regulations contained in the agreement were abusive, but could not affect the determination of her situation. Indeed, the reason for the termination of the agreement was the borrower's cessation of payment of subsequent loan instalments. It should be noted that, according to the loan agreement, the disbursement of the loan could be made in zloty or in another currency, while the borrower could make repayments of the loan instalments in the currency of the loan or also in another foreign currency. The Supreme Court held that:

(1) in the case at hand, the key issue to be decided is not whether the agreement concluded between the plaintiff and the defendant contained abusive clauses, but whether the appellate court correctly verified their impact on the situation of the borrower. The Supreme Court held that the appellate court did not commit the failings alleged in the extraordinary complaint in this respect;

(2) the fact that there are abusive clauses in a contract does not automatically render the entire contract invalid. The court examining the case is obliged to verify whether, due to their elimination from the content of the contract, it is possible to further assert the claims raised. There is no doubt that if the elimination of the prohibited contractual provision would lead to such a deformation of the contractual regulation that on the basis of its remaining content it would not be possible to reconstruct the rights and obligations of the parties, it would become inadmissible to state that the parties remain bound by the remaining part of the contract;

(3) the extraordinary complaint concerned the legal situation of a consumer - an entity which, as the weaker party to a civil law relationship, is entitled to a special type of protection. At the same time, however, it was emphasised that this protection is not unlimited, and the mere fact that a party has the status of a consumer does not mean that there cannot be an unfavourable decision in his case. Indeed, the consumer still remains a party to the legal relationship and is not exempt from the obligation to comply with the law. When giving a ruling in which one of the parties is a consumer, the court cannot at the same time disregard the interest of the other party.

On 9 May 2024, the Supreme Court issued a judgment (II CSKP 2416/22) in which it dismissed the cassation appeal of the borrowers against a second-instance judgment favourable to the bank, awarding claims under a loan agreement to the bank (a case from the bank's lawsuit), assuming the currency nature of the loan agreement (a strictly currency loan and not a loan denominated in foreign currency). In it, the Supreme Court accepted that the essential condition for assuming that a loan is of a foreign currency nature is the possibility of disbursement and repayment in currency and stated that the so-called 'large franking resolution' (III CZP 25/22) was not applicable to the case, as this resolution did not include in its material scope loan agreements that can be repaid directly in foreign currency.

In Case III CZP 126/22, sitting on 6 October 2023, the Supreme Court held that a credit agreement is a reciprocal contract and, as regards the admissibility of a Bank's use of a plea of retention in a lawsuit against a consumer, made a preliminary reference to the CJEU as to whether the provisions of Directive 93/13 allow or do not limit the use of a court's right of retention in favour of a Bank.

On 19 June 2024, a seven-member panel of the Civil Chamber of the Supreme Court issued a resolution in Case III CZP 31/23, in which it indicated that the right of retention (Article 496 of the Civil Code) does not apply to a party that can set off its claim against the claim of the other party. The rationale of the resolution is not yet published.

On 2 July 2024, a three-judge panel of the Supreme Court in Case III CZP 2/24 resolved that a power of attorney is sufficient for the effectiveness of raising a charge of set-off under Article 2031 of the Code of Civil Procedure and receiving such a declaration. The rationale of the resolution is not yet published.

Issues concerning the reciprocity of the credit agreement and the application of the right of retention will also be the subject of the Supreme Court's decision in cases III CZP 89/22 and III CZP 152/22. In cases III CZP 89/22 and III CZP 152/22, the proceedings were suspended pending the CJEU's decision in case C-28/22, in which the Court was to answer, inter alia, the preliminary question concerning the right of retention. Following the CJEU's ruling in Case C-28/22 on 14





December 2023, which confirms in principle the admissibility of a bank's exercise of its right of retention in a dispute with a consumer, it is expected that the proceedings before the Supreme Court in the aforementioned cases will be resumed.

As at the end of June 2024, 217 cassation appeals have been filed with the Supreme Court in CHF loan cases granted by the Bank, 41 appeals have been accepted by the Supreme Court for examination and are awaiting substantive decision, as to 103 cassation appeals, the Supreme Court has issued a decision on refusal of acceptance for examination. In 4 cases, the Court referred the cases for re-examination, while in 4 cases it dismissed the cassation appeal.

## Post-balance sheet events

### July 2024

- **2.07. - Extraordinary General Meeting of Shareholders** - topics addressed, including changes to the composition of the Supervisory Board of the Bank, are presented in the chapter Statutory Bodies of the Bank

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

### Accuracy and reliability of the statements presented

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

- the Consolidated Semi-Annual Report of the BNP Paribas Bank Polska S.A. Group for the six months ended 30 June 2024 including the Interim Abbreviated Unconsolidated Financial Statements of BNP Paribas Bank Polska S.A. and the comparative data have been prepared in accordance with the binding accounting principles and they give a true, fair and clear view of the property and financial situation and the financial result of the Bank and the Bank Group;
- the Management Board's Report on the Activities of the BNP Paribas Bank Polska S.A. Group in the First Half of 2024 provides a true picture of the development, achievements and situation of the Bank's Group, including a description of the key risks and threats.

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

- the Bank did not publish financial forecasts for 2024.



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

12.08.2024	<b>Przemysław Gdański</b> President of the Management Board	<i>qualified electronic signature</i>
12.08.2024	<b>André Boulanger</b> Vice-President of the Management Board	<i>qualified electronic signature</i>
12.08.2024	<b>Małgorzata Dąbrowska</b> Vice-President of the Management Board	<i>qualified electronic signature</i>
12.08.2024	<b>Wojciech Kembłowski</b> Vice-President of the Management Board	<i>qualified electronic signature</i>
12.08.2024	<b>Piotr Konieczny</b> Vice-President of the Management Board	<i>qualified electronic signature</i>
12.08.2024	<b>Magdalena Nowicka</b> Vice-President of the Management Board	<i>qualified electronic signature</i>
12.08.2024	<b>Volodymyr Radin</b> Vice-President of the Management Board	<i>qualified electronic signature</i>
12.08.2024	<b>Agnieszka Wolska</b> Vice-President of the Management Board	<i>qualified electronic signature</i>