



MANAGEMENT BOARD REPORT

**ON THE ACTIVITIES OF BNP PARIBAS
BANK POLSKA S.A. GROUP
IN THE FIRST HALF OF 2023**



BNP PARIBAS



Table of Contents

About us

Key financial data: 2019–30.06.2023
 The Group and the Bank
 BNP Paribas Group worldwide
 Bank on the WSE
 The Bank's statutory bodies
 Key events in the first half of 2023

The Bank in its environment

Macroeconomic situation
 Banking sector performance
 Stock market and investment climate

Strategy and perspectives

Business strategy GO beyond 2022-2025
 ESG Management
 Outlook 2023+

3 Strategy implementation

4 **Pillar UP**
 5 Segment descriptions
 6 Distribution channels
 7 Business operations and support area
 11 Group BNP Paribas Bank Polska S.A. entities
 14

18 Pillar POSITIVE

Sustainable financing
 A Bank without barriers
 19 Addressing social and environmental themes in communication
 21 Community involvement
 24 Bank of Green Changes

25 Pillar STRONGER

Digitisation and innovation - IT strategy
 Supporting innovation
 Cybersecurity

Pillar TOGETHER

Good place to work
 Wellbeing and employees health
 Employees development
 A diverse and inclusive workplace

30 Financial results

31 Group financial results
 32 Performance of business segments
 40

41 Risk management

41
 44 Risk management system
 46 Principal types of risk
 46

49 Additional information

48 Court proceedings
 49 Post balance sheet events
 52 Statements of the Management Board of BNP Paribas Bank Polska S.A.
 54

55 SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD OF BNP PARIBAS BANK POLSKA S.A. 109



About us

Key financial data: 2019–30.06.2023

The Group and the Bank

Bank on the WSE

The Bank's statutory

Key events in the first half of 2023

4

5

7

11

14



Katarzyna Legut-Wturska, Business Banking Manager



Key financial data: 2019–30.06.2023

	30.06.2023	2022	2021	2020	2019
Statement of financial position (PLN million)					
Total assets	150,562	151,517	131,777	119,577	109,954
Loans and advances to customers ¹	88,573	90,040	86,299	75,637	73,811
Total equity	12,614	11,262	11,362	12,031	11,159
Amounts due to customers	117,912	120,021	101,093	90,051	86,135
Statement of profit or loss (PLN million)					
Net profit	948	441	176	733	615
Normalized net profit ²	930	1,166	176	721	950
Net interest income	2,439	3,493	3,141	3,060	3,169
Net fee and commission income	633	1,137	1,049	916	820
Net income on banking activity	3,552	5,352	4,809	4,705	4,550
Result on provisions for legal risk related to foreign currency loans	(590)	(740)	(1 045)	(168)	(32)
Net allowances on expected credit losses of financial assets and provisions for contingent liabilities	51	(275)	(266)	(601)	(442)
General administrative expenses, depreciation and amortization	(1,510)	(3,038)	(2,544)	(2,506)	(2,922)
Financial ratios (%)					
Net ROE	16.0%	3.9%	1.5%	6.3%	5.7%
Net ROA	1.3%	0.3%	0.1%	0.6%	0.6%
Cost / Income (C/I)	42.5%	56.8%	52.9%	53.3%	64.2%
Normalized net ROE ²	15.4%	10.2%	1.5%	6.2%	8.7%
Normalized net ROA ²	1.2%	0.8%	0.1%	0.6%	0.9%
Normalized Cost / Income (C/I) without BFG and IPS ²	42.4%	42.9%	49.9%	49.0%	51.7%
Net interest margin	3.28%	2.46%	2.51%	2.63%	2.92%

	30.06.2023	2022	2021	2020	2019
Share of impaired receivables (Contribution from Phase 3) ³	3.1%	3.3%	3.6%	5.4%	5.7%
Cost of risk	0.11%	(0.30%)	(0.32%)	(0.78%)	(0.59%)
Total capital ratio	16.35%	15.55%	16.91%	18.65%	15.05%
Tier I capital ratio	12.13%	11.27%	12.33%	13.55%	12.80%
Information on shares					
Stock market capitalization (PLN million)	8,856	8,265	13,454	9,376	10,024
Number of shares (million)	148	148	148	147	147
Period-end share price (PLN)	60	56	91	64	68
Business information (thousand)					
Number of Bank Clients ⁴ , including:	4,181	4,227	4,117	3,938	3,887
Individual Customers	3,828	3,877	3,810	3,639	3,601
Corporate Customers	353	350	307	299	286

¹ Net values, including loans measured at amortized cost and at fair value.

² Normalized values calculated without the impact of credit vacations in the first half of 2023 and 2022, integration costs incurred in connection with the implementation of merger processes in 2019-2020.

³ Applies to portfolio measured at amortised cost.

⁴ In the second quarter of 2023, the Bank updated the algorithm for counting customers. Data as of the end of 2022 was recalculated according to the new algorithm. The biggest change occurred in the Micro segment and resulted from including Customers with products of the Bank's subsidiaries that historically had a relationship with the Bank.



The Group and the Bank

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

Individual Customers are offered a selection of savings and investment products as well as a wide range of loans, including housing and consumer loans. Our comprehensive offer addressed to private banking Customers is aimed at the protection, optimization, and multiplication of assets. 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. Capital Group (hereinafter: the Group), which ranks sixth regarding balance sheet size in the domestic banking sector. Employment in the Group expressed in FTEs is 8.4 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 Kasprzaka Street.

Market shares

Table 1. Market shares of BNP Paribas Bank Polska

	30.06.2023	31.12.2022
Loans to non-bank Customers	6.0%	6.1%
Loans to Individual Customers	5.5%	5.6%
Non-financial business entities	8.9%	9.2%
Deposits from non-bank Customers	5.8%	6.2%
Individual Customer deposits	4.4%	4.8%
Non-financial business entities	9.9%	10.3%

In the "Loans to non-bank Customers" category, at the end of the first half of 2023, the Bank's share in the sector was 6.0%, compared to 6.1% at the end of 2022. The decrease was due to a drop in the Bank's share in non-financial business loans, which was caused by a decrease in the volume of corporate loans and a strong decrease in the less significant volume of loans to individual entrepreneurs (the banking sector recorded a slight increase in these categories in the period under review). The decrease in the Bank's share of loans to individuals was due to a decline in the share of housing loans, with a faster decline in volumes in the Bank than in the banking sector.

The Bank's share of "non-bank Customer deposits" recorded a decline from 6.2% to 5.8% at the end of the first half of 2023. This was due to a decline in the volumes of non-bank deposits of businesses and a slight decrease in deposits of Individual Customers against the growth of these categories in the banking sector.

Group structure and subsidiaries subject to consolidation

BNP Paribas Bank Polska S.A. (hereinafter: the Bank) is the parent company of the BNP Paribas Bank Polska S.A. Capital Group (hereinafter: the Group) operating in Poland. Subsidiaries that constituted a part of the Group as at the end of June 2023 (fully consolidated) are listed below. The Bank's share in the equity of individual subsidiaries is provided in percentage values:



Structure of the BNP Paribas Bank Polska S.A.



Changes in Group structure in the first half of 2023:

- On 27 March 2023 the securitisation programme was completed and BGZ Poland ABS1 DAC (SPV) ceased to be controlled by the Bank,
- On 11 April 2023 the company Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. was removed from the KRS register, on 18 April 2023 the company was validly deleted from the KRS, ending the liquidation process.

Apart from the Group's subsidiaries, at the end of June 2023, the Bank had equity investments in infrastructure companies, including Biuro Informacji Kredytowej S.A., Krajowa Izba Rozliczeniowa S.A., VISA Inc., Mastercard Inc. and SWIFT. We also held minority, non-controlling shares, stocks, or convertible bonds in several medium-sized Polish enterprises. The value of these shares and minority interests is not significant given the scale of operations and financial results of the Bank and the Group. These investments will be financed from the Group's own resources.

All transactions between the Bank and its related parties arose from the Bank's day-to-day operations and consisted mainly of loans, deposits, derivative transactions and income and expenses from advisory services and financial intermediation. Detailed information on transactions with related parties can be found in Note 46 of the Consolidated Semi-Annual Report of the BNP Paribas S.A. Group. Bank Polska S.A. for the six months ended 30 June 2023.

BNP Paribas Group worldwide

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

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

The BNP Paribas Group supports its individual 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.

The BNP Paribas Group operates in 64 countries and employs almost 184 thousand people, including 147 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.

Aims of the BNP Paribas Group's GTS strategy:

- GROWTH – further development of profitable business operations based on the 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.



Bank on the WSE

Shareholder structure

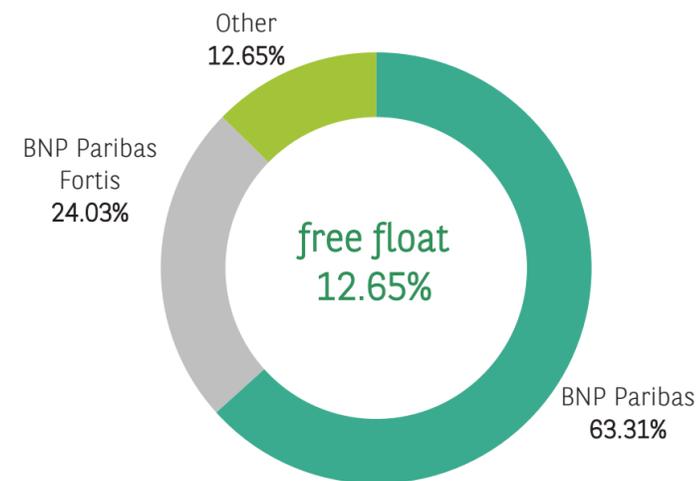
On 30 June 2023, two of the Bank's shareholders held at least 5% of the total number of votes at the General Meeting: BNP Paribas and BNP Paribas Fortis SA/NV. In total, they held 87.35% of the votes. The remainder of the Bank's shares, i.e. 12.65%, was in free float.

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	BNP WSE Ticker
BNPPPL abbreviation	mWIG40 i sWIG40TR Index membership

Chart 1. Shareholder structure as at 30 June 2023

Total number of shares – 147,676,946



The table below shows the Bank's shareholding structure as at 30 June 2023, distinguishing shareholders who held at least 5% of the total number of votes at the general meeting.

Table 2. Shareholder structure

shareholder	number of shares	% interest in share capital	number of votes at the General Shareholders' Meeting	% share in the number of votes at the General Shareholders' Meeting
BNP Paribas, in total:	128,991,553	87.35%	128,991,553	87.35%
<i>BNP Paribas directly</i>	<i>93,501,327</i>	<i>63.31%</i>	<i>93,501,327</i>	<i>63.31%</i>
<i>BNP Paribas Fortis SA/NV directly</i>	<i>35,490,226</i>	<i>24.03%</i>	<i>35,490,226</i>	<i>24.03%</i>
Other shareholders	18,685,393	12.65%	18,685,393	12.65%
Total	147,676,946	100.00%	147,676,946	100.00%

As at 5 April 2023, the Bank's share capital amounts to PLN 147,677 thousand. The capital comprises 147,676,946 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 – 258,028 shares.



There are four series B shares, which are preferred 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 147,676,946 votes. The number of votes resulting from the 2023 Series M shares granted is 83,796 votes and the total number of votes resulting from the granted Series M shares is 258,028 votes.

The amount of the conditional share capital increase subsequent to the issuance of Series M shares amounts to PLN 317,972.

Changes in shareholder structure in H1 2023

On 5 April 2023, the Bank's share capital was increased from PLN 147,593,150 to PLN 147,676,946 as a result of the subscription of 83,796 series M shares in exercise of the rights under the series A3 registered subscription warrants taken up earlier.

BNP Paribas' investor commitment to the liquidity of the Bank's shares

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

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 the Financial Statements for the first quarter of 2023 (10 May 2023) and the Report for the first half of 2023 (10 August 2023) is presented below.

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

member of the Management Board/Supervisory Board of the Bank	shares ¹ 10.05.2023	subscription warrants ² 10.05.2023	sale of shares	shares 10.08.2023	subscription warrants 10.08.2023
Przemysław Gdański	26,473	12,893	0	26,473	12,893
Jean-Charles Aranda ³	5,340	4,495	3,500	1,840	4,495
André Boulanger	10,210	7,987	10,210	0	7,987
Przemysław Furlepa	6,798	5,811	3,798	3,000	5,811

member of the Management Board/Supervisory Board of the Bank	shares ¹ 10.05.2023	subscription warrants ² 10.05.2023	sale of shares	shares 10.08.2023	subscription warrants 10.08.2023
Wojciech Kembtowski	7,245	5,628	7,245	0	5,628
Kazimierz Łabno	4,147	3,205	4,147	0	3,205
Magdalena Nowicka	2,046	3,210	0	2,046	3,210
Volodymyr Radin	2,125	1,972	0	2,125	1,972
Agnieszka Wolska	614	3,481	0	614	3,481

¹ M series shares subscribed for on 5.04.2023 in exercise of the rights attached to A3 series warrants (A3 series registered subscription warrants were subscribed for on 25.03.2022) and M series shares subscribed for on 4.04.2022 in exercise of the rights attached to A2 series warrants (A2 series registered subscription warrants were subscribed for on 25.03.2021); one warrant entitled to subscribe for one M series ordinary bearer share of BNP Paribas Bank Polska S.A. at an issue price of PLN 1.00 per share; in the case of Mr. Przemysław Gdański, the number of M series shares subscribed for by exercising the rights attached to A3 series warrants was 9,336, the number of M series shares subscribed for by exercising the rights attached to A2 series warrants was 9,148, the number of M series shares subscribed for by exercising the rights attached to A1 series warrants was 7,489, the number of shares purchased on the WSE stock market was 500.

² A4 series subscription warrants taken up on 27.03.2023 - one A4 series warrant entitles to take up one M series ordinary bearer share of BNP Paribas Bank Polska S.A., at the issue price of PLN 1.00 per share and B1 series subscription warrants taken up on 27.03.2023 - one B1 series warrant entitles to take up one N series ordinary bearer share of BNP Paribas Bank Polska S.A., at the issue price of PLN 1.00 per share.

³ Mr. Jean-Charles Aranda until 31.07.2023 was a member of the Bank's Management Board and from 1.08.2023 he is a member of the Bank's Supervisory Board.

The members of the Bank's Supervisory Board did not declare the ownership of the Bank's shares/entitlements to shares as at 30 June 2023. As at the date of submission this Report, i.e. 10 August 2023, shares/entitlements to shares held by Mr. Jean-Charles Aranda - member of the Supervisory Board from 1 August 2023 - are presented in table 3. The other members of the Supervisory Board did not declare the ownership of shares/entitlements to the Bank's shares as at 10 August 2023, which has not changed since the date of submission of the Financial Statements for the first quarter of 2023, i.e. 10 May 2023.

Share quotations

At the 30 June 2023 session, the closing price of the Bank's shares was PLN 60.00, up 7.91% compared to 30 June 2022 (PLN 55.60). During the same period, the value of the WIG-Banks index increased by 4.93%. The period under review was characterized by a rather high volatility of the banks' share prices due to the occurrence of a number of events significantly affecting their operations, with the changes in the price of BNP Paribas Bank Polska S.A.'s shares being much smaller than the changes in the WIG-Banks index.

The year 2022 brought a downturn in the Warsaw Stock Exchange. The outflow of foreign capital as a result of the increase in geopolitical risk following the outbreak of war in Ukraine and the deterioration of the macroeconomic situation and economic growth prospects contributed to declines in share prices and major stock indices. For the banking sector, additional negative factors affecting the share price in the second half of 2022 were:

- the significant costs of the introduction in July 2022 of the government's plan to support mortgage borrowers ("credit holidays"),



- costs associated with the creation of the Commercial Bank Protection System (cost to the sector of approximately PLN 3.5 billion) and contributions to the Borrowers' Support Fund (PLN 1.4 billion total cost to the sector incurred in the second half of 2022),
- the legal risk associated with the CHF housing loan portfolio and the uncertainty arising from the impact of interest rate increases on loan repayments.

As a result, the WIG-Banks index fell by 16.22% in the third quarter of 2022 and the Bank's share price fell by 6.83% to PLN 51.80, recording its minimum (for the period 30 June 2022 - 30 June 2023) on 16 and 19 September 2022, at PLN 46.70 (the maximum was PLN 61.60 at the session on 8 August 2022).

The minimum for the WIG-Banks index was recorded on 10 October 2022 (4,537.0 points), which was followed by a reversal of the downward trend in Polish bank listings. Most of the known negative factors have been discounted and factored into prices, which have become attractive to investors again. As a result, the WIG-Banks index rose by 36.8 percent in the fourth quarter of 2022 and the Bank's share price rose by 8.1 percent to PLN 56.00.

The year 2023 brought an upturn for companies listed on the Warsaw Stock Exchange. In the first half of 2023, the WIG-Banks index gained 27.35%. Factors that had a positive impact on bank share prices were:

- attractive valuation compared to foreign competitors, which already took into account the risks weighing heavily on the industry (e.g., CHF housing loans, credit holidays),
- persistently high interest rates, allowing high interest earnings to be generated while government bond yields fell,
- inflows of foreign capital to the WSE,
- the increasing likelihood of the national economy avoiding recession, led by a strong labour market, which has translated into a decrease in expectations regarding the level of risk costs.

An event that had a significant impact on the bank's stock price in the first quarter 2023 was the announcement on 16 February of the opinion of the CJEU ombudsman in the case concerning the banks' right to remuneration for the use of capital in the event of the invalidity of a CHF housing loan contract. Following the announcement of the ombudsman's opinion, the WIG-Banks was in a downtrend and, as a result, rose by only 0.3% in the entire first quarter of 2023, while the Bank's share price fell by 5.0% to PLN 53.20. On 15 March 2023, the minimum for the Bank's shares in the first half of 2023 was recorded at PLN 46.80 (the minimum for the WIG-Banks on 17 March 2023 at 5,780.27 points).

The second quarter of 2023 has already seen a clear upward trend in bank shares due to the previously mentioned positive factors. As a result, the WIG-Banks rose by 27.0% in the second quarter of 2023 and the Bank's share price rose by 12.78% to PLN 60.00.

The average daily share price for subsequent quarters was: third quarter 2022: PLN 53.34, fourth quarter 2022: PLN 53.97, first quarter 2023: PLN 51.94, second quarter 2023: PLN 54.53.

Average daily volume increased to 10,308 shares in the third quarter of 2022 (from 3,174 shares in the second quarter) and decreased to 3,346 shares in the fourth quarter. The first half of 2023 saw an increase in investor activity as the stock

market improved. The average daily trading volume increased to 14,975 shares in the first quarter of 2023 (driven by the recording of a trading volume peak on 2 March 2023: 228,811 shares) and decreased to 5,490 shares in the second quarter of 2023. Overall, the average trading volume in the first half of 2023 was 63.97% higher compared to the corresponding period of 2022 (10,447 shares versus 6,371 shares).

Combined with the 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 545.5 thousand, PLN 181.0 thousand, PLN 766.8 thousand, and PLN 301.1 thousand. The session of 2 March 2023 recorded the maximum trading volume (228,811 shares) and the maximum trading value (PLN 11,440.0 thousand) for the analysed period.

Chart 2. Quotations and trading value of the Bank's shares from 30.06.2022 to 30.06.2023

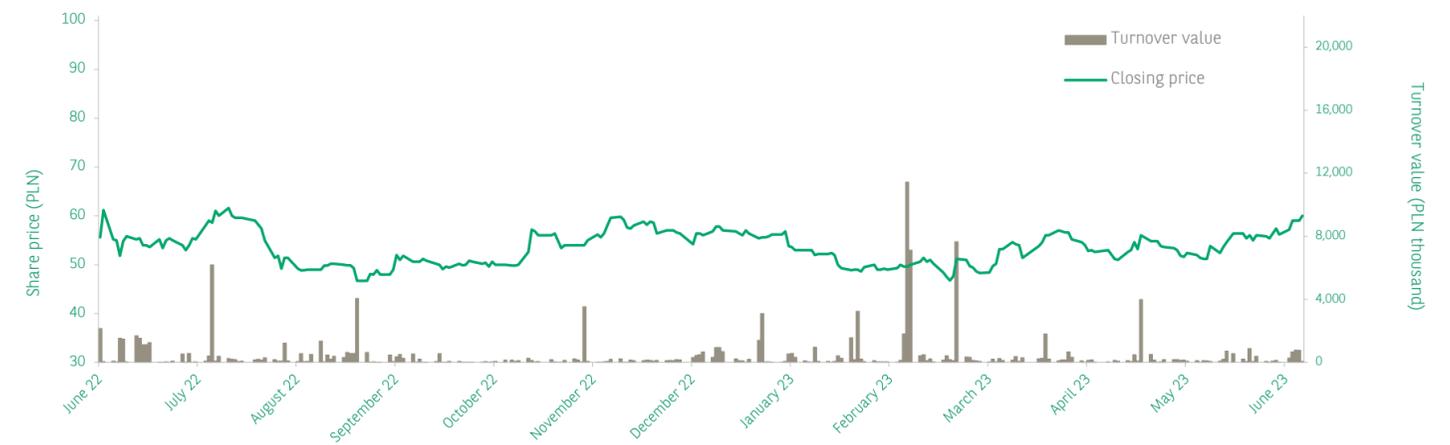
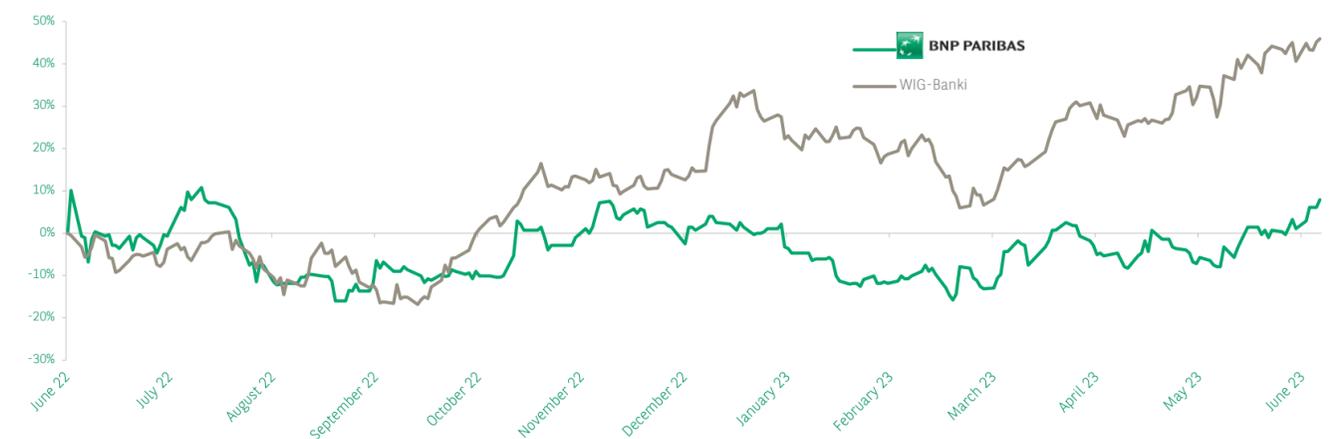


Chart 3. Change in share price of the Bank vs WIG-Banks from 30.06.2022 to 30.06.2023 (30.06.2022 = 100%)





Ratings

In the first half of 2023 The Bank had a rating from the rating agency Fitch Ratings (ordered by the Bank). The history of changes in ratings assigned by the agency can be found on the Bank's website: <https://www.bnpparibas.pl/relacje-inwestorskie/o-banku/oceny-ratingowe>.

The last rating update took place in December 2022. The Bank had the following ratings (confirmed in the Fitch Ratings release of 16 December 2022):

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 a possible support from the Bank's parent entity, BNP Paribas S.A. (hereinafter: BNPP, A+ IDR, stable outlook). According to Fitch Ratings, the Bank's VR of "bbb-" reflects the Bank's moderate franchise in the competitive Polish banking market as well as a traditional, well-balanced business model.

In September 2022, the rating agency Sustainalytics assigned the Bank an ESG Risk Rating of 10.9, 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 reviewed so far.

In 2023, Moody's Investors Service stopped rating the Bank on the basis of publicly available public information, i.e. not solicited by the Bank.

Investor Relations

The Bank follows a transparent information policy to guarantee the highest standards of communication, considering the information needs of capital market participants.

The Bank, as a public company and a supervised institution, provides information according to the principles of corporate governance, in compliance with applicable laws. It grants capital market participants equal access to information on the company's current operations, actions, and financial results, fulfilling its obligation to inform in a way that opens the door to reliable valuations 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/relacje-inwestorskie>.

In 2023, the Bank has made the digital version of its annual report available for the fourth time. The 2022 report is available at: <https://raportroczny.bnpparibas.pl/>.

At the end of July 2023, the Bank had 8 recommendations from financial institutions, of which 7 were "Buy" and 1 "Hold". The median target price from the recommendations was PLN 69.8 and the average target price was PLN 70.7; these were higher than the share price on 30 June 2023 (PLN 60.0) by 16.3% and 17.9% respectively.



The Bank's statutory bodies

General Meeting

Two General Assembly meetings were held in the first half of 2023:

17 January 2023 - Extraordinary General Meeting of the Bank, 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 to the Supervisory Board of BNP Paribas Bank Polska S.A.,
- adopted the assessment of the collective adequacy of the Supervisory Board of BNP Paribas Bank Polska S.A. following the change in the composition of the Supervisory Board,
- adopted the updated Policy for the Assessment of the Suitability of the Members of the Supervisory Board of BNP Paribas Bank Polska S.A.,
- adopted a resolution on amendments to the Bank's Articles of Association; the amendments resulted from the need to adapt the document to the amended provisions of the Act of 29 July 2005 on trading in financial instruments and the Commercial Companies Code, as well as to supplement the Articles of Association with provisions on enabling the Bank to provide intermediation services in the leasing business.

30 June 2023 - Annual General Meeting of the Bank, which in addition to resolutions of a 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 2022,
- resolved on the distribution of profit for 2022 (decided to transfer the Bank's entire net profit of PLN 370.89 million to reserve capital),
- discharged the members of the Management Board and Supervisory Board for the performance of their duties in 2022,
- 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 2022 and the report on the remuneration of the members of the Board of Executives and the Supervisory Board of BNP Paribas Bank Polska S.A. in 2022,
- adopted an assessment of the individual suitability of candidates for membership of the Supervisory Board of BNP Paribas Bank Polska S.A. and appointed new members to the Supervisory Board,
- adopted a resolution amending the resolution on the Remuneration Policy for the members of the Supervisory Board of BNP Paribas Bank Polska S.A. and the Remuneration Policy for the persons with significant influence on the risk profile of BNP Paribas Bank Polska S.A. and the 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 concern the extension of the catalogue of issued capital instruments to include capital bonds, the so-called AT1 instruments, the adjustment of the provisions to the amendments to the Commercial Companies Code and the addition of a provision concerning the obligation to obtain the FSA's consent for the reduction, redemption or repurchase of Common Equity Tier 1 instruments pursuant to Article 77 of the EU Regulation (CRR).

The text of the resolutions adopted by the General Meeting is available on the BNP Paribas Bank Polska S.A. website at: <https://www.bnpparibas.pl/relacje-inwestorskie/walne-zgromadzenie> and <https://www.bnpparibas.pl/relacje-inwestorskie/walne-zgromadzenie/archiwum-walnych-zgromadzen-banku-bnp-paribas>

Supervisory Board

Changes in the composition of the Bank's Supervisory Board in the period 1 January - 30 June 2023:

- On 17 January 2023, the Bank's Extraordinary General Meeting appointed Mr. Grégory Raison as a member of the Supervisory Board with effect from 17 January 2023 until the end of the current five-year joint term of office of the members of the Supervisory Board,

- On 24 March 2023, Mr. Grégory Raison resigned as a member of the Bank's Supervisory Board. The reason for Mr. Grégory Raison's resignation was his candidacy for the position of Vice-President of the Bank's Management Board,
- On 28 February 2023, Mr. Jean-Paul Sabet resigned as a member of the Bank's Supervisory Board as at the date of the Annual General Meeting approving the 2022 financial statements. The reason for Mr. Jean-Paul Sabet's resignation was the end of his professional activity,
- On 30 June 2023, the Bank's Annual General Meeting appointed Ms. Sophie Heller as a member of the Supervisory Board until the end of the current five-year joint term of office of the members of the Supervisory Board,
- On 30 June 2023, the Bank's Annual General Meeting appointed Mr. Jean-Charles Aranda as a member of the Supervisory Board with effect from 1 August 2023 until the end of the current five-year joint term of office of the members of the Supervisory Board.

The competencies and professional experience of the individual members of the Bank's Supervisory Board are presented on the Bank's website <https://www.bnpparibas.pl/o-banku/rada>

**Table 4. Composition of the Supervisory Board as at 30.06.2023 with information on the independence of members**

No.	Name and Surname	Office held in the Supervisory Board	Audit Committee	SUPERVISORY BOARD COMMITTEE		
				Risk Committee	Remuneration Committee	Nominations Committee
1.	Lucyna Stańczak-Wuczyńska	Chairperson Independent member	Member	Member	Member	Member
2.	Jean-Paul Sabet*	Vice-Chairperson			Chairperson	Chairperson
3.	Francois Benaroya	Vice-Chairperson	Member	Chairperson	Member	Member
4.	Jarostaw Bauc	Independent member	Member			
5.	Małgorzata Chruściak	Independent member		Member		
6.	Géraldine Conti	Member			Member	Member
7.	Magdalena Dzięwguć	Independent member				
8.	Sophie Heller**	Member				
9.	Vincent Metz	Member				
10.	Piotr Mietkowski	Member				
11.	Khatleen Pauwels	Member				
12.	Mariusz Warych	Independent member	Chairperson	Member		

* Mr. Jean-Paul Sabet served as a member of the Supervisory Board until 30 June 2023, i.e. until the date of the Annual General Meeting approving the financial statements for 2022.

** Ms. Sophie Heller took office as a member of the Supervisory Board with effect from 30 June 2023.

- 14 July 2023 – The Bank's Supervisory Board has appointed Ms. Géraldine Conti as Chairperson of the Remuneration Committee and as Chairperson of the Nomination Committee
- 24 July 2023 – The Bank's Supervisory Board has appointed Mr. Jean-Charles Aranda as a member of the Audit Committee, effective 1 August 2023



Management Board

Changes in the composition of the Bank's Management Board in the period 1 January - 30 June 2023:

- On 24 March 2023 Mr. Jean-Charles Aranda resigned as Vice-President of the Management Board on 31 July 2023,
- On 9 May 2023 the Supervisory Board appointed Mr. Gregory Raison as Vice President of the Management Board responsible for the Finance Area as of 1 August 2023,
- On 23 June 2023 Mr. Grégory Raison has resigned as a member of the Bank's Management Board. The reason for Mr. Grégory Raison's resignation was the end of his cooperation with the BNP Paribas Group and the assumption of new professional responsibilities.

On 24 July 2023, the Bank's Supervisory Board appointed Mr. Piotr Konieczny as Vice-President of the Management Board responsible for the Finance Area from 1 September 2023.

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/o-banku/wladze-banku>.

Table 5. Composition of the Bank's Management Board as at 30.06.2023, together with the division of the functional responsibilities of the individual members

Name and Surname	Function in the Bank's Management Board	Supervised area
Przemysław Gdański	President	Bank Management Area, Strategy and Agricultural Markets, Human Resources Management Area, Transformation Area, Sustainability Area
Jean-Charles Aranda	Vice-President	Finance Area
André Boulanger	Vice-President	CIB Banking Area
Przemysław Furlepa	Vice-President	Brokerage Office, Retail and Business Banking Area
Wojciech Kembłowski	Vice-President	Risk Area
Kazimierz Łabno	Vice-President	Operations and Business Support area
Magdalena Nowicka	Vice-President	New Technologies and Cyber Security Area
Volodymyr Radin	Vice-President	Personal Finance (PF) Banking Area
Agnieszka Wolska	Vice-President	SME and Corporate Banking Area



Key events in the first half of 2023

Corporate highlights

January 2023

- **11.01 - Extraordinary General Meeting of Shareholders** - adoption of resolutions on:
 - assessment of the collective adequacy of the Bank's Supervisory Board following the change in the composition of the Supervisory Board,
 - approval of the Policy for Assessing the Suitability of Members of the Bank's Supervisory Board,
 - amendments to the Bank's Articles of Association.

March 2023

- **1.03 - Proposal of the Bank's Management Board regarding the distribution of net profit for 2022**- Recommendation of the Bank's Management Board to allocate the entire net profit of the Bank for the financial year 2022 to reserve capital.

The Bank's Supervisory Board gave a positive opinion on the Management Board's proposal, which was submitted to the Bank's Annual General Meeting ("AGM") on 30 June 2023. The AGM passed a resolution to allocate the Bank's entire profit for 2022 of PLN 370,892 thousand to reserve capital.

On 31 March 2023, the Bank received decisions from the Financial Supervision Authority approving the inclusion of the revised net profit for 2022, at stand-alone (PLN 370,892 thousand) and consolidated level (PLN 436,254 thousand), in Tier 1 capital.
- **31.03 - Entry into the National Court Register of the amendments to the Articles of Association of BNP Paribas Bank Polska S.A.** adopted by the Extraordinary General Meeting of the Bank on 17 January 2023 (Resolutions No. 6 and 7).

April 2023

- **5.04. - Issue of series M 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 statement of the National Securities Depository S.A. ("NDS") No. 513/2021 of 31 March 2021 (Bank's current report No. 15/2021), as amended by NDS Statement No. 311/2022 of 31 March 2022 on amendment of the agreement between the NDS and the Bank on registration of Series M Shares in the securities depository maintained by the NDS (Bank's current report No. 11/2022) and Resolution of the Management Board of the Warsaw Stock Exchange S.A. ("WSE") No. 348/2021 dated 31 March 2021 (Bank's current report No. 16/2021), on 5 April 2023, on the basis of the settlement orders referred to in § 6 of the Detailed Rules of Operation of the NDS, 83,796 Series M ordinary bearer shares of the Bank with a nominal value of PLN 1 each ("Series M Shares") were registered with the NDS and admitted to trading by the WSE and Series M Shares were recorded on the securities accounts of the eligible persons.

Series M shares were issued as part of a conditional increase in the Bank's share capital based on Resolution No. 5 of the Bank's Extraordinary General Meeting of 31 January 2020, as amended by Resolution No. 37 of the Bank's Annual General Meeting of 29 June 2020.

Series M Shares were subscribed for in the exercise of the rights under Series A3 registered subscription warrants taken up earlier, each of which was entitled to subscribe for one Series M Share. According to Article 451 § 2, second sentence of the Code of Commercial Companies, the grant of Series M Shares became effective upon their recording in the securities accounts of the eligible persons.

Therefore, according to Article 451 § 2 in conjunction with Article 452 § 1 of the Code of Commercial Partnerships and Companies, rights from a total of 83,796 Series M Shares with a total nominal value of PLN 83,796 were acquired and **the Bank's share capital was increased from PLN 147,593,150 to PLN 147,676,946**, which is divided into 147,676,946 shares with a nominal value of PLN 1.



April 2023

- **18.04** - Validated deletions from the National Court Register of the company Bankowy Fundusz Nieruchomości Actus Sp. z o.o. ending the liquidation process – on 11 April 2023, the company was removed from the KRS register.
- **27.04** - Information on the amount of the annual contribution to the banks' forced restructuring fund for the year 2023 in the amount of PLN 123,909 thousand set by the Bank Guarantee Fund (BFG) for BNP Paribas Bank Polska S.A.

May 2023

- **17.05.** - Entry in the National Court Register of amendments to the Articles of Association of BNP Paribas Bank Polska S.A., i.e. an increase in the Bank's share capital to the amount of PLN 147,676,946 as a result of subscription of series M shares by the eligible persons under the conditions specified in § 29a section 2 item a) of the Bank's Articles of Association.

June 2023

- **20.06.** - Determination by the BFG for BNP Paribas Bank Polska S.A. of the minimum level of own funds and eligible liabilities (MREL).

The MREL requirement for the Bank has been set at an individual level at 16.11% of the Total Risk Exposure Amount (TREA) and 5.91% of the Total Exposure Measure (TEM). This requirement should be achieved by 31 December 2023.

In addition, the BGF has set an interim MREL target which:

 - in relation to TREA is: 12.05% as of the receipt of the BFG letter,
 - in relation to TEM is: 4.46% as of the receipt of the BFG letter.
- **30.06** - **Annual General Meeting of Shareholders** - adoption of a resolution, including on the amendments to the Bank's Articles of Association subsequently registered by the KRS on 14.07.2023.



Awards and distinctions

January 2023

- This is the tenth time that the Bank has won the **Top Employer Poland** certificate, a distinction for an employer who applies the highest standards in human resources management.
- The Bank was recognised in the Organisations and Innovation category in the second edition of the **KREATORZY** ranking created by MamStartup in cooperation with PFR Ventures. The award for the most deserving of the Polish startup scene 2022/2023.
- Badges for the Bank: ESG Industry Top Rated and ESG Regional Top Rated in the list of **Top-Rated ESG Companies** published by Sustainalytics. This means that the Bank's ESG Risk Rating (awarded in September 2022), significantly outperforms companies in the financial industry and the region.

March 2023

- The BNP Paribas Small and Medium-size Companies received the best score in the **Polish Shares Fund category in the Golden Portfolios** - a plebiscite organised by the Parkiet Journal.
- The brokerage account of the Bank's Brokerage Office took first place in the **ranking of brokerage** accounts of the Money.pl website.

March 2023

- The Bank was the winner of the **Institution of the Year** ranking, which is organised by the Moje Bankowanie portal. It won awards in three categories: Best service in a branch, Best service in remote channels and Best account opening process in a branch. Eighteen of the Bank's Customer Centres received individual awards and the title of Best Banking Centre in Poland.
- Distinction in Home&Market magazine's **Medals of Finance** poll. In the Innovation category, the Offer for World-Changing Companies was recognised.
- Award in the **Ethical Company** competition organised by Puls Biznesu, in the large company category. In their justification, the organisers recognised the bank's sustainability and social commitment, as well as its strategic partnership with the Szlachetna Paczka and the highest compliance standards.
- The Bank was among the winners of the **CSR Poland Awards 2023** competition in the Community Affairs category for the project of the educational campaign "Pocket Mission", concerning financial education in primary schools combined with a social campaign addressed to parents.
- On 30 March, the **WealthBriefing European Awards** were presented in London for the eleventh time. At this year's edition, BNP Paribas Wealth Management is the winner of the Wealth Management Business category in Central and Eastern Europe.

April 2023

- On 4 April, the editorial offices of "Parkiet" and "Rzeczpospolita" newspapers selected the **best macroeconomic teams**. The Bank's team of economic analysts took the 3rd place in the overall ranking. Their forecasts were also appreciated in the category of the best forecasts of NBP reference rates (2nd place) and the best forecasts of the registered unemployment rate (5th place).
- The **Visa Platinum Bank** credit card took the **first place in the ranking of the best credit cards** of the Money.pl website. The editors particularly appreciated the lack of annual fee for the first year of use, free foreign travel insurance and the Dragon Pass program.
- The Bank was among the distinguished organizations in the ranking of companies friendly to parental equality, **Dad-Friendly Company on the Job**. The Bank was awarded for its internal communication and its commitment to breaking stereotypes and prejudices against the roles of both parents. The ranking is a joint initiative of UNGC Network Poland, Share the Care Foundation and "Forbes Women".
- On 17 April, the premiere of the twenty-first Report "**Responsible Business in Poland. Good Practices**" prepared by the Responsible Business Forum - 10 initiatives of the Bank and the BNP Paribas Foundation were distinguished in this year's publication.
- Forbes magazine awarded **Przemek Gdański**, President of the Bank's Management Board, third place in the **Bank of the Year ranking** and placed the offer FOR COMPANIES CHANGING THE WORLD, i. e. a financing offer addressed to start-ups and scale-ups (all-in-one offer) in ninth place in the Bank Innovations of the Year ranking.



May 2023

- The Bank was among the winners of the **Trophées 2023 CCI France International** competition in the category of Socially Responsible Enterprise. In the justification, the organizers emphasized the role of the GO beyond 2022-2025 strategy in the development of the company and its organic growth while maintaining a responsible approach to risk management.
- The Mastercard World Elite credit card, issued to BNP Paribas Wealth Management customers, was ranked first in Forbes magazine's **black credit card ranking**.
- The Bank's social media, for the second year in a row, were recognised in the **Golden Banker 2023** ranking organised by bankier.pl and the editorial staff of Puls Biznesu, taking second place in the ranking.
- The "My Company Polska" monthly awarded the Bank the title of **Trustworthy Brand**. The editors appreciated the Bank's efforts to create an open and safe environment for LGBT+ people in the category "All colors of the rainbow". The Bank was also included in the list of leaders among the most advanced employers in the field of diversity and inclusiveness management in Poland - **Diversity IN Check 2023**.

June 2023

- The Bank has received three awards in the "**Star of Banking**" competition organised by PwC and Dziennik Gazeta Prawna. The Bank won the ESG category and took second place in the Growth category. **Przemek Gdański**, President of the Bank's Management Board, was honored with the title of **Banker with Empathy** – a title awarded by the Czepczyński Family Foundation for supporting children's economic education.
- BNP Paribas Wealth Management Polska, for the third time in a row, won the title of "Best Private Bank in Poland" in the international competition **Global Private Banking Innovation Awards 2023**. The awards are granted by The Global Private Banker and The Digital Banker based on quantitative, qualitative criteria and opinions of industry experts.
- The Bank was awarded the **Golden and Green CSR Leaf of POLITICS** - the highest award in the list published by the editors of Tygodnik Polityka. The CSR Golden Leaves are awarded to companies that are distinguished by the best ESG practices and transparent reporting of sustainable development. Green Leafs are awarded to transformation leaders who measure their carbon footprint and set climate neutrality goals.
- The Bank was nominated in the Gender category in the **Polish Diversity Awards 2023** competition organized by the My Company Poland monthly.

June 2023

- The Polish Association of Capital Investors (PACI) awarded the Bank in the "**Financing Bank of the Year**" category.
- The Bank took third place in the "Leaders of popularity among bank customers" in the **XXVIII Ranking of Banks "Financial Monthly BANK"** and second place in the Best Commercial Bank category in the Best Bank 2023 competition organized by Gazeta Bankowa.
- For the second year in a row, the Bank scored the maximum number of points in the **Cashless for equality** ranking, a ranking of financial institutions caring for professional and social equality of LGBT+ people.
- The Bank became the leader in the general classification and the leader in its sector in the **XVII edition of the Ranking of Responsible Companies**. The Bank was also the only participant in the ranking to achieve a perfect result and score 100 percent of the points. The list is prepared by the Koźmiński Business Hub, operating as part of the Koźmiński University.



The Bank in its environment

Macroeconomic situation

19

Banking sector performance

21

Stock market and investment climate

24



Mateusz Lewandowicz, Cash Management Corporate Client Advisor

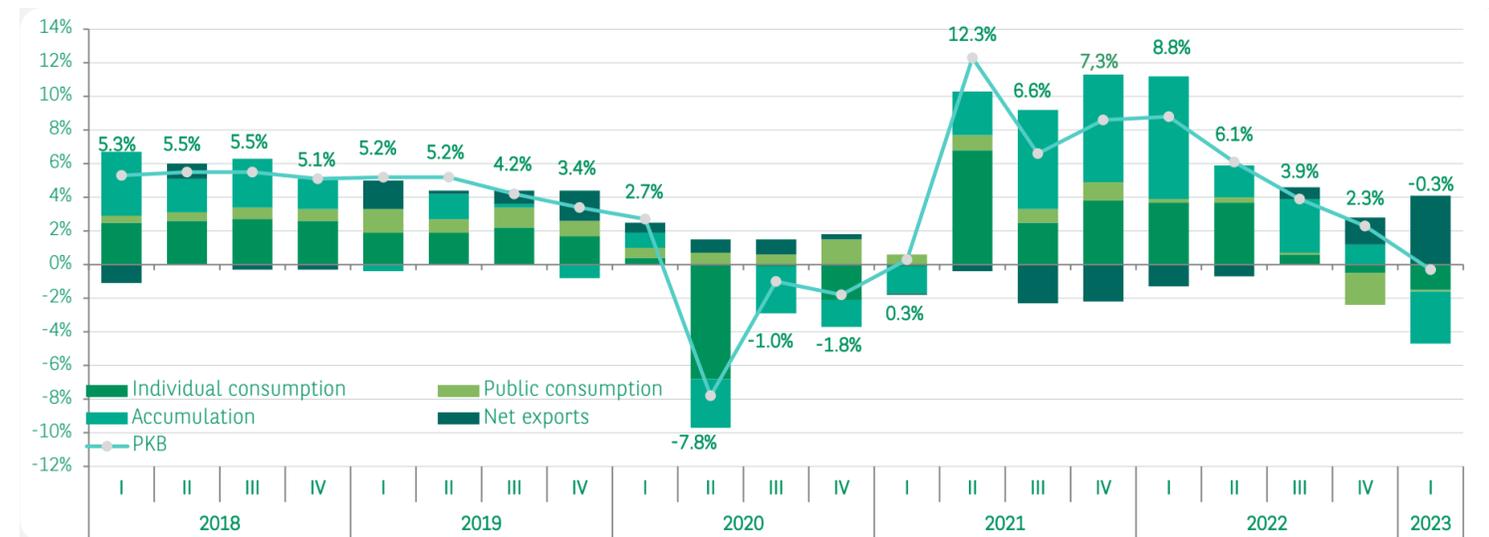


Macroeconomic situation

GDP

In the first quarter of 2023, Poland's GDP fell in seasonally unadjusted terms by 0.3% y/y. The main reason was the weakness of domestic demand, which shrank by around 5%. To a large extent, this was a consequence of inventory reduction - gross capital formation decreased by over 18% y/y, although capital expenditures themselves continued to grow at a very decent pace, exceeding 5% y/y. The decrease in inventories is also visible on the credit market, as the volume of working capital loans in the segment of non-financial enterprises has been decreasing since the end of last year. The decline in domestic demand at the beginning of this year was also influenced by the decline in household consumer spending, which fell by 1% y/y, and it was also accompanied by a fall in government spending of around 0.5% on an annual basis. The main factor lowering private consumption was the fall in real income, resulting from very high inflation at the beginning of the year. Changes in the trade balance in terms of volume had a positive impact on GDP. Exports of goods and services increased by about 3%, and imports decreased by about 5%. Available data point to annual real GDP growth remaining slightly below zero in the second quarter of this year. A weak start to the year and only a slight improvement in leading indicators support our forecast of average annual GDP growth of only 0.5% in 2023.

Chart 4. GDP growth



Business activity

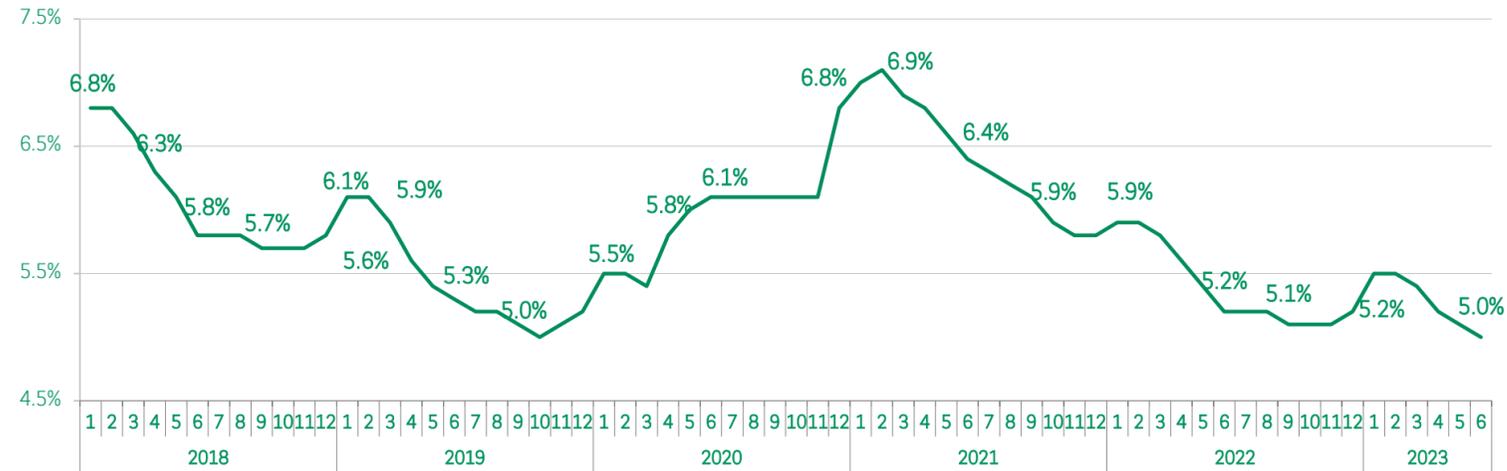
In the second quarter of 2023, economic activity in Poland remained weak. Industrial production decreased by 3.4% y/y and retail sales in real terms fell by 6.6%. Only construction and assembly production were higher than in the corresponding period of 2022, although only by 0.6%. In the coming months, consumption should be supported by falling inflation and a renewed increase in real wages and household income. Despite the economic slowdown, the situation in the labour market remains very good, which allows for a faster recovery of consumer demand. The registered unemployment rate fell in June this year to 5.0%, i.e. the lowest level since October 2019. Leading economic indicators suggest that the service industries should experience a faster recovery, and the demand for consumer goods - especially durable goods - will remain weak. Only in a slightly longer perspective, lower costs of raw materials and materials, interest rate cuts, and improving foreign demand will start to support manufacturing industries more strongly.

Inflation

CPI inflation reached its peak in Poland at 18.4% y/y in February this year. The following months brought a rapid drop in the inflation rate to 11.5% y/y in June, mainly due to cheaper raw materials and consumables. Producer price inflation fell to 0.5% y/y in June from over 25% y/y in the middle of last year. However, while global supply factors support disinflation in Poland, domestic factors, such as a two-digit increase in nominal wages and a soft fiscal policy, inhibit a more significant reduction in the growth rate of consumer prices. Core inflation, excluding food, energy and fuel prices, remains high, slightly above 11% y/y in June this year. In the following months, CPI inflation will continue to decline, due to cheaper raw materials and materials and the strengthening of the zloty, which has gained over 15% against the dollar and around 7% against the euro since October last year. However, the fading of base effects and the improvement in demand may significantly slow down the pace of disinflation from the second quarter of next year.



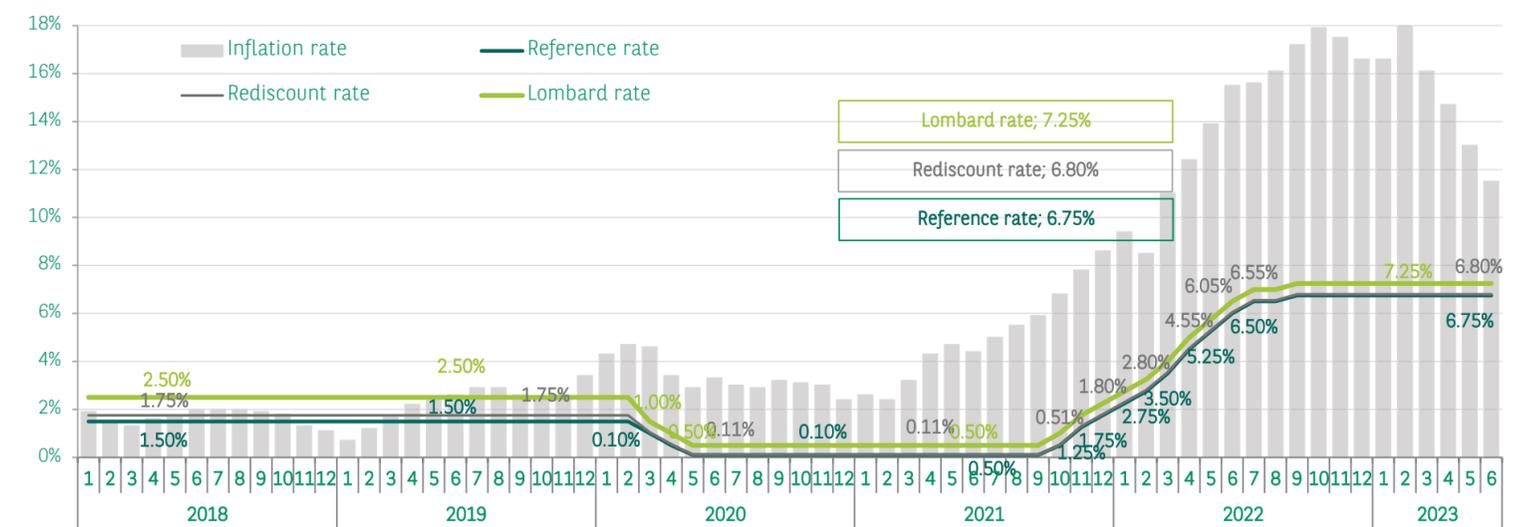
Chart 5. Registered unemployment rate



Monetary policy

Since October 2022, the Monetary Policy Council has kept the NBP reference rate unchanged at 6.75%. At its July meeting, however, the Monetary Policy Council formally ended the monetary policy tightening cycle. Statements by the NBP President suggest that the Council may start cutting interest rates later this year, provided that inflation falls to single-digit levels and its forecasts remain on a downward trajectory. We expect such conditions to materialize in August, enabling interest rate cuts of 25 bps each in September and October this year. As a result, we expect the NBP reference rate to fall from the current 6.75% to 6.25% by the end of 2023. We expect the monetary easing cycle to continue next year and cuts of a further 125 bps.

Chart 6. Inflation and interest rate



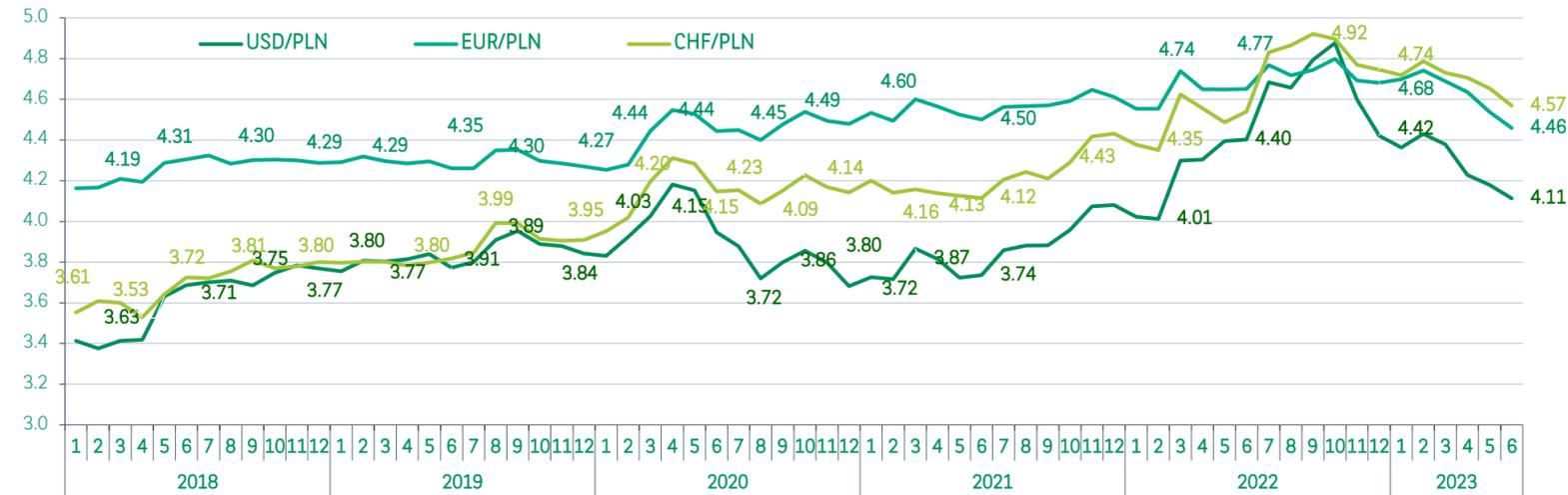
Bond market

In the second quarter, yields on Polish government bonds continued to fall. Yields on 2-year papers fell to 5.85% in June from 6.10% at the end of March and yields on 10-year papers fell to 5.75% from over 6%. Since the end of the third quarter of last year, yields have fallen by a total of almost 160 bps for 2-year bonds and by around 135 bps for 10-year bonds. The decline in inflation and the prospects for further reductions in the coming months are supporting the domestic treasury securities market. Despite the country's softer fiscal policy, the risk premium (as measured by the yield differential between 10-year Polish and German bonds) has fallen from over 500 bps to around 335 bps since the end of September last year. The reduction in bond yields in the domestic market was supported by foreign capital inflows, exceeding EUR 8.4 billion in the period February-May 2023. This inflow was an additional factor - in addition to the improvement in the trade and current account balances - supporting the appreciation of the PLN and the decline in the EUR/PLN exchange rate to 4.45 and the USD/PLN exchange rate to around 4.00.



Currency market

Chart 7. PLN exchange (monthly average)



In the second quarter of 2023, a significant appreciation of the zloty began. The EUR/PLN rate fell from 4.70 in February to below 4.50. Strengthening of the domestic currency is caused mainly by fundamental factors. Thanks to a significant reduction in commodity prices, Poland's current account balance improved significantly, and in the period January-May the surplus exceeded EUR 7 billion (in 2022 the current account deficit reached almost EUR 20 billion). Despite the stronger exchange rate of the domestic currency, it remains consistent with the profitability of exports, so the strong zloty should not have negative implications for economic growth.

Banking sector performance

Basic categories of the income statement of the banking sector

In the first five months of 2023, the net result of the banking sector in Poland, according to preliminary data of the Polish Financial Supervision Authority (UKNF), amounted to PLN 17.0 billion and was almost 1/3 higher than the result achieved in the same period last year (increased by PLN 4.1 billion, i.e. by 32%). The increase in net profit was mainly due to a significant increase in net interest income supported by an increase in other income. The financial result was adversely affected by higher operating costs, a decrease in other revenues, and an increase in net impairment and provisions. Net commission income and dividend income remained at a level similar to last year's.

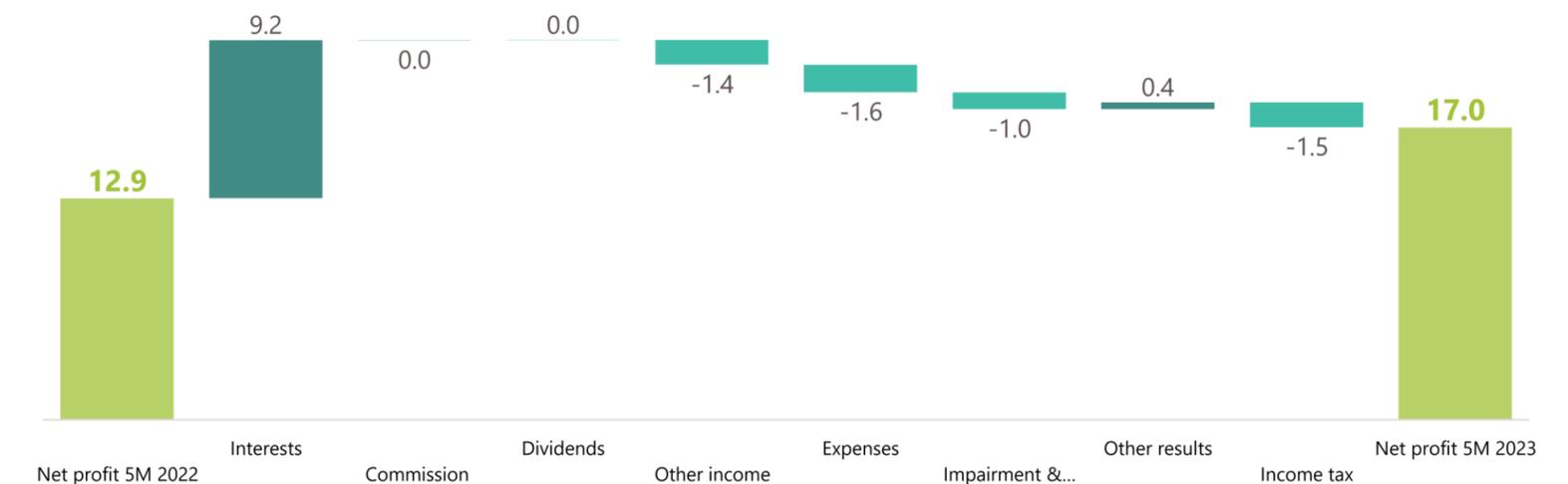
Net interest income amounted to PLN 39.4 billion and increased by PLN 9.2 billion, i.e. 30.6% y/y, mainly as a result of interest rate increases (started in October 2021 and ended in September 2022, resulting in an increase in the NBP reference rate from 0.10% up to 6.75%).

The increase in the operating costs of banks (including depreciation and bank tax) by PLN 1.6 billion, i.e. 8.2% y/y, was caused by higher staff costs, which were driven by wage pressure and high inflation, and occurred despite lower contributions paid to the BFG. In 2023, the contribution to the Guarantee Fund was suspended, while in 2022 the eight largest commercial banks paid this contribution only in the first quarter, because from June 2022 they were charged with contributions to the Commercial Bank Protection System. The contribution to the Resolution Fund in 2023 amounted to PLN 1.5 billion compared to PLN 1.7 billion paid in 2022.

Other revenues decreased by PLN 1.4 billion y/y due to growing provisions for legal risks related to the foreign exchange residential loan portfolio as a result of a growing number of lawsuits and the continuation of case law unfavourable to lenders.

The charge to the result due to impairment charges and provisions was higher by PLN 1.0 billion, i.e. 27.6% y/y, mainly as a result of an increase in provisions by PLN 0.9 billion due to the aforementioned risk of the FX housing loan portfolio. Impairment provisions increased by PLN 0.1 billion, i.e. by 3.1%, among others as a consequence of the increase in the volume of impaired receivables of individual entrepreneurs and consumer loans, observed in 2023.

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

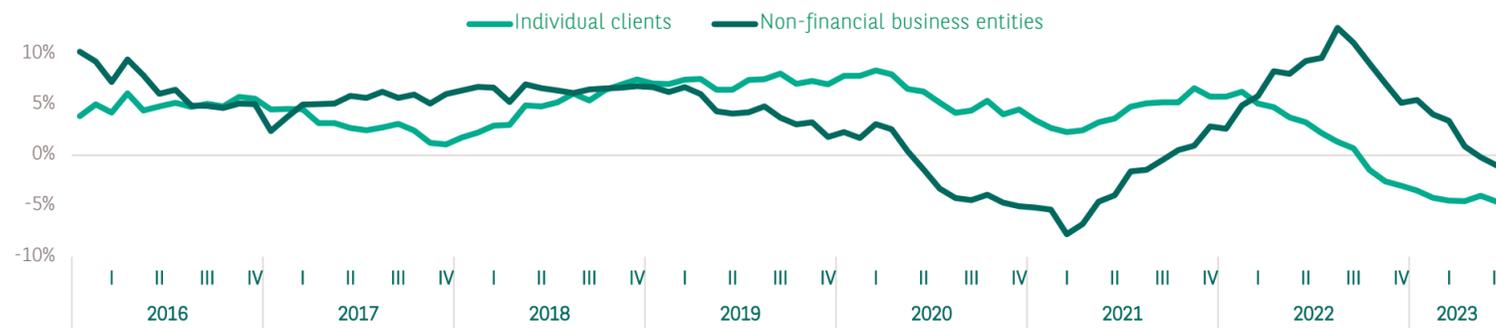




Basic categories of the balance sheet of the banking sector

The level of loans to non-bank customers at the end of the first half of 2023 amounted to PLN 1.407 billion and decreased by PLN 15.2 billion, i.e., 1.1% y/y, compared to an increase of 2.4%, i.e. PLN 33.1 billion y/y at the end of 2022. To decrease loans was driven by a decrease in housing loans, which at the end of the first half of 2023 fell by 6.1% y/y, i.e. PLN 31 billion (compared to a decrease by 3.0% y/y, i.e. PLN 15 billion in 2022). Loans to non-financial business entities decreased by 1.0%, i.e. PLN 5.0 billion y/y, mainly due to a decrease in loans to individual entrepreneurs by 7.1% y/y, i.e. PLN -4.9 billion.

Chart 9. Loans for Customers from the non-financial sector (dynamic y/y)

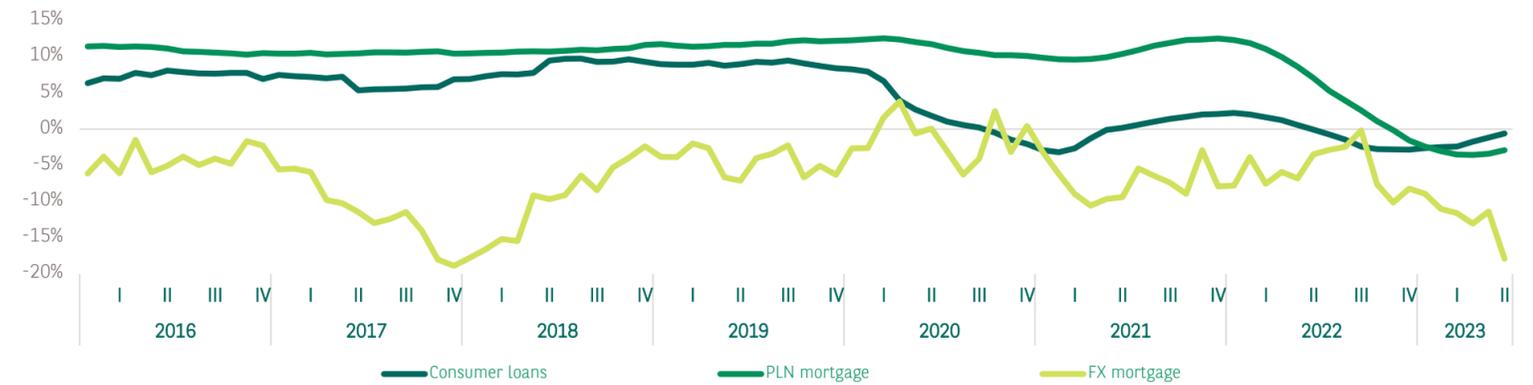


Source: NBP

Loans to non-financial business entities at the end of the first half of 2023 decreased by 1.0% y/y compared to an increase of 5.2% at the end of 2022, mainly as a result of the aforementioned decrease in loans to individual entrepreneurs (-7.1% y/y, i.e. -4.9 billion PLN) and a decrease, less significant in terms of volume, of farmers' loans (-9.9% y/y, i.e. -PLN 3.1 billion). Corporate loans recorded an increase of 0.8% y/y, i.e. PLN 3.1 billion (against an increase of 9.7% y/y, i.e. PLN 35.2 billion at the end of 2022).

The increase in corporate loans resulted mainly from an increase in investment loans (2.5% y/y vs 7.5% y/y at the end of 2022). Overdraft loans recorded a slight increase of 0.1% y/y against a strong increase in 2022 (13.3% y/y). This was due to: a reduction in inventories and a good liquidity situation of enterprises, which translated into the repayment of these loans. The high cost of credit and uncertainty about the future economic situation had a negative impact on investment loans for entrepreneurs and individual farmers. At the end of the first half of 2023, they recorded an annual decrease of 22.6% (-22.8% at the end of 2022) and 13.2% (-11.8% at the end of 2022).

Chart 10. Loans for Individual Customers (dynamic y/y)



Source: NBP

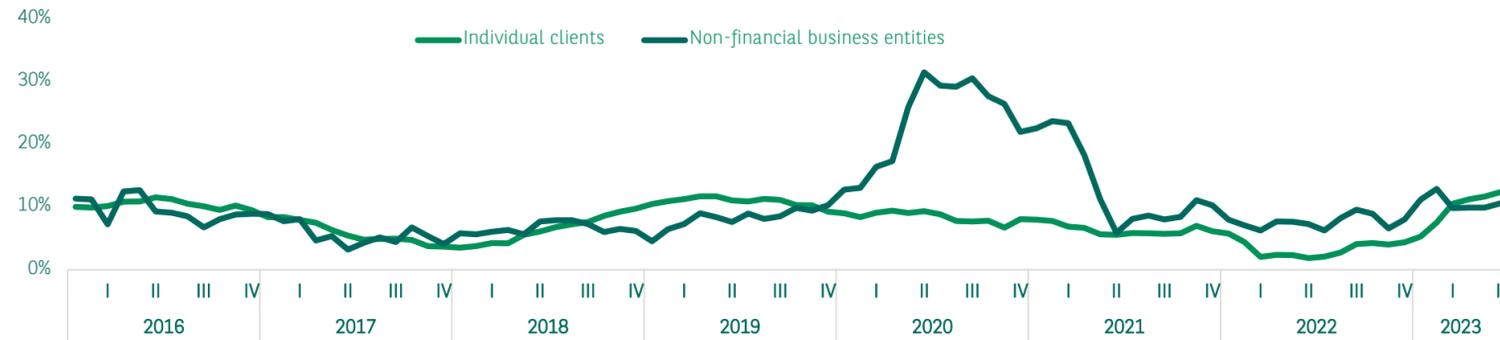
The volume of loans to retail customers decreased by 4.6% y/y against a decline of 3.0% at the end of 2022, which was determined by the decrease in foreign exchange residential loans by PLN 19.3 billion, i. e. 17.9% y/y (compared to a decrease of PLN 9.1 billion or 8.2% at the end of 2022). The decline in foreign currency residential loans occurred as a result of the appreciation of the zloty against the CHF (against depreciation in 2022), as well as an increase in the scale of voluntary conversions concluded by banks with borrowers holding mortgages in foreign currency. The decrease in loans to individuals was also driven by a decrease in PLN housing loans by -2.9% y/y, i.e. PLN -11.8 billion (against a decrease by 1.6% y/y, i.e. PLN -6.3 billion in 2022) and a decrease in consumer loans by 0.6% y/y, i.e. PLN -1.2 billion (decrease by 2.8% y/y, i.e. PLN 5.7 billion in 2022).

The growth rate of PLN housing loans slowed down: because of the persistently low demand for loans caused by the increase in interest rates, as well as the government program announced in the first half of 2023 to support the purchase of the first apartment, which may have contributed to the postponement of the decision to buy an apartment by some Borrowers (the program has been launched since July 2023). The decline in the value of the housing loan portfolio was also driven by loan overpayments, mainly due to high interest rates. On the other hand, banks' lending policy was eased as a result of the liberalization of supervisory requirements - in February 2023, the KNF Office lowered the creditworthiness buffer for fixed-rate housing loans from 5% to 2.5%. For loans with variable interest rates, the 5% buffer was abolished, leaving it to the banks. The first announcements of interest rate cuts also had a positive impact on the PLN housing loan market.

The decline in consumer loans was a consequence of the persistently high interest rate as a result of the increase in interest rates, however, the dynamics of their decline was lower than in 2022 (-0.6% vs -2.8%). According to the NBP, this could have been caused by: lower use of alternative sources of financing and an increase in monthly wages in the enterprise sector.



Chart 11. Deposits for customers of the non-financial sector (dynamic y/y)



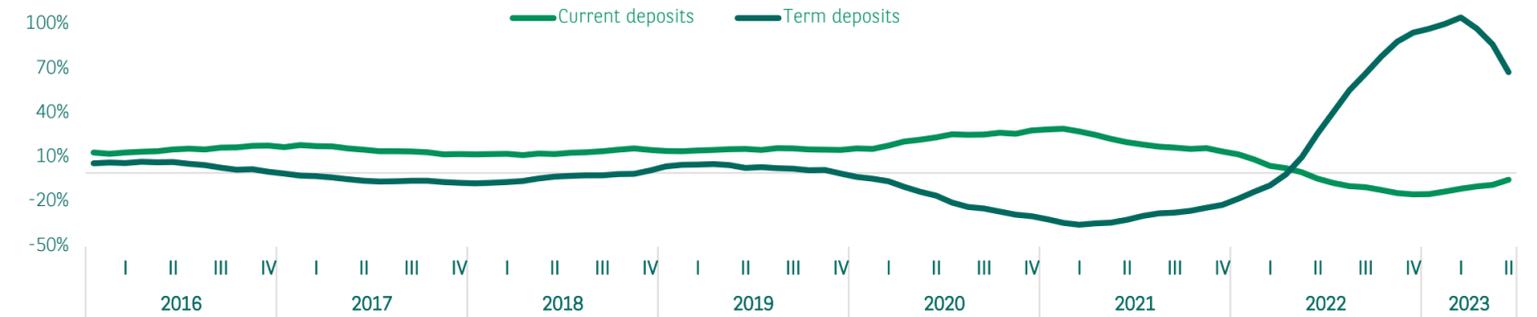
Source: NBP

At the end of the first half of 2023 deposits of non-bank customers increased by 8.1% y/y, compared to an increase of 5.7% at the end of 2022. The growth rate of deposits of individuals accelerated (to 12.4% y/y compared to 4.4% y/y at the end of 2022) as well as non-financial deposits of business entities (up to 10.6% y/y vs 8.0% y/y at the end of 2022).

Persistently high-interest rates had an impact on the increase in interest rates on deposits and continued growth in term deposits of individuals (68.2% y/y vs 95.1% y/y at the end of 2022) with a decrease in current deposits by 4.6% (-14.5% y/y in 2022). The lower dynamics of personal term deposits than in 2022 may be due to the greater demand for investing funds in alternative forms of saving. In the first half of 2023, the balance of payments and redemptions of investment funds (excluding PPK funds) amounted to PLN +6.2 billion compared to PLN -21.8 billion in the first half of 2022. On the other hand, the average monthly sale of treasury bonds to individual clients in the first half of 2023 was lower than in 2022 - amounted to PLN 3.0 billion against PLN 4.8 billion.

The acceleration of the growth rate of non-financial deposits of business entities was caused by: good liquidity situation of enterprises and the accumulation of funds due to uncertainty regarding investments. Current deposits of non-financial business entities fell slower than in 2022 (-1.5% y/y vs -4.9% y/y). The growth dynamics of term deposits slowed down to 58.0% y/y compared to an increase of 84.8% y/y in 2022. In terms of entities, the increase in corporate deposits contributed to the acceleration of growth (13.4% y/y compared to 11.6% y/y at the end of 2022), supported by growth deposits of individual farmers (17.6% y/y vs 6.8% in 2022).

Chart 12. Deposits for individual clients (dynamic y/y)



Source: NBP



Stock market and investment climate

In the first half of 2023, the WIG stock index, representing all listed companies on the Warsaw Stock Exchange (WSE), it was on an upward trend, recording its highest level since September 2022. The first three months of 2023 are a period of increased volatility, which translated into a double-digit adjustment of quotations in March. The period from April to June is a clear upward trend, which translated into the local maximum of around 68,000 points. Finally, the WIG index ended the first half of 2023 with a rate of return of 17.1% compared to the levels from the end of 2022. The first six months of 2023 brought different rates of return among company segments, although not on such a scale as in previous periods. In the period from 31 December 2022 to 30 June 2023, all major GPW indices showed positive rates of return exceeding 15.0%. The segment of the smallest companies sWIG80 performed relatively best, whose index also recorded an increase, but exceeding 24.0%.

The indices of the Warsaw Stock Exchange matched the behaviour of foreign stock markets. For example, the American S&P500 index recorded a positive return rate of 15.9% in the first six months of 2023, the French CAC40 gained 14.3%, while the German DAX increased by 15.9%.

Table 6. The value of the main indices on the Warsaw Stock Exchange

Index	30.06.2023	31.12.2022	30.06.2022	change in H1 2023	change y/y
WIG	67,283	57,463	53,573	17.1%	25.6%
WIG20	2,060	1,792	1,696	15.0%	21.5%
mWIG40	4,852	4,154	4,069	16.8%	19.2%
sWIG80	21,701	17,496	17,284	24.0%	25.6%

Source: Bloomberg

The image of H1 2023 on the Warsaw Stock Exchange was influenced by, among others, the following factors: (i) persistent geopolitical risk in the region in the context of continued hostilities in Ukraine, (ii) significant deterioration of macroeconomic data, including in particular leading PMI indices, which translated into revisions of economic growth; (iii) expectations as to the end of the cycle of interest rate increases by the Fed and the ECB in the face of falling inflation dynamics in the world; (iv) growing market expectations regarding the start of the cycle of interest rate cuts by the Monetary Policy Council already this year, (v) the inflow of capital to the debt market, along with the improvement in the results of funds investing in this area; (vi) expansive fiscal policy pursued in the country supported by the government's pre-election initiatives (including credit holidays, plans for the so-called windfall tax, announced increase in the minimum

wage, programs supporting the purchase of real estate, announced revaluation of the 500+ program); (vii) the perception of Poland and the Warsaw Stock Exchange on global markets, which was supported by relatively low valuations of domestic companies and expectations for the end of the war in Ukraine; (viii) volatility of PLN quotations.

The first half of 2023 brought a downward trend in the yield of Polish government bonds. Finally, yields of 10-year Polish government bonds were around 5.8% at the end of the period, while at the beginning of January it was around 6.9%. It is worth noting that the fluctuations in profitability were significant, which clearly illustrates the range of changes - already in January the above-mentioned profitability was below 5.8%, and in February it again exceeded 6.7%. This was part of global trends and was a consequence of growing disinflationary factors and expectations about the end of the cycle of tightening monetary policy by the largest central banks. Throughout the first half of 2023, the Monetary Policy Council maintained its hawkish rhetoric by keeping interest rates unchanged. At the end of the reporting period, the reference rate was 6.75%.

Table 7. Number of companies, capitalization and turnover on the WSE

	30.06.2023	31.12.2022	30.06.2022	change in H1 2023	change y/y
Number of companies	415	416	421	(0.2%)	(1.4%)
Capitalization of domestic companies (PLN million)	663,771	574,669	554,544	15.5%	19.7%
Value of trading in shares (PLN million)	140,894	123,273*	165,838	10.7%	(15.0%)
Futures trading volume (thousand units)	7,366	7,969*	7,311	(7.6%)	0.7%

Source: WSE, * data for the second half of 2022

In H1 2023, 7 new companies appeared on the main market of the WSE, all of them as a result of the transfer of quotations from the NewConnect market, and 8 entities left the trading floor. In the first 6 months of 2023, 6 issuers debuted on the NewConnect organized market, while 25 entities were delisted. On the Catalyst bond market, a total of 592 series of bonds were listed, and the value of the issue exceeded PLN 1,211 billion.



Strategy and perspectives

Business strategy GObeyond 2022-2025

26

ESG Management

27

Outlook 2023+

28



Marzena Czarny, Team Manager



Business strategy GOeyond 2022-2025

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

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

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

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

The GOeyond strategy is based on 4 pillars:

PILLAR UP

The GOeyond strategy is a growth strategy. Our goal is to increase the number of clients served, strengthen our market position and grow revenues.

Retail Banking and Personal Finance

Achieving high customer satisfaction, thanks to which the Bank will record an increase in the number of active customers (by 0.5 million to 4.5 million). This will be possible thanks to innovative products (including those going beyond banking), personalised communication and broad access to the Bank's products via remote channels.

SME, Corporate and CIB Banking

Aiming to strengthen its position among international clients and large local corporations, (including supporting their international expansion). The Bank wants to increase its active customer base, serviced using digital solutions. A key objective is to deeply optimise and shorten the credit process.

PILLAR POSITIVE

The Bank wants to be a leader in sustainable finance by developing a range of dedicated products and services for all business lines. It will consistently strive for its own climate neutrality and support its customers in doing so. Responsibility, accessibility, transparency and ethics will dominate the relationship with customers. Activities for the benefit of local communities and involvement in education and public debate, will support the building of the Bank's brand.

PILLAR STRONGER

Improving internal processes, transforming the IT area using state-of-the-art technologies and accelerating the rate of implementation of new solutions. The planned investments in this area will reach a total of PLN 1.5 billion. The aim is rapid and cost-effective scalability as the basis for a modern digital bank. Supporting business development through advanced analytical tools. Maintain a secure and optimal capital and liquidity position. To commence dividend payments during the current strategy.

PILLAR TOGETHER

A committed and satisfied workforce guarantees a high level of customer satisfaction. A new organisational culture that supports employee development, proactivity and creativity, and encourages bold decisions. Starting to operate under the Agile@Scale working model from 2022. Ensuring work-life balance and nurturing employees' mental health. Supporting the development of women and promoting diversity.

Implementation of the strategy in H1 2023

In the first half of 2023, The Bank operated in a very dynamic environment. The high level of interest rates allowed the sector to generate high profits (PLN 17 billion after five months of the year according to the FSA). This made it possible to rebuild the equity deficit with which the sector had been struggling for two years. These results, however, do not take into account the effects of the June CJEU judgment on remuneration for the use of capital, concerning loans in Swiss francs. Its effect will be a further increase in lawsuits and thus in provisions made by banks. In addition, the possibility of an extension of credit holidays is signalled, although probably in a more limited form than before. The latest macroeconomic forecasts also signal the imminent start of a monetary easing cycle, which will depress revenues in the sector. These conditions translate into an atypical situation where, despite good current results, banks need to act with heightened caution, preparing for the materialisation of future risks.

Responding to external factors, the Bank is developing in a more targeted manner. In an effort to use its capital base as efficiently as possible, the Bank has decided to reduce the sale of mortgage products. The mortgage offer is now primarily targeted at existing customers, while the Bank offers new customers a so-called "Green Mortgage" to finance energy-efficient properties. Furthermore, while remaining a fully universal bank, the Bank has decided to moderately profile its business towards the most desirable segments. Among Individual Customers, more emphasis will be placed on strengthening relationships with affluent customers and private banking. To strengthen its offering to these segments, the Bank has introduced the GOinvest investment advisory service. On the corporate side, these are primarily multinationals,



large local companies and agricultural product processors. Customers in these segments are characterised by higher-than-average profitability and reliability, which is particularly important in the current market environment.

In line with the existing strategy, the Bank continued to develop positive banking. Further SLL (sustainability-linked loans) financing deals were concluded, paving the way in the food and paint and coatings industries. Further segment- and industry-specific carbon footprint measurement tools are also being implemented. Of particular note is the piloting of the Envirly tool, which will help companies meet the reporting requirements of the CSRD that will come into force from 2024. The Bank's activities and its leading position in this area have been recognised through a number of awards and distinctions.

In the first half of the year, clear progress was made in the Bank's technological modernisation. For micro-entrepreneurs, the online and mobile banking systems were unified and BLIK payments were implemented. Agricultural businesses can already use an electronic credit application, and the Bank offers a payment gateway solution to e-commerce customers. The modernisation of internal systems is also underway. A new CRM system for retail customers has been implemented, and the Bank uses artificial intelligence to determine the level of margins on foreign exchange. As part of process efficiency improvements, the Bank's operations are already supported by more than 200 robots.

The Bank's focus on employee satisfaction, which is essential for offering high quality products and service levels to the customer, is also having an effect. The Bank, through a number of internal programmes, cares about employee well-being. It supports employee network activities, work-life balance. It focuses on diversity, adapting to the needs of people with disabilities or neuroatypical people. At the same time, the Bank creates opportunities for development, especially in areas with the highest potential such as IT, through internal courses that allow people to change career paths within the Bank. This has translated into a leap in satisfaction, as measured by the eNPS indicator, which has risen from -9 points (2021) to a value of 19 points, against a 20-point strategic target set only for 2025.

Realization of strategic financial objectives in H1 2023

Ratio	Strategic objective 2025	Actuals 30.06.2023
Return on equity (ROE)	~12%	16.0%
Cost/income ratio (C/I)	max 48%	42.5%
Share of sustainable financing	10%	9.3%

ESG Management

Oversight of environmental, social and governance - ESG (E - environmental, S - social, G - governance) issues, including the implementation of the CSR and sustainability strategic objectives, is carried out by the Management Board headed by the CEO. The Management Board approves the direction and scope of activities, as well as giving its opinion and overseeing the integration of sustainability activities. As part of its oversight and management of ESG issues, the Board

takes into account the voices and opinions of stakeholders resulting from reports received, customer and employee surveys and information from ongoing partnerships with NGOs. Reports and research are presented, among others, at Board meetings. The members of the Management Board are committed to the annual ESG targets. Particular attention is paid to targets related to the development of sustainable product offerings. Ambitions for their sales are embedded in the objectives of the entire senior management team and, in the case of individual business lines, cascaded down to the sales teams in turn.

Our Bank's sustainability tasks are carried out by the Sustainability Area, which acts as the coordinator of ESG activities in the organisation. The Executive Director of the Area, reports directly to the CEO. In addition, he also heads the informal structure of the Sustainability Community, acting as Chief Sustainability Officer.

The tasks of the Sustainability Area are:

- coordination of strategic ESG, CSR and sustainable development activities,
- planning and managing the Bank's budget for ESG, CSR and sustainability initiatives,
- initiating sustainable products and services with a positive impact, with a particular focus on supporting the energy transition (including RES),
- cooperation with financial institutions and organisations, rating agencies, clients and other external stakeholders,
- cooperation with other units and organisational units as well as internal stakeholders of the Bank,
- monitoring ESG risks of the Bank's clients and transactions and coordinating corporate social responsibility policies and analyses, particularly in sustainability-sensitive sectors,
- initiating, implementing and reporting on sustainability initiatives, projects and programmes,
- building the Bank's position as a leader in sustainable development, including sustainable finance.

Our Bank's sustainability efforts are supported by the Sustainability Community, an informal structure made up of:

- The Sustainability Council is made up of 22 representatives of the Bank's key areas and business lines. The Sustainability Council is headed by the Chief Sustainability Officer, the Executive Director of the Sustainability Area,
- Sustainability Officers, more than 200 people selected through an internal recruitment process who, in addition to their day-to-day duties, have taken on the role of supporting the implementation of ESG initiatives within the organisation,
- units of the Sustainable Development Area.

The task of the interdisciplinary and cross-cutting community is to combine different competencies and undertakings alongside the structures already in place.



Outlook 2023+

The most important external factors that, in the Bank's opinion, may affect the Group's performance in future periods are as follows:

- **War in Ukraine.** The war in Ukraine remains a significant factor that will affect the economic situation in Poland and globally. The military action in Ukraine had the strongest impact on commodity prices on world markets, which were at high levels 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. At present, we are seeing a fall in prices on world markets, which is having a positive effect on the Polish economy. However, the ongoing war is causing a persistent risk of renewed increases in raw material prices.
- **Global economic slowdown.** According to the International Monetary Fund (hereinafter: IMF), global economic growth is increasingly slowing down. The IMF estimates that GDP growth will slow to 2.8% in 2023 from 3.4% in 2022. The slowdown will mainly affect developed economies. The IMF forecasts a decline from 2.7% in 2022 to 1.3% in 2023. In the wake of shrinking economic activity, CPI inflation should also slow down. The IMF expects inflation to slow to 7.0% this year from a peak of 8.7% in 2022. In the euro area, detailed forecasts predict that GDP growth will slow to 0.8% in 2023 and accelerate to 1.4% the following year. In contrast, the European Commission in its spring forecast expects growth in the euro area to be 1.1% in 2023 and 1.6% in 2024. The decline in activity in Western European countries will also affect economic growth in Poland. The International Monetary Fund has lowered its outlook for GDP growth in Poland to 0.3% in 2023 and to 2.4% in 2024, compared to 0.5% and 3.1% assumed in its October report. The European Commission has similar forecasts for economic growth in Poland. In its spring forecast, it expects GDP growth in Poland of 0.7% in 2023 and 2.7% in 2024.
- **Monetary policy conducted by major central banks.** Apart from the geopolitical situation, the main factor influencing the pace of the global recovery is central bank policy. Since the beginning of the year, the Federal Open Market Committee (FOMC) has raised the federal funds rate three times to between 5.00 and 5.25%. At its meeting on 14 June 2023, it decided to leave rates unchanged, even so the meeting was quite hawkish in tone. Markets expect 1-2 25bp rate rises in the US this year. The European Central Bank is also taking hawkish action. Since the beginning of the year, the ECB Governing Council has raised interest rates in the euro area four times. At its meeting on 15 June, the Council raised interest rates by 25 bp, including the deposit rate to 3.50%. The

euro area's core inflation forecasts for this year and next year (+0.5%) were revised significantly upwards. Concerns about the persistence of inflation in the European economy, stemming primarily from rapidly rising unit labour costs, are an important motivating factor for further interest rate rises. During the conference, ECB President Christine Lagarde stressed that it is very likely that the Governing Council will decide on another interest rate hike at its next meeting on 27 July 2023. The market estimates the probability of an additional 25bp hike before the end of the year at around 50%. The first cut by the ECB is expected in the middle of next year.

- **Activities of the National Bank of Poland.** From October 2022. The Monetary Policy Council (hereinafter: MPC) has kept the NBP interest rates unchanged, including the reference rate of 6.75%. At a press conference in July 2023 - after the Monetary Policy Council meeting - President Adam Glapiński announced the end of the interest rate hike cycle in Poland. President Glapiński also said that he expected interest rate cuts later this year and that this would be conditional on single-digit inflation with some downward trend. The meeting and conference took place after the NBP's July inflation projection. The projection envisages a return of the annual CPI inflation rate to the NBP's inflation target (2.5% +/- 1 pp.) only in 2025. Interest rate cuts in Poland as late as 2023 are also priced in by financial markets.
- **Behaviour of the zloty against key currencies.** In February 2023, the zloty weakened slightly against the euro to a level of 4.87 and then recovered to 4.70. In the second quarter of this year, the zloty gradually strengthened to a level of 4.45 at the end of June. Similarly, the zloty strengthened against the dollar. At the end of the second quarter, the USDPLN exchange rate stood at 4.11. However, there is a risk of depreciation of the domestic currency, which may be influenced by domestic factors, i.e. the start of a cycle of interest rate cuts in Poland, the persistence of core inflation and the lack of progress in negotiations with the European Commission on the disbursement of funds for Poland under the National Reconstruction Plan (NRP).
- **Economic trends in Poland.** The Polish economy is in the midst of a significant downturn. In Q1 2023, Poland's GDP fell by 0.3% y/y. Available data indicate that Q2 was also weak. After a period of very good prosperity, industrial production in Poland fell by 2% y/y in April 2023 and by 2.5% y/y in May. Retail sales are also falling. The second half of this year is expected to be better according to the National Bank of Poland. According to the central bank's July projection, Poland's GDP will grow by 0.6% in 2023. In 2024, GDP is expected to grow by 2.4%, and in 2025 by 3.3%. According to the NBP, in the further horizon of the projection, the expected slowdown in GDP growth in the main developed economies, high interest rates maintained by the main central banks and a

significant decrease in the inflow of European funds after the end of spending from the EU perspective 2014-2020, will increasingly adversely affect the domestic economic activity. Positive effects on the economic situation in Poland - according to the central bank - will be the valorisation of the 500+ programme, the statutory regulation of tariffs for selected energy carriers and a favourable situation on the labour market.

- **Situation on the domestic labour market.** The situation on the Polish labour market is still good. Nominal wage dynamics remain at a high, double-digit level. In the first quarter of 2023, wage growth in the corporate sector averaged around 13% y/y against 12.3% y/y. In April 2023, wages rose by 12.1% y/y and in May by 12.2% y/y. According to the National Bank of Poland's July projection, wage dynamics will decline. According to the NBP, in 2023 wages in the corporate sector will increase by 12.7% on average, in 2024 by 9.3% and in 2025 by 6.7%. The still high growth rate of nominal wages will be supported by inflation and a strong labour market. However, the central bank expects LFS unemployment to rise from 2.9% in Q2 2023 to 4% by the end of 2024. Nevertheless, the European Commission in its spring forecast for Poland does not expect such a weakening in the Polish labour market. Overall, employers in Poland, despite the economic slowdown and rising interest rates, have not significantly reduced employment. Although the labour market remains strong, the first signs of a weakening in the labour market can be seen in the data. Since the beginning of 2023, the annual employment growth rate has been declining markedly.
- **Increased inflation.** According to the July NBP projection, inflation in 2023 will gradually decline as the shocks caused by the war in Ukraine and demand factors fade. According to the central bank's projections, inflation peaked in Q4 2022 and will fall slightly below 8% by the end of this year. However, assuming the current level of interest rates is maintained, CPI inflation will not return to the target (2.5%, +/-1 pp) until the end of 2025. Disinflation will be fostered by, among other things, weakening economic activity in both the euro area and Poland and the stabilisation of energy commodity prices. Nevertheless, domestic factors, i.e. high inflation expectations and rising wages, may significantly inhibit a further slowdown in inflation. High inflation and a good labour market situation may translate into higher costs for the Bank.
- **Increasing imbalances in public finances.** The year 2022 closed with a general government deficit of PLN 115 billion, representing 3.7% of Polish GDP. According to the European Commission's spring forecast, the sector deficit will be in 2023 5% and will fall to 3.7% in 2024. In the following years, the European Commission forecasts the deficit to fall to 2.8% of GDP in 2023 and 2.3% of GDP in 2024. As a result of the high deficit, the public debt, according



to the Commission's forecasts, will reach 50.5% of GDP in 2023 and 53% in 2024. The high deficit will be mainly blamed on the increase in defence spending, which will reach around 4% of Poland's GDP in 2023, and the government's shield support due to the increase in energy prices. According to the Convergence Programme Update, in 2023 the cumulative shielding measures related to high energy prices will increase the deficit by 1.9 pp. and in 2024 by 0.3 pp.

- **Sentiment on major financial markets.** The main factors that will influence market sentiment in the second half of 2023 will be the formation of the monetary policy of the major central banks. A softening stance and possible interest rate cuts may stimulate risk appetite also positively affecting CEE markets, including the zloty. Locally, the focus of the markets will also remain on the war in Ukraine and its possible escalation. This is of particular importance in the context of the exchange rate of the Polish currency. In the event of increased risk aversion, the zloty, like other emerging market currencies, loses value.
- **Capital position.** The capital situation of the Polish banking sector has improved significantly in recent months. Their total value reached at the end of May 2023 PLN 232 billion, representing the highest value ever, while also recording an increase of PLN 42 billion (22%) compared to September 2022 (i.e. the lowest level in recent years). The main reasons for this change, were the partial retention of current yields and the change in government bond yields. The continued downward trend of these bonds in the markets in recent months (increase in valuation), translates into an update of their value in banks' portfolios. This has improved capital ratios. The leverage ratio (ratio of equity to total assets), which was 6.9% in September 2022, reaching its lowest value since 2009, rose to 8.1% in May 2023. This value is still below the historical levels (around 10%) that prevailed in the preceding years, which is crucial for the financing capacity of the economy, especially in view of the potential additional burden on the sector. In the coming months, the government is expected to make a decision on the extension of the credit holiday, the cost of

which for banks so far, as at March 2023, was PLN 13 billion. Following the CJEU ruling in June this year, banks' additional provisions for the legal risk of franking credits are estimated at PLN 42 billion by the end of 2025, according to ZBP calculations. As ZBP president Tadeusz Białek points out, despite the sector's readiness to absorb the effects of the CJEU judgment, the sector's capitals in relation to GDP will shrink in real terms, even in the scenario of retained profits and no dividend payments. As a result, the banking sector's own capitals, which are necessary to finance, for example, arms expenditure and the energy transition, may prove insufficient.

- **Loans based on WIBOR.** The dispute over loans based on the WIBOR index, which gained media exposure at the end of 2022, may once again return to discussion among the public. The most important interest rate indicator for variable-rate PLN loans was for the first time ever legally removed from a loan agreement for the duration of the lawsuit by a court in Poznań on 22 June 2023. To date, the number of lawsuits challenging the WIBOR rate has been small, with a significant number being dismissed by the courts. In contrast, according to data from the ZBP, it appears that the number of complaints has increased significantly and is several times greater than the number of lawsuits, which may be due to the lack of costs in the process. The Financial Stability Committee, which is the macro-prudential supervisor of the Polish financial system, maintains its opinion in which it ruled that denying the correctness of the determination of the WIBOR index has no legal or economic basis and that attempts to challenge it constitute a systemic threat. In July 2023. The Office of the Polish Financial Supervision Authority ("UKNF") published a position paper in which it emphasised that, in UKNF's view, there are no grounds to question the reliability and legality of WIBOR, in particular in the context of the application of this index in mortgage loan agreements in Polish currency.

- **Credit products.** The persistence of high interest rates in the market is invariably reflected in the demand for credit products. At the level of sector volumes, loans to non-cash businesses at the end of H1 2023 fell by 1.0% y/y against an increase of 5.2% at the end of 2022. In the personal segment, the data show a 4.6% y/y decrease compared to a 3.0% decline at the end of 2022, mainly due to a decrease in home loan volumes. In the following periods, credit demand in the sector may be positively influenced by the easing of banks' lending policies as a result of the liberalisation of the FSA's requirements, the government's '2% safe loan' programme introduced in July this year, or expectations of the first interest rate cuts.



Strategy implementation

Pillar UP

- Segment descriptions
- Distribution channels
- Business operations and support area
- Group BNP Paribas Bank Polska S.A. entities

31

Pillar POSITIVE

- Sustainable financing
- A bank without barriers
- Addressing social and environmental themes in communication
- Community involvement
- Bank of Green Changes

44

Pillar STRONGER

- Digitisation and innovation - IT strategy
- Supporting innovation
- Cybersecurity

49

Pillar TOGETHER

- Good place to work
- Wellbeing and employees health
- Employees development
- A diverse and inclusive workplace

55

32
40
41
41

44
46
46
47
48

49
52
54

55
58
58
60



Tomasz Sepołowicz, IT Chapter Leader



Pillar UP

Pillar description

Strategy GObeyond is a growth strategy. Our goal is to increase the number of clients we serve, strengthen our market position and increase revenues. The Bank sees potential for growth in all customer segments.

Retail Banking and Personal Finance

The priority of retail banking and PF is to achieve high satisfaction among customers (NPS Top 3 on the market), through which the Bank will record an increase in the number of active customers (by 0.5 million to 4.5 million) and increase their commitment to the relationship with the Bank. Listening to the opinions of its customers and employees, the Bank will implement innovative products and services, often using cooperation with internal (companies of BNP Paribas Group) and external partners, and assumes even greater use than before of personalized communication based on advanced CRM and data analytics. Further digitalization of customer processes is planned, with remote accessibility of the Bank's experts as part of the newly created omnichannel sales and customer service model (more than 90% key processes for Individual Customers are supposed to be available in remote channels, and sales through digital channels should exceed 50%). The Bank will also offer customers services beyond traditional banking through the use of open banking solutions, contextualized financing in e-commerce or offering products and services linked to the Sustainable Development Goals. Ultimately, the Bank assumes active but sustainable growth in the main areas of retail operations, i.e. achieving 7% market share in new account sales, cash loans and mortgages.

SME Banking, Corporate and CIB

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

Activities within the framework of GObeyond strategy objectives in H1 2023

PILLAR	KEY ACHIEVEMENTS IN H1 2023
<p>#UP Offering quality banking and non-banking products and services key to growing a customer base in an omnichannel world. Creating an excellent customer experience by designing personalized paths for customers.</p>	<ul style="list-style-type: none"> • GOinvest: a new service for Premium and Wealth Management clients. Individual, monthly recommendations from advisors with the possibility of service through a dedicated application. • Financing of the Polsat Plus Group for a total amount of approximately PLN 10.6 billion (under the Sustainability-Linked Loan formula). The Bank acted as global co-coordinator of the banks and as one of the ESG coordinators within the consortium. • Implementation of the Ecological Credit, supporting the energy transition of Polish enterprises. The possibility of obtaining an environmental bonus granted by Bank Gospodarstwa Krajowego, for partial repayment of the loan. • Agreement with European Investment Bank for 100 million euros to support energy efficiency projects in Poland. • 203 Non-cash branches. • Numerous awards and distinctions, including: the title of "Best Private Bank in Poland" in the Global Private Banking Innovation Awards 2023, 1st place in the Wealth Management Business category in the CEE region in the WealthBriefing European Awards, an award from the Polish Association of Capital Investors highlighting the Bank's highest standards in cooperation with the private equity/venture industry, a distinction in the Institution of the Year ranking.



Segment descriptions

Areas of Retail & Business Banking and Personal Finance

Area characteristics

The Retail and Business Banking area provides services to Individual Customers, private banking services and offers services to business customers (micro-enterprises). Within Retail and Business Banking, the Bank serves the following customer segments:

Retail Customers:

- Mass Customers,
- Premium Banking customers, i.e. those who invest assets in the Bank or through the Bank in the amount of at least PLN 100 thousand or have inflows of at least PLN 10 thousand per month,
- Private Banking (Wealth Management) customers, i.e. those who invest assets through the Bank in the amount of at least PLN 1 million. Within Private Banking, there is a separate sub-segment "Family Fortunes" - i.e. Customers who invest assets through the Bank in the amount of min. PLN 10 million.

Business Customers:

- non-Agro, not conducting full financial reporting, in accordance with the rules set forth in the Accounting Act, meeting the criterion of annual net revenues for the previous fiscal year of less than €2 million,
- non-Agro, conducting full financial reporting, whose net sales revenue for the previous fiscal year was less than PLN 4 million and credit exposure does not exceed PLN 1.2 million,
- Agro, not conducting full financial reporting, meeting the criterion of annual net revenues for the previous fiscal year of less than €2 million, conducting activities classified under selected codes of PKD 2007,
- professionals: entrepreneurs who do not carry out full financial reporting in accordance with the rules set out in the Accounting Act and who practice professions defined in a separate internal document,
- individual farmers, for whom the Bank's credit exposure to the customer is less than PLN 3 million,
- individual farmers, for whom the Bank's credit exposure to the client is in the range from PLN 3 million and less than PLN 4 million, when collateral on agricultural land covers, at least 50% of credit exposure,
- Non-profit organizations (e.g. foundations, associations, trade unions, etc.),
- cooperatives, housing communities, property managers.

Private Banking - BNP Paribas Wealth Management offers an individual approach to each client and, in addition, a holistic and relational so-called "family approach," including immediate family members or assets accumulated in private companies and other investment vehicles. BNP Paribas Wealth Management benefits from 40 years of experience in serving

wealthy clients, market positioning and best practices of BNP Paribas Group, which is No. 1 in Wealth Management in the Eurozone. Clients of BNP Paribas Wealth Management are served by an experienced and qualified team - all advisors hold EFPA certification at the EFA level and the highest level - EFP. Possession of EFPA organization certification is essential and required for the position of Wealth Management advisors. At the same time, Wealth Management advisors are the first in the Polish market to earn EFPA ESG certification in sustainability.

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

Implementation of major strategic initiatives in H1 2023

INITIATIVE	BNP Paribas – my main bank
INITIATIVE DESCRIPTION	More compelling products, implementation of omnichannel environment and changes in approach to building lasting relationships. Optimization of digital UX, greater personalization of the Customer experience and synchronization of the use of data sources. Increased awareness of the BNP Paribas brand among Customers
ACHIEVEMENTS	<ul style="list-style-type: none"> • preparation of product offers within the framework of the "My Main Bank" offer dedicated to customers with a personal account • preparation of a Visa-Filmowa card offering to support the acquisition of new Primary customers (i.e., customers who, among other things, treat BNP Paribas Bank Polska as their "main bank") • encouraging customers from Ukraine to actively use our banking through: <ul style="list-style-type: none"> • - undertaking cooperation with pracuj.pl and MasterCard on the possibility of using "Where to live" ("Gdzie zamieszkać") housing offers and housing valuations - recruitment platform and housing portal available on www.bnpparibas.pl • - marketing campaigns in support of Family Banking and Mission Education - "Samodzielnianka" account offer for children of Ukrainian customers • activities to support active use of a personal account and e-banking (GOonline; GOmobile) • "Clean Air" ("Czyste Powietrze") loan - increasing accessibility for customers, doubling the amount of financing and subsidizing of investments under the changes in the program as well as allowing to apply for a 50% subsidy even before the start of renovations
KEY NUMBERS	<ul style="list-style-type: none"> • increase in the number of Primary customers by 2.6% y/y • 342 thousand customers from Ukraine



INITIATIVE		Development of sales in the digital and omnichannel model
INITIATIVE DESCRIPTION	Selling all consumer loans and mortgages through digital channels or omnichannel model. Widespread use of "pre-approved" offers and open banking solutions. Increase sales to the customer base, based on data analytics, AI and personalization. Expansion of product offerings available in digital channels	
ACHIEVEMENTS	<ul style="list-style-type: none"> access to fast, simple and convenient application for credit card in e-banking and mobile app under "pre-approved" offers expanding the range of credit cards available through the application process in electronic channels; the VISA Platinum card was added to the previously available Mastercard Standard, Mastercard Gold and Mastercard World Elite cards introduction of further navigation improvements to make it easier for the customer to use the cash loan offer 	
KEY NUMBERS	<ul style="list-style-type: none"> increase in sales in electronic channels of cash loans by 40% y/y. reduction in time from application to disbursement of funds for cash credit by 29% y/y 	

INITIATIVE		Convenient platform for entrepreneurs using API solutions
INITIATIVE DESCRIPTION	Bank as a modern platform using APIs to offer products and services from external partners. Supporting the creation of sustainable, secure and innovative services tailored to customers' needs. The API enables contextual services to be offered at selected customer touchpoints outside the banking ecosystem	
ACHIEVEMENTS	<ul style="list-style-type: none"> GOksięgowość – modern online accounting services for clients running their own business. The client can use the module of their choice and the services of a dedicated accountant. The service is available 100% online (using a web form and, from April 2023, from the level of GOonline banking), 24/7h, and registration and signing of the contract take place without visiting an accountant's office or office. In July 2023, the platform was extended to include a debt collection services module GOdealer – provision of further functionalities: PUSH notifications (about the execution, expiry, rejection or cancellation of an offer; reminder about the application after a long period with no login - "You have not been with us for a long time"); a Portfolio tab - view of user accounts in all currencies and the possibility to select a default account, which will be automatically substituted when concluding transactions and establishing offers Axepta – payment gateway for Customers. Customers can use payment methods such as quick transfer, BLIK, card payments, including electronic wallets (Apple Pay and Google Pay), service made available to customers in June 2023 offer for doctors – a dedicated offer valid from May until the end of the year, on preferential terms, in which we provide customers with, among other things: POS payment terminals, leasing, long-term rental and GOksięgowość cooperation with Arval providing our customers with a tailor-made long-term rental offer thanks to the use of an AI model that predicts potential rental interest and a comparison engine that clearly shows customers the benefits and differences of the various services: leasing offer, rental offer and car loan. The rental service is made available from GOonline and GOMobile. In 2023, we are actively promoting electric cars in a joint social media campaign 	

INITIATIVE		Convenient platform for entrepreneurs using API solutions
INITIATIVE DESCRIPTION	<ul style="list-style-type: none"> cooperation with BNP Paribas Leasing Solutions - providing our customers with an extended offer for green financing, also with an attractive offer of EIB funding for photovoltaics, heat pumps, charging stations and energy storage Business UPI – as part of our cooperation with the Polish Enterprise Foundation (Polska Fundacja Przedsiębiorczości), we have made a free training programme available to the Bank's customers on, among other things, tax changes and their impact on business, business development opportunities (also on the Internet), security in cyberspace, and legal aspects of doing business. 	
KEY NUMBERS	<ul style="list-style-type: none"> GOksięgowość: more than 5,000 platform users GOdealer: In the first half of 2023, the application was activated by more than 1.3 thousand Micro Clients, who completed approximately 16 thousand exchange transactions. The total transaction volume exceeded PLN 350 million SoftPOS – the application represents approximately 20% of new terminal sales BUSINESS UPI: a significant increase in trainees (from 1.4 thousand in H2 2022 to 3.4 thousand in H1 2023) Leasing Micro: PLN 147 million of funded contracts in H1 2023 	

INITIATIVE		New distribution model - the foundation for omnichannel customer service
INITIATIVE DESCRIPTION	Transformation of the distribution model - a key element in building an omnichannel customer service model. Integration of front-end systems with a single view of the Customer. Relationship management supported by personalised CRM-based communication. New organisation of autonomous, self-organised customer service teams.	
ACHIEVEMENTS	<ul style="list-style-type: none"> new solutions significantly improve customer satisfaction and process efficiency (elimination of paper documents in these processes and their archiving process) implementation of a modern method of customer service on customer's mobile devices (PUSH assistance and mobile signature) streamlining the appointment process in branches and for the virtual branch via the Bank's website - additional communication, reminders, cancellation options. implementation of the use of voicebot for NPS customer surveys in the branch network implementation of new processes in remote channels and thus new features in GOMobile: chatbot, biometric transaction acceptance centralisation of processes in the virtual branch: handling of mortgage after-sales processes, handling of savings products 	
KEY NUMBERS	<ul style="list-style-type: none"> 1.3 million active mobile users +7% y/y an increase in the number of logins to mobile banking +20% y/y (147 million in H1 2023) an increase in BLIK payments +75% y/y (19.7 million in H1 2023) an increase in mobile payments for tickets and parking +58% y/y (1.1 million in H1 2023) an increase of transactions number in GOMobile +44% y/y (40.1 million in H1 2023) 	



Brokerage Office BNP Paribas Bank Polska S.A.

Brokerage Office BNP Paribas Bank Polska S.A. (further: Brokerage) serves mainly retail clients. The Brokerage's service offering complements the Bank's range of investment products. The Brokerage also has an offer for selected institutional clients, which include open pension funds (OFEs), investment fund companies (TFIs) and other entities that manage the assets entrusted to them. In addition, the Brokerage manages portfolios and provides investment advice to clients in the Premium Banking and Wealth Management segments.

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

Brokerage in figures for H1 2023:

- selling more than 694 funds managed by 24 TFIs,
- PLN 4.0 billion – an average value of clients' assets in investment funds distributed through the Brokerage at the end of June 2023,
- PLN 433 billion - the value of investment certificates issued until June 2023 for the Brokerage's clients in cooperation with the BNP Paribas Group (decrease by 30% y/y),
- an increase in assets in the portfolio management service for Wealth Management clients by 17% y/y,
- PLN 45.8 million - total revenues from the provision of brokerage services and distribution of investment products (decrease by 30% y/y),
- a decrease in commission income from stock exchange transactions of the Brokerage's clients by 1% y/y,
- the performance of investment advisory services as well as portfolio management services rose well above their benchmark indices (benchmarks).

Table 8. Share of the Bank's Brokerage Office in turnover on the WSE

		30.06.2023		30.06.2022	
		volume	share	volume	share
Stock / Shares	PLN million	1,408.66	0.50%	1,734.89	0.52%
Bonds	PLN million	81.04	1.87%	104.22	1.43%
Contracts	piece	119,376	0.81%	105,742	0.72%
Investment certificates	PLN million	0.45	1.32%	0.70	1.30%
Options	piece	13,034	4.18%	22,779	6.36%
Structured products	PLN million	162.63	6.69%	130.70	3.47%



Area of Corporate and Small and Medium Enterprise Banking

Area characteristics

The **Corporate Banking** addresses 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 enterprises whose credit exposure to the Bank towards the customer is greater than or equal to PLN 18 million, as well as to entities that are part of international capital groups.

Corporate Banking customers are divided into four basic groups:

- polish corporations with annual net sales revenue from PLN 60 to 600 million or with credit exposure greater than or equal to PLN 18 million (or, in the case of agricultural businesses, with credit exposure greater than or equal to PLN 40 million),
- international clients (companies belonging to international capital groups),
- largest Polish corporations with net sales revenues of more than PLN 600 million,
- public sector entities and financial institutions.

Within the above groups, there are sub-segments of Agro and non-Agro customers.

The **Small and Medium Enterprise (SME) Banking area** serves three main customer sub-segments:

- Agro customers with full financial reporting, with net sales revenue in the previous financial year from PLN 4m to PLN 60m and the Bank's credit exposure to the customer not exceeding PLN 18m. This sub-segment also includes groups of agricultural producers (where the Bank's credit exposure does not exceed PLN 40m) and field organisational units of the State Forest Enterprise (Państwowe Gospodarstwo Leśne Lasy Państwowe), i.e. regional directorates, forest inspectorates, etc., regardless of the scale of their turnover and credit exposure.,
- Non-Agro Customers - a sub-segment, which includes entities with full financial reporting, with net sales revenue for the previous financial year of between PLN 4 million and PLN 60 million and the Bank's credit exposure to the Customer not exceeding PLN 18 million, as well as public finance entities with a budget of up to PLN 100 million. In addition, this sub-segment also includes churches and other religious organisations and their subsidiaries,
- Farmers (i.e. economic entities engaged in agricultural production activities) with full financial reporting, with net revenue for the previous financial year between PLN 0 and 60 million and credit exposure not exceeding PLN 40 million, as well as individual farmers if their credit exposure is between PLN 4 and 40 million and between PLN 3 and 4 million if the collateral on agricultural land covers less than 50% of the credit exposure.

Implementation of key strategic initiatives in H1 2023

Corporate Banking

INITIATIVE	New approach to the customer using the strength and potential of the Group
INITIATIVE DESCRIPTION	Leader in the international client sector and in developing partnerships with major Polish corporations. Unique approach based on the BNP Paribas Group's strong positioning, particularly in terms of global relationships and product platform
ACHIEVEMENTS	<ul style="list-style-type: none"> • strengthening the Bank's position on the international customer market (first place in the number of relationships) • increase in the share of revenue from cooperation with international customers in total revenue • implementation of a dedicated after-sales service for Strategic Customers • improving the communication process with international customers through the Business Service Centre (customer service) • developing processes for working with clients to finance sustainability-related projects and ventures - providing further loans in the form of Sustainability- Linked Loan
KEY NUMBERS	<ul style="list-style-type: none"> • increase in the number of active international customers by 11% y/y (+169 Clients in H1 2023) • dynamic growth in deposit volumes by 13% y/y • PLN 3.7 billion - total portfolio value under sustainable financing at the end of H1 2023.

INITIATIVE	New customer service model
INITIATIVE DESCRIPTION	Transforming the sales area by providing customers with the widest range of self-service solutions and providing a centralised and dedicated after-sales service
ACHIEVEMENTS	<ul style="list-style-type: none"> • year-on-year increase in gross profit of the Corporate Banking area due to dynamic revenue growth and maintenance of good quality of the loan portfolio and low cost of risk • adaptation of the customer service model to the new sales organisation • improvement of the call-back process - automatic call-back functionality for customers • new model for handling the KYC process
KEY NUMBERS	<ul style="list-style-type: none"> • acquisition over 400 new Clients in H1 2023 • increase number of new Clients by 10% y/y



Small and Medium Enterprises

INITIATIVE	New customer service model
INITIATIVE DESCRIPTION	Transforming the sales area by providing customers with the widest range of self-service solutions and providing a centralised and dedicated after-sales service
ACHIEVEMENTS	<ul style="list-style-type: none"> • year-on-year increase in gross profit of SME Banking thanks to dynamic revenue growth and maintenance of good quality of the loan portfolio and low cost of risk • new model for handling the KYC process • implementation of a new model of customer service - Remote Advisor Team dedicated to customers who prefer active remote contact with the Bank • full portfolioisation of customer service for SME customers - implementation of a dedicated Customer Care Manager
KEY NUMBERS	<ul style="list-style-type: none"> • acquisition over 900 new SME Clients in H1 2023 • an increase in the number of active customers by 3% y/y (+125 in H1 2023) • significant improvement (by 75%) in the average waiting time for a call to the Customer Service Manager • dynamic growth in deposit volumes by 12% y/y

Other business lines activities

INITIATIVE	ACHIEVEMENT	INNOVATIVE PRODUCTS AND SERVICES	KEY NUMBERS
CASH MANAGEMENT / E-BANKING	<ul style="list-style-type: none"> • continued development of internet banking GOonline Business • increase in the use of mobile banking GOMobile Business 	<ul style="list-style-type: none"> • release of a new version of the term deposit module allowing customers to set up deposits 24/7 on their own, including negotiated deposits for short periods, • development of the Payments module in GOonline Business to include management of payment templates, support for whitelisting, PayU/Pay-By-Link payments and standing orders, • extension of the Statements module in GOonline Business to include monthly and MBR statements, • adaptation of GOonline Business to handle new Payments in GOonline Business, • complements to GOonline Business on application activation and management of GOonline Business. • These changes form the basis for the process, planned for the end of the year, of migrating 100% of customers to the new Payments module in GOonline Business, which is expected to translate into an increase in NPS and a decrease in maintenance costs. 	<ul style="list-style-type: none"> • increase in the number of customers using remote channels by 900 in H1 2023 • more than 20 thousand deposits opened by customers in the new term deposit module



INITIATIVE	ACHIEVEMENT	INNOVATIVE PRODUCTS AND SERVICES	KEY NUMBERS
CASH MANAGEMENT / CUSTOMER LIFE CYCLE	<ul style="list-style-type: none"> significant increase in automation of onboarding and post-sales processes 	<ul style="list-style-type: none"> implementation of video verification for onboarding and after-sales processes implementation of offerings and accounts for Payment Service Providers (PSPs) adapting customer service processes and creating reporting mechanisms for the need of the Financial Information System Act (SINF) 	<ul style="list-style-type: none"> about 50 thousand applications submitted to the self-service module in GOonline Business in H1 2023 87% new relationships opened through the digital onboarding e-application
CORPORATE CUSTOMERS FUNDING	<ul style="list-style-type: none"> implementation of credit process improvements for SME customers leading to shortened credit application processing times (TTY) preparation of new credit process paths for SME customers as a basis for further automation and digitalisation of the process 	<ul style="list-style-type: none"> full implementation of the eApplication for farmer credit - for the first time we enable farmers (non-bookkeepers) to apply for credit in a fully digitised form providing MVP with a TF Monitor application for managing trade finance transactions, with the aim of simplifying the work of trade finance transactions at each stage of the relationship 	<ul style="list-style-type: none"> 417 SME lending decisions based on a prototype decision engine: <ul style="list-style-type: none"> renewal of an existing maturing loan – 89 companies granting a new (additional) working capital loan or increasing an existing loan – 101 companies granting limit FX unsecured – 227 companies

Area Food & Agro

Area characteristics

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

Micro and SME Banking Customers

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

- working capital: overdraft secured by a mortgage - Agro Ekspres and loan with BGK guarantee and interest rate subsidies,
- investment for farmers and Agro companies for farm financing - Agro Progres,
- preferential with an interest rate subsidy or partial repayment of capital (thanks to an agreement with the Agency for the Restructuring and Modernisation of Agriculture).

In addition to its own offerings, the Bank, in cooperation with external companies, prepares dedicated offers for farmers regarding additional services, such as Generali Agro insurance, and conducts sales campaigns, e.g. "With us you don't overpay for credit" for farmers and processors. This year also saw the launch of the education and sales campaign "Benefit from the Green Transformation" based on 3 pillars: Energy Efficiency, Renewable Energy Sources (RES) and Sustainable Agriculture.

Corporate Banking Customers

The Bank's activities for Corporate Banking customers focus on:

- business development through the use of unique knowledge and a precise understanding of the entire value chain of the sector (farmer, processor, distributor, consumer) and the ecosystem of the sector (macro environment, policy, technology, international trade, suppliers, customers), including the development of cross-segment financing (value chain financing),
- preparing sector analyses, including changes in industry trends,
- initiating cooperation with the BNP Paribas Group in the area of agri-food customers,
- sector recommendations for significant loan transactions (positioning of the company in the industry and peer group),
- running and developing the Agronomist platform providing sound knowledge and useful tools for the digital and sustainable transformation of the agri-food sector.



Implementation of key strategic initiatives in H1 2023

INITIATIVE	Agronomist – innovative way of building relationships and sharing knowledge
INITIATIVE DESCRIPTION	Development of a portal for farmers and Food & Agro (F&A) entrepreneurs wishing to grow in line with market trends. Providing knowledge and tools to support both the transformation towards sustainable agriculture and digital transformation. The content of the portal covers the entire F&A value chain with a special focus on local communities
ACHIEVEMENTS	<p>Provision of new, unique tools and functionalities on the market that respond to the needs of agri-food operators:</p> <ul style="list-style-type: none"> • Agroemission – launch of the first carbon footprint calculator for poultry production, including broiler chickens and turkeys, in the Polish language. The tool, which is based on a science-based model, makes it possible to calculate the emission value for the entire poultry production, for one poultry house or turkey house and per kilogram of poultry meat. The result is broken down into the three main greenhouse gases: carbon dioxide, methane and nitrous oxide. • Redesign of main page – changing the structure and presentation model of the material on the platform's homepage, together with the graphic design, in order to personalise access to knowledge and tools and to align with current trends and standards for knowledge portals • ESG Materials – preparation and publication of materials related to environmental and social impact reporting according to CSRD for the food production value chain • Educational videos – videos with Bank clients (available on the Agronomist platform) showcasing their digital transformation and sustainable transformation successes as inspiration for change.
KEY NUMBERS	<ul style="list-style-type: none"> • over 92 thousand unique users visiting the portal in H1 2023 • over 382 thousand entries in the first half of the year 2023 • over 50% users are women

INITIATIVE	Knowing your customer is the basis for building profitable relationships with them and increasing customer satisfaction
INITIATIVE DESCRIPTION	Further industry know-how-based expansion in the food production value chain area. Tailored service model for current and future key F&A customers. Improvements in the credit process
ACHIEVEMENTS	<ul style="list-style-type: none"> • development of a framework for environmental impact analysis of agri-food companies • in-depth analyses of markets and selected sub-sectors of the agri-food industry • intensive analytical activities and knowledge sharing regarding the market implications of Russia's war against Ukraine • active substantive participation in numerous economy-wide and sector-specific events, close cooperation with a number of agri-food industry organisations; realisation of inspiring talks with leaders of the food sector in Poland as part of the "Food Cabinet" series

INITIATIVE	Knowing your customer is the basis for building profitable relationships with them and increasing customer satisfaction
	<ul style="list-style-type: none"> • development and implementation of business analytics tools to ensure fast and effective monitoring of the agri-food customer portfolio
KEY NUMBERS	<ul style="list-style-type: none"> • increase in the volume of loans in the Corporate Banking segment by 2% y/y • increase in deposit balances in the Corporate Banking segment by 30% y/y • PLN 1,784 million new financing for Food & Agro Corporate Clients - decrease by 9% • increase in the number of active food processors by 13% y/y

Other business lines activities

credit e-application – improving the credit process for agricultural enterprises:

- credit application with applicant information is completed in the application and submitted electronically by the customer,
- information once entered will be available and can be used in subsequent credit processes without the need for re-entry,
- in the case of the index-based methodology, information on whether the client is creditworthy will already be available after the client has sent in the approved credit application.

Green transformation in Agro – a sales and education campaign aimed at all Agro operators: both farms and processing companies, based on 3 pillars:

- renewable energy sources (RES),
- improving energy efficiency,
- sustainable agriculture.

Our aim is to show farmers and processors that investing in the 'Green Transformation' is a benefit for the environment, but also an opportunity to profit and modernise a farm or business.

The campaign promotes banking products related to the above-mentioned pillars, but also materials and initiatives that broaden the knowledge of sustainable agriculture, e.g.: Report "Potential for financing energy efficiency improvements in Polish agriculture", Agronomist.pl platform, or "ASAP Academy" - free online training.



Area of Corporate and Institutional Banking

Area characteristics

The Corporate and Institutional Banking area (hereinafter: CIB Banking area) provides a wide range of products addressed both to the largest Polish enterprises and to medium-sized companies. Through the Custody Services Department, the offer is also addressed to insurance companies as well as pension and investment funds.

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

- advice on mergers and acquisitions and restructuring,
- advising and arranging capital markets transactions,
- arranging transactions on the foreign exchange and money markets,
- financing of day-to-day business,
- financing acquisitions and investment projects,
- cash flow management, liquidity management and working capital optimisation,
- sales of financial market products that hedge currency, interest rate and commodity price risks.

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

Implementation of key strategic initiatives in H1 2023

INITIATIVE	New approach to the customer using the strength and potential of the Group
INITIATIVE DESCRIPTION	Leader in the international client sector and in developing partnerships with major Polish corporations. Unique approach based on the BNP Paribas Group's strong positioning, particularly in terms of global relationships and product platform.
ACHIEVEMENTS	<ul style="list-style-type: none"> • increased business dynamics with international clients as a consequence of the change in organisational structure and close international cooperation within the BNP Paribas Group (G2L - Global to Local)
KEY NUMBERS	<ul style="list-style-type: none"> • cross-sell growth on both FX flow products (+21% y/y) as well as on investment products (+44% y/y)

INITIATIVE	New customer service model
INITIATIVE DESCRIPTION	Transforming the sales area by providing customers with the widest range of self-service solutions and providing a centralised and dedicated after-sales service.
ACHIEVEMENTS	<ul style="list-style-type: none"> • continuous improvement of electronic customer service systems and launch of additional distribution channels for Financial Markets Division products
KEY NUMBERS	<ul style="list-style-type: none"> • increase in the number of active customers (+13% y/y) • increase in the volume of transactions made by corporate customers in the FX Pl@net application (+6% y/y) • increase in the number of transactions in FX Pl@net application (+16% y/y)

Other Banking Activities

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

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

- interest rate risk,
- 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).

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

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



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

- managing the internal transfer pricing system,
- balance sheet analysis,
- modelling and measuring liquidity and interest rate risks for the banking book,
- issuing the Bank's debt securities,
- arranging long-term credit lines,
- sourcing of financing,
- working with business lines that support sustainable development,
- coordinating securitisation transactions of the non-bank client loan portfolio,
- organising the work of the Asset and Liability Management Committee (ALCO).

Following the outbreak of the war in Ukraine, the Bank adjusted internal product behavioural models affecting the Bank's interest rate and liquidity risk profiles on an ongoing basis. The ALM Treasury division works with the business lines through regular meetings and consultations to optimise the Bank's product structure and keep the Bank's profitability at the maximum possible level in the current macroeconomic conditions.

Cooperation with financial institutions

As at 30 June 2023, the Bank maintained correspondent relationships with approximately 1 thousand banks, including holding 51 NOSTRO accounts with other banks for 23 major currencies.

The Bank maintains 33 loro accounts exclusively in PLN for foreign banks of the BNP Paribas Group. LORO accounts maintained on the Bank's books provide an external source of cost-free working capital for the Bank's operating needs. Through these accounts, primarily customer transfers and bank-to-bank transfers are executed.

In the first half of 2023, the Bank continued its cooperation with other domestic and foreign financial institutions, brokers and banks, which enabled a broad spectrum of treasury and deposit transactions. A number of agreements were concluded with new and existing counterparties in these segments, and steps were taken to introduce new agreements, in line with the recommendations of ISDA and ZBP.

Distribution channels

Bank branches

As of 30 June 2023, the Bank had 400 Customer Centres (including 14 partner outlets). The network of client centres was complemented by 15 Wealth Management centres.

In 203 customer centres (including 4 partner branches) cash handling was carried out exclusively in self-service devices.

At the end of June 2023, the Bank had 120 centres with the "Barrier Free Facility" Certificate, issued by the Integration Foundation for good service practices for people with disabilities.

All of the bank's customer centres are OK SENIOR®-certified, which confirms that senior citizens (60+) are served in a safe, comprehensible and accessible manner at the bank's outlets.

The sales network in Corporate Banking consists of two divisions:

- Strategic Clients Division, organised within the head office structure, which is responsible for relations with international clients, major Polish corporations and financial institutions and selected public sector entities,
- Commercial Clients Division, which is made up of three Corporate Banking Regions: Central, Southern and Western, bringing together a total of 13 Corporate Banking Business Centres located in the largest business centres in Poland, thus ensuring a broad geographical and sectoral coverage. The division is responsible for relations with clients with net sales revenue from PLN 60 to 600 million.

The SME Banking sales network is made up of three SME Banking Regions: Central, Southern and Western, bringing together a total of 32 specialised SME Business Centres, located in cities with the greatest potential for.

The Bank's service model for Corporate and SME clients is a relationship model. At its core is the individual service of the Advisor, who is responsible for the entirety of the Client's relationship with the Bank. In addition, in order to fully meet the needs of clients, as part of the Bank's wide range of products and services aimed at small and medium-sized enterprises, teams of specialists are dedicated to serving SME clients, offering a high standard of sales service and product advice, based on knowledge and experience in cash management, treasury, leasing, factoring and trade services and financing.

Both SME and Corporate customers enjoy access to the products and services offered through modern online and mobile banking systems. After-sales customer service is provided through three dedicated Customer Service Offices.

Cooperation with intermediaries

At the end of June 2023, in the Retail and Business Banking Division, the Bank was collaborating in the acquisition of banking products:

- based on outsourcing agreements - with 14 external outsourcing intermediaries, 1 outsourcing intermediary acting exclusively for the Bank and 13 franchise partners,



- based on marketing agreements - with 209 contractors.

Whereas in the B2C Sales Development Division for the acquisition of banking products, the Bank cooperated, based on outsourcing agreements, with 16 external intermediaries: 14 nationwide, 2 online.

ATM and Deposit Machine Network

As at 30 June 2023, the Bank's customer centres were operating:

- 543 dual-function devices carrying out contactless deposits and withdrawals with the Bank's cards and using BLIK, as well as cash withdrawals using Google Pay and Apple Pay; and
- 24 ATMs supporting only standard withdrawals and transactions provided by the VISA and Mastercard systems.
- In addition, three dual-function machines and two ATMs were operating outside the Bank's customer centres.

Business operations and support area

Implementation of key strategic initiatives H1 2023

INITIATIVE	Process excellence
INITIATIVE DESCRIPTION	Optimise, automate and digitise all key processes, thereby strengthening customer service quality and cost efficiency. Develop process mining to support process owners in process management. Fostering a Lean culture and continuous process improvement by creating a dedicated Lean training programme and community
ACHIEVEMENTS	<ul style="list-style-type: none"> • efficiency and quality - improving the quality of supported operational processes • new operations model: panels with experts from the Operations Division - a project based on three pillars (optimisation, partnership and efficiency) to improve the quality of customer service (customercentricity) • EvaChatbot – easier and faster customer service. Implementation of new after-sales functionalities, implemented "Customer Service" mode dedicated to advisers • Robotic Process Automation – robotisation of processes across the Bank increasing efficiency. e.g. in the KYC processes and the handling of MRL alerts • implementation of a new operational performance reporting system – „dashboards“ • implementation of intelligent cash management based on artificial intelligence, saving money locally and globally
KEY NUMBERS	<ul style="list-style-type: none"> • decrease in the number of FTEs related to efficiency improvements by 8% y/y • an increase in the multiskilling of employees (i.e. the acquisition of new skills and functions and the expansion of already acquired skills by developing the range and level of competencies) by 5% in comparison to the end of 2022 • reduced processing times and improved efficiency in automated processes by minimum 20% y/y • 203 active robots, 17 new ones in H1 2023 • automated processing and control in AML and KYC processes

Group BNP Paribas Bank Polska S.A. entities

BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.

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

BNPP TFI operates on the basis of an authorisation from the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) in respect of the creation and management of investment funds, as well as intermediation in the sale and redemption of participation units and titles to foreign funds.

The following significant events in the Society's operations took place in H1 2023:

- The BNPP Short Term Debt Securities sub-fund remained in the TOP 4 of the most popular sub-funds based on monthly net inflows (total net inflows in the first half of the year amounted to over PLN 900 million).
- The editors of Gazeta Giełdy i Inwestorów "Parkiet" awarded the BNP Paribas Małych i Średnich Spółek Subfund (BNP Paribas Parasol SFIO) managed by the Society the Golden Portfolio award for the best result in 2022 in the Polish equity fund category.
- The BNPP Stable Growth sub-fund was converted to BNPP Global Debt Strategies on 20 March 2023. It now invests assets in debt funds investing in global debt markets. This is another product that invests in line with ESG principles.
- From 31 March 2023, the four Sub-Funds BNP Paribas Global Stable Growth and BNP Paribas Global Stable Growth incorporate ESG factors into the investment strategy and are classified as light-green investment products.
- As at 30 June 2023, the Society managed the following funds with a total value of PLN 3,773 million:
 - BNP Paribas FIO – started operations in March 2016. It comprises 7 sub-funds (including two sub-funds using ESG-based investment policies) with diversified investment policies that allow clients to invest in a variety of asset classes both locally and globally.
 - Individual Retirement Account: BNP Paribas FIO and Individual Retirement Security Account: BNP Paribas - IKE are also available within BNP Paribas - IKZE. The value of the fund's assets at the end of June 2023 was PLN 1,391.1 million.
 - BNP Paribas Parasol SFIO – was acquired from Ipopema TFI in January 2016, after obtaining the relevant approval from the Competition and Consumer Protection Authority. There are 9 sub-funds within the fund, including 6 sub-funds applying an ESG-based investment policy. The value of the fund's assets at the end of June 2023 was PLN 547 million.
 - BNPP FIO – established in 2005. This fund comprises 3 sub-funds (including one sub-fund applying an ESG-based investment policy) investing mainly in the Polish market. The value of the fund's assets at the end of June 2023 amounted to PLN 1,585.2 million, an increase in the value of assets compared to December 2022 by 247%.
 - BNP Paribas Premium SFIO – established in July 2014, with 4 sub-funds (one of which, BNP Paribas Aktywny, is in the process of being wound up). Management of the fund was taken over as a result of the merger with Riviera TFI. The value of assets at the end of June 2023 amounted to PLN 18.0 million.



- FWR Selektywny FIZ – established in May 2014, the management of the fund was taken over as a result of the merger with Riviera TFI. The value of the fund's assets at the end of June 2023 was PLN 2.6 million. The fund is in the process of liquidation.
- BNP Paribas PPK SFIO – established to offer employee equity plans to clients, with separate 9 sub-funds (so-called defined date). The value of the fund's assets at the end of June 2023 amounted to PLN 231.7 million. BNPP TFI cooperates with the Bank in the distribution of units of funds offered by the Society under an agreement between the Bank's Brokerage Office and the Society.

BNPP TFI cooperates with the Bank in the distribution of participation units of funds offered by the Society on the basis of an agreement between the Bank's Brokerage Office and the Society.

In H1 2023, the Society recorded net inflows of funds of PLN 1,105.2 million.

Table 9. Basic financial data of BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.

PLN thousand	30.06.2023	31.12.2022	30.06.2022
Total balance sheet	34,567	35,901	39,512
Long-term investments	460	5,356	465
Equity, including:	28,939	29,587	32,478
Net profit	(647)	(4,450)	(1,431)

BNPP TFI has share capital of PLN 16,692.9 thousand divided into 695,538 shares with a nominal value of PLN 24 each. The level of shareholders' equity as at 30 June 2023 amounted to PLN 28.9 million and is sufficient for the safe conduct of day-to-day operations.

The company achieved a negative net financial result of PLN 0.65 million in H1 2023 (against a loss of PLN 4.45 million in 2022).

BNP Paribas Leasing Services Spółka z o.o.

BNP Paribas Leasing Services Sp. z o.o. (hereinafter: Company) in cooperation with the Bank, offers a full range of leasing products to clients in the micro-enterprise, Personal Finance, SME and corporate client segments. Since 2018, based on the decision of the Bank's Board of Executives, the Company has taken over the role of the only entity in the BNP Paribas Bank Polska Group that provides leasing services to Customers of the above segments, dynamically increasing the scale of its activity every year.

Table 10. Basic Financial data of BNP Paribas Leasing Services Spółka z o.o.

PLN thousand	30.06.2023	31.12.2022	30.06.2022
Total balance sheet	6,264,516	6,088,244	5,926,962
Long-term investments*	6,017,305	5,745,766	5,416,413
Equity, including:	69,774	58,466	32,158
Net profit	11,308	47,703	21,395

* financing receivables

The start of 2023 was a continuation of the previous year's sales challenges for the Company. After last year's sales decline in the Personal Finance segment, a slow recovery was observed in the passenger car sector. However, the driving force behind sales in this period was the Corporate Customers segment, which recorded a record transaction in the Company's history. At the same time, the segments of small and medium-sized enterprises and micro-enterprises performed considerably below expectations, with an emphasis on agricultural-related customers. The main factor affecting the realisation of sales plans was the very high market competitiveness in these areas, manifested by the extremely aggressive pricing policy of the competition.

Despite the difficult external environment, thanks to a strong sales performance, the portfolio of financed assets at the end of June 2023 reached a record level of 6 billion PLN (an increase of 11% compared to H1 2022). In H1 2023, the Company concluded 10 thousand new contracts for the amount of PLN 1,830 million (volume growth of 17% y/y) and recorded a net profit of PLN 11,308 thousand, consistently increasing the equity level.

During the same period, the Company's administrative costs increased by more than 14%. This was due to significant inflation affecting staff costs and the costs of external suppliers, as well as the recognition as a result of infrastructure investments to improve the efficiency of operations in the future. The credit risk of the portfolio is stable, generating a burden on the bottom line below forecasts. In 2023, the quality of the loan portfolio remains very good, despite high interest rates and the reduced ability of customers to settle receivables.

Initially, the Company's operations were financed by BNP Paribas S.A. in Paris. In December 2021, an additional loan agreement was signed with BNP Paribas Bank Polska S.A. for the amount of PLN 1 billion. In June 2023, an annex was signed increasing the limit to PLN 1.7 billion. In addition, in June 2021, The Company signed an agreement with the European Investment Bank for a financing amount of 200 million euro.

**Table 11. Financing structure of BNP Paribas Leasing Services Spółka z o.o. on 30.06.2023**

million	PLN amount	PLN	EUR
BNP Paribas S.A.	3,979	2,111	420
BNP Paribas Bank Polska S.A.	1,093	1,093	0
BNP Paribas S.A. Oddział w Polsce	440	440	0
European Investment Bank	507	438	16

BNP Paribas Group Service Center S.A.

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

- providing IT services for the development of banking and financial applications and systems, as well as IT support to BNP Paribas Group entities,
- provision of electronic equipment rental services to Individual Customers,
- comprehensive handling of loyalty programmes for Bank affiliates and Bank customers,
- providing marketing services on behalf of the Bank to employees of the Bank's partners, customers or Bank employees,
- development of scoring models, as well as their verification and monitoring for the benefit of BNP Paribas Group entities,
- providing of services ancillary to insurance mediation activities, consisting in the administration and execution of group insurance contracts concluded by the Bank,
- providing insurance agency services.

Table 12. Basic financial data of BNP Paribas Group Service Center S.A.

PLN thousand	30.06.2023	31.12.2022	30.06.2022
Total balance sheet	66,489	59,990	48,338
Long-term investments	39,930	39,302	40,328
Equity, including:	51,614	45,279	39,443
Net profit	6,334	5,835	5,032

* non-audited data

Campus Leszno Spółka z o.o.

Campus Leszno Sp. z o.o. (hereinafter: Company) was incorporated on 28 June 2018 with a memorandum of association in the form of a notarial deed and entered in the Register of Entrepreneurs of the National Court Register.

The Company was separated from the Bank's structures, where the Training and Conference Centre (CSK Leszno) functioned as a Training Centre. The Company's activities continue to include the provision of training and leisure services, the provision of training, hotel and catering facilities. The Company's activities also include: entertainment and recreational activities, activities related to the organisation of trade fairs, exhibitions and congresses, and other business services. The company also cooperates locally with the Leszno Municipality.

The company seeks to adapt the facility's operations to external conditions, basing its offer primarily on Individual Customers, providing accommodation services, an open-air restaurant, leisure activities, family parties and, on a much smaller scale, wedding receptions and small turnout groups.



Pillar POSITIVE

Pillar description

The Bank is strengthening its position in sustainable finance by developing a range of dedicated products and services for all business lines. We are also implementing the highest standards of ESG risk management and improving the ESG risk profile of the loan portfolio. In addition, the Bank consistently measures and reduces the carbon footprint of its portfolio by supporting customers in their transformation. At the same time, the Bank aims to reduce resource consumption and implement responsible purchasing practices. By 2025, the Bank plans to reduce CO2 emissions from operations by 55% (vs 2019) and paper consumption by 80% (vs 2019).

Responsibility, accessibility, transparency and ethics dominate the relationship with customers. The overriding aim is that the customer buys what he or she needs consciously and is not surprised by hidden clauses in contracts. Our Customer Centres are being modernised to meet the special needs of older people and people with disabilities. We assume that 50% of the network will be certified as 'Barrier-free' by 2025.

The Bank continues its commitment to local communities through the development of employee volunteering and continued support for the activities of the BNP Paribas Foundation. The Bank also carries out educational activities and enters into sectoral and nonsectoral partnerships, thereby building a brand permanently associated with care for the environment and issues of importance to society.

Activities within the framework of GO beyond strategy objectives in H1 2023

PILLAR	KEY ACHIEVEMENTS IN H1 2023
#POSITIVE A responsible and trusted financial partner supporting the positive and sustainable development of Clients, business and society. A guide for clients in a world of digital and sustainable transformation.	<ul style="list-style-type: none"> Issue of Sustainability-Linked Bonds for Polsat Plus Group in the amount of 2.67 billion - Bank as co-arranger and joint bookrunner. Two Sustainability-Linked Loan transactions: for Polsat Plus Group in the amount of approximately PLN 10.6 billion (Bank's share - PLN 1 billion) and for Iglotex company in the amount of over PLN 300 million (Bank's share as Sustainability-Linked Loan Coordinator - PLN 150 million). ESG-Rating-Linked Loan financing for Gdańskie Przedsiębiorstwo Energetyki Ciepłej (GPEC) in the amount of PLN 50 million. Expansion of offerings to support the energy transition: green loan, new version of the Clean Air Programme, modification of the UNIA+ Loan. Envirly: a pilot phase for the implementation of a tool allowing any company to measure in a simple way the carbon footprint related directly or indirectly to its activity. 120 Customer Centres with the "Barrier-Free Facility" certificate. Numerous awards and distinctions, including: Badges: ESG Industry Top Rated and ESG Regional Top Rated on the list of Top-Rated ESG Companies, top of the Responsible Ranking for the fourth time, POLITYKA Lists - Gold and Green.

Sustainable financing

The Bank is committed to offering responsible and sustainable products that make a positive impact on the environment. We ensure that our products are accessible to people from groups at risk of exclusion. With our range of products and services, we want to support entrepreneurial development and social innovation. We want to contribute to the energy transition and popularise solutions that foster environmental protection.

The value of sustainable financing as at 30.06.2023 was 8.4 billion, representing 9.3% of total financing.

Table 13. Value of sustainable financing provided by the Bank (as at 30.06.2023)

Category	PLN million
Value of sustainable financing, including:	8,443
with a positive environmental impact	5,897
with a positive social impact	532
ESG performance-linked financing (Sustainability-Linked Loan, ESG Rating-Linked Loan)	2,014

Key sustainability-related transactions in H1 2023

Largest PLN corporate bond issue in history of Polish market

The Bank acted as co-organiser and co-bookrunner of an issue of 7-year Sustainability-Linked Bonds of Polsat Plus, a company belonging to a leading media and telecommunications group in Poland. The issue, which amounted to 2.67 billion PLN, is the largest PLN transaction in the history of the Polish bond market executed by a private entity and at the same time the first sustainability bond issue fully compliant with the International Capital Markets Association (ICMA) standards.

The funds raised through the issue will be used to support the implementation of the Polsat Plus Group's growth strategy, which includes the construction of a new business segment, i.e. Clean Energy, i.e. engaging in projects that put ESG principles into practice. The Group has developed a Sustainability-Linked Financing Framework, a framework that defines the linking of financing to the four Sustainable Development Goals (SPTs). The framework is in line with ICMA standards and has received a positive opinion from the independent expert firm Sustainalytics. The new bond issue is linked to the objective set out in the Terms of Issue to increase the share of zero-carbon energy in the Group's energy mix.



Two sustainability-linked loans: Sustainability-Linked Loan (SLL)

A Sustainability-Linked Loan (SLL) is a general-purpose financing in which the loan margin is linked to the achievement of the company's defined ESG objectives. Sustainability-Linked financings are provided according to the LMA Sustainability-Linked Loan Principles guidelines. These guidelines stipulate, among other things, that the indicators developed should address relevant areas of the company's impact on the environment. At the same time, these indicators should be verifiable and comparable. Indicators can, for example, relate to the reduction of greenhouse gas emissions or other pollutants, the certification of raw materials, the reduction of accidents at work or the fight against social inequalities.

Transactions completed in H1 2023:

- The Bank has signed a syndicated loan agreement with the Polsat Plus Group, in which it acts as global co-ordinator for the banks and as one of the ESG coordinators within the consortium, which has entered into a sustainability-linked lending agreement for a total amount of approximately PLN 10.6 billion. The financing of Poland's leading media and telecommunications group will support the implementation of Strategy 2023+, which includes the construction of a new business segment, Clean Energy. To date, this is the largest SLL transaction closed on the Polish market. The financing includes a PLN term loan up to a maximum of PLN 7.255 billion, a EUR term loan up to a maximum of EUR 506 million and a revolving credit facility up to the equivalent of PLN 1 billion. The granted financing will be used for investment projects, repayment of debt from previous loans and general corporate needs.
- The Bank has provided a Sustainability-Linked Loan to Iglotex Group, a leading producer and distributor of frozen foods in Poland. The Bank, together with a consortium, has provided the Group with more than PLN 300 million. The new funds will finance ownership changes and support the implementation of new investments. This is the first loan linked to ESG indicators for a food manufacturer in Poland. As part of the consortium, the Bank acts as Sustainability Coordinator and Collateral Agent. This means that it was the Bank's responsibility to support the client in the selection of indicators to assess progress towards a sustainable transformation and to ensure compliance with best market practices. By setting the SLL structure, the Bank supports the Client's strategic ESG ambitions and systematises sustainability management. In the case of Iglotex, the ESG objectives relate to reducing food waste in production and distribution, improving employee safety and integrating ESG criteria into purchasing policies. Progress in these scopes will be reviewed annually between 2023 and 2025. There is also an option to set targets for subsequent years.

ESG Rating-Linked Loan funding

The Bank has implemented ESG Rating-Linked Loan financing for Gdańskie Przedsiębiorstwo Energetyki Ciepłej (GPEC) in the amount of PLN 50 million. The ESG Rating-Linked Loan is a special purpose or investment loan of up to EUR 20 million for SME and Corporate clients, where the margin is correlated with the improvement of the ESG rating score. If the borrower meets the established ESG rating improvement path, a margin reduction mechanism is applied in a given year.

Supporting customers in the energy transition

Our key commitment to environmental responsibility is to support customers in their energy transition. The Bank is continually developing its range of products and services to help customers make the transition to a low-carbon economy and develop their sustainable and green investments.

Implementation of Green Credit

Based on cooperation with the Bank Gospodarstwa Krajowego within the framework of the FENG Operational Programme (European Funds for Modern Economy 2021-2027, Priority 3. Greening of Enterprises, Measure 3.01 Green Credit), the Bank has implemented a product called Green Credit.

The product is aimed at companies in the SME, Small-Mid-Cap and Mid-Cap sectors, intended for the implementation of an environmental investment project aimed at modernising the enterprise leading to a minimum 30% reduction in primary energy consumption. If the project is implemented correctly, the entrepreneur can obtain an environmental bonus from BGK, earmarked for partial repayment of a loan of up to 80% of the project's eligible costs. The programme covers, among other things, the modernisation of production infrastructure, e.g. process lines or building infrastructure, thermo-modernisation, replacement of the heat source and modernisation of other installations. In addition, it is also possible to install renewable energy sources, such as photovoltaic panels, which will contribute to reducing CO2 emissions and the negative impact on the environment. The basis document for the project is an energy audit, 90% of the cost of which can be covered through the Bank, under the Elena initiative. The Ecological Loan is very popular among entrepreneurs, which is why it has become an important element of the Bank's marketing campaign called 'Na biznes we patrzymy szerzej' (We look at business more broadly).

Technical consultancy agreement of 19 October 2022- Climate Action Support Facility ("CASF") Green Gateway Support

In April 2023, a technical consultancy project started, based on an agreement concluded by the Bank with the European Investment Bank (EIB) on 19 October 2022. As part of the agreement, the EIB is offering financial institutions technical advice by an external consultant in addition to financing investments related to climate protection and energy transition.

Technical support is mainly used for the development and creation of new products and services in the Bank and in the leasing company, support of internal processes for financing the energy transition, training, improving the knowledge and competence of employees, and reporting on.

New version of the "Clean Air" ("Czyste Powietrze") Programme

Bank customers can apply for a loan under the new version of the Clean Air Programme. Owners and co-owners of single-family houses or premises separated in such houses who decide to replace the heat source and perform a comprehensive thermo-modernisation can count on a subsidy of up to PLN 99,000. The Bank is one of the first to resume providing financing under the programme under the new rules.

Support for micro farmers

In order to meet the expectations of customers investing in undertakings optimising energy costs on farms, the Bank has prepared attractive financing conditions within the framework of the Unia+ Loan. This is a proposal for farms planning to take advantage of EU subsidies available under the Rural Development Programme and the Strategic Plan for the Common Agricultural Policy. The maximum loan amount is PLN 300 thousand. For transactions up to PLN 200 000, no own contribution is required. Funding can be used for investments in the purchase and installation of photovoltaic cells, heat pumps and other renewable energy sources.



Technologies for customer energy transformation

Carbon footprint calculator for poultry production

The Bank has launched the only greenhouse gas emissions calculator for poultry production on the Agronomist.pl platform, aimed at entrepreneurs in the food&agro sector. The tool enables self-calculation of greenhouse gas emissions from chicken broiler and turkey farming. This is another real help that the Bank is offering agricultural entrepreneurs in their transformation towards a more sustainable way of farming.

Cooperation with Envirly

In line with the GO beyond Strategy 2022-2025, the Bank is consistently strengthening its position as one of the leaders in the provision of ESG-related services and green transformation financing. In this regard, a pilot has been launched whereby selected business customers of the Bank can use the Envirly tool to calculate their carbon footprint. This is the first such pilot in Polish banking.

The initiative will not only enable companies to prepare for the new reporting requirements associated with the CSRD, but also respond to the needs of exporting companies, whose trading partners are increasingly expecting them to report carbon footprint data.

Analysis and assessment of ESG exposures

As part of the development of the ESG analysis and assessment process in the ESG Assessment process for Strategic Clients, we implemented feedback to clients after the analysis with recommendations for implementation to improve ESG assessment in the next analysis, developed questionnaires to clients when ESG reports are not published.

Key figures within the ESG analysis and assessment in H1 2023:

- 14,701 ESG analyses carried out (requirement to implement ESG questionnaires in accordance with EBA/GL/2020/06),
- 203 recommendations and ESG risk assessments issued, including 117 sectoral analyses.

A bank without barriers

At the Bank, we want to create an ecosystem of solutions that provide each of our customers with equal access to banking and the utmost comfort and simplicity in their use. We operate in line with GO beyond's 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 people from vulnerable groups. People with disabilities or seniors can count on being able to find both stationary and online products and services tailored to their needs at our Bank. We regularly review all access channels to our offering for functionality and user-friendliness in accordance with the best WCAG (Web Content Accessibility Guidelines) guidelines.

We adapt Customer Centres architecturally for people with reduced mobility. Our efforts are confirmed by the Integration Foundation, which awards the "Facility without Barriers" certificate to facilities that have implemented facilities for people in wheelchairs, with mobility impairments, who are blind, partially sighted or deaf, and are adapted to the needs of the elderly and people with young children.

On 14 April 2023, the Bank's Customer Centres, for the third time, received recertification from the National Institute of the Senior Economy and OK SENIOR Poland for the years 2023-2025. The certification from the National Institute of the Senior Economy was preceded by the work of auditors who examine whether services meet the needs of mature customers. The OK SENIOR® seal of quality is a guarantee that the products and services awarded with it are reliable, of proven quality and, above all, are characterised by their affordability for the older age group of consumers.

Key achievements in H1 2023:

- 120 Customer Centres with the "Barrier-Free Facility" certificate,
- 195 Customer centres with induction loops,
- 1,934 Connections with sign language interpreter - connection time 93 hours.

Addressing social and environmental themes in communication

Roundtable for the development of sustainable finance in Poland

On 4 April 2023, the third Roundtable meeting was held - as part of a series of discussions between Poland's largest banks and NGOs on the most topical issues in the area of financing the transformation of the economy towards sustainable development. The meeting was organised by BNP Paribas Bank Polska and ING Bank Śląski, under the patronage of the Polish Bank Association, with the WiseEuropa think-tank as the content partner. Special guests of the discussion, which took place in the Bank's headquarters, were representatives of the Ministry of Finance.

The specific topic of the meeting was the role of banks in the development of sustainable finance in Poland, including: the challenges faced by the Polish banking sector in the area of sustainable finance, actions that banks can take to accelerate the development of sustainable finance, and actions that the regulator can take to create an environment conducive to dynamic development issues.

Campaign for the SME and corporate segment to promote energy transformation products for companies

In mid-May, a nationwide campaign "We look at business more broadly" was launched, aimed at SME and corporate clients. Its aim is to further build the Bank's image as an expert bank for business, a leader in sustainable financing for companies and a leading specialist bank in this area. The campaign promotes the offer of six sustainable products:

- Green loan - for energy saving projects or transformation of energy sources to more environmentally friendly ones,
- Eco Company with Profit - a financing programme for energy efficiency in commercial buildings, including audits and expert support, as well as financing opportunities,



- Loan with guarantee BIZNESMAX - a loan secured by a free guarantee from BGK, with interest reimbursed over 3 years, for the implementation of environmentally-friendly investments or for the development of the company,
- ESG Rating-Linked Loan - a credit solution that encourages companies to improve their ESG rating in order to obtain more favourable financing terms,
- Sustainability-Linked Loan - general purpose loan for large companies and large financings, linked to ESG targets for companies that want to improve their ESG indicators,
- Leasing with a bonus EBI - for the purchase of modern, efficient, energy-saving machinery and equipment (also in the AGRO segment), photovoltaic installations, heat pumps, energy storage facilities, electric forklift trucks, a fleet of zero-emission cars and electric car chargers to support modernisation.

Continuation of the "Just a Word" (Wystarczy słowo) public awareness campaign, popularising the use of feminatives

The aim of the campaign is to provoke a broad social discussion on the need for feminatives in the Polish language. The centre of activities in the first half of 2023 was the website wystarczyslowo.pl and the creation of the largest online dictionary of feminatives (more than 1,000 entries) and educational materials, which were consulted by more than 100 thousand people.

Mission Education (Misja edukacja)

We are continuing the interdisciplinary banking project "Mission Education", which spreads knowledge in the community on the topics of finance, ecology, security, entrepreneurship and psychology, and our employees have the opportunity to conduct classes in educational institutions or for senior citizens. As part of the campaign, the next edition of Pocket Mission was launched in H1 2023, which fills a gap in the education 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 and lesson plans. The project is dedicated to parents and educators of children in primary school grades I-VI.

Key achievements of the "Mission Education" campaign:

- 4,773 students from local kindergartens, primary and secondary schools participated in financial education lessons delivered by our staff (January-June 2023),
- 1,724 teachers involved in the project,
- 51,500 financially educated children (March 2022 - June 2023).
- Equality parade
- In June 2023, for the second time as a Bank, we participated in the Equality Parade in Warsaw to show our support for the LGBT+ community. This year, we were joined by staff from BNP Paribas S.A. Branch in Poland and BNP Paribas Cardif.

Community involvement

For years, we have been systemically engaging with local communities. In line with the POSITIVE pillar of the GObeyond Strategy 2022-2025, we aim to ensure that all the Bank's activities have a positive impact on the social and environmental environment, among other things. We want the Bank to be an agent of positive change and a good neighbour, close to local needs. We focus on tackling social exclusion, supporting diversity and financial education. Our social impact is strengthened by the BNP Paribas Foundation and the educational programmes and environmental philanthropy it implements, among others. We also inspire and facilitate employee volunteering.

Our plans and actions:

- strengthening employees' social commitment through volunteering and individual philanthropy and financial education initiatives,
- development of tools to support community involvement, e.g. a volunteering platform,
- strengthening cooperation with NGOs and experts working on climate change, social exclusion and promoting diversity,
- continuation and strengthening of the Foundation's scholarship programmes, e.g. "Class", "Knowledge to the Power".

Actions taken in H1 2023:

- Maintain a high level of employee involvement in the employee volunteering programme - continuing long-standing initiatives i.e. Volunteer Project Competition.
- Bank employee involvement in financial education through the BAKCYL and Mission Education programmes.
- Increased employee involvement in eco-initiatives, encouraged by the Foundation through, among others, the '2 hours for the Earth' campaign. As part of the campaign, announced on Earth Day on 22 April, employees were able to use 2 of the 16 hours allocated for volunteering for eco-volunteering - such as cleaning up their neighbourhood, sowing urban meadows or planting trees.
- Inclusion of a new group of volunteers from companies and subsidiaries of the BNP Paribas group, who can engage in employee volunteering through, among other things, access to the volunteering platform.
- Increased visibility of volunteers outside the organisation by opening channels on the BNP Paribas Foundation's social media: <https://www.linkedin.com/showcase/fundacja-bnp-paribas/>

Key achievements in H1 2023:

- 366 hours as part of the "2 hours for Earth" campaign.
- 964 people registered on the volunteering platform.
- 8,413 hours volunteered.



Sponsorship activities

Our sponsorship policy is designed to build the brand and strengthen brand awareness. Through the sponsorship policy, we create a positive image of the Bank. The direction of sponsorship activities is set by the BNP Paribas Group's global sponsorship strategy. As part of this strategy, we promote the game of tennis. We also promote culture - especially cinema. We sponsor tennis events in Poland, film festivals, cultural, economic and technological events.

Tennis events

The BNP Paribas Group is the largest sponsor of tennis in the world, having supported the sport for 50 years. This is why the Bank prioritises its sponsorship offers for tennis events in Poland. In the first half of 2023, a series of qualifiers for the Bank's employees in the WAT CUP series concluded with a tournament in Warsaw was held in the largest Polish cities. The winning team went on to further competition at the Roland Garros courts in Paris.

Cinema events

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

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

From 28 April to 7 May 2023, the Mastercard OFF Camera International Festival of Independent Cinema - Central Europe's largest festival of independent cinema - took place. The Bank was a strategic partner of the event for the sixth time. This year, we were a partner of the Audience Award, the series of live conversations with the stars of the special screening "Camera ON", the open-air cinema of Szczepanski Square and the film section "Herstories".

During the sixteenth edition of the Mastercard Off Camera International Festival of Independent Cinema, the Female Voice Award, of which the Bank is a partner together with Mastercard, was awarded for the first time. This award recognises courageous and outstanding women of film.

The Bank has also become a partner in the documentary film 'To the Last Drop', directed by Ewa Ewart. It is a story about how irresponsible and ill-considered human actions lead to a water crisis.

Economic events

In H1 2023, the Bank was a partner of the conference:

- 10th Conference for Business Leaders - Cohesive Leadership™ "People and Technology" of the Humanites Institute,
- 15th European Economic Congress (EEC) in Katowice,

- XIII European Financial Congress in Sopot.

Bank of Green Changes

Environmental responsibility is one of the Bank's commitments under the GObeyond Strategy in the POSITIVE pillar. For years, we have been committed to minimising the impacts and tackling climate change. The Bank's Green Changes Programme aggregates all of the organisation's environmental activities.

The Bank of Green Changes programme consists of:

- continuously developing our range of products and services to help our customers make the transition to a low-carbon economy and green investments,
- real changes in the functioning of the organisation (so-called eco-improvements) leading to minimising the negative environmental impact of operations,
- educational activities aimed at employees from all areas of the Bank and external stakeholders, and establishing partnerships and supporting pro-environmental initiatives.

As part of minimising the negative environmental impact of our operational activities. Our priorities are to reduce CO2 emissions, implement new eco-efficiencies in the workplace, use energy from renewable sources and increase the proportion of hybrid and electric cars in the banking fleet.

Actions taken in H1 2023:

- We have been installing photovoltaic panels since October 2021. We currently have 10 sites up and running with a total capacity of 209 kWp, which produced 166.07 MWh by the end of June 2023. In addition, we are finalising the replacement of the lighting with LEDs in the Customer Centres, which we currently have 90% replaced and 100% in the head offices.
- We are gradually replacing our car fleet with vehicles with alternative drives including fully electric cars. Already 47% of the cars in our fleet are alternative propulsion, including: we have 624 hybrid cars and 30 electric cars.
- In the context of alternative means of transport, fully electric bicycles and scooters with complete equipment were put at the disposal of the head office employees for testing. On this occasion, a Bicycle Revolutions event was organised - BNP Paribas Bike Day.
- As part of the spring edition of the Safe Driving Academy BNP Paribas project, we trained a further 50 company car users in safe and eco-friendly driving.
- In H1 2023, we donated 6,332 pieces of office furniture as part of the circular economy and support and cooperation with public benefit institutions.
- In H1 2023, we signed 348 thousand documents electronically at the Bank, i.e. we did not print approximately 850 thousand sheets of paper, resulting in environmental savings in the form of 3.5t of CO2 and 95m3 of water not emitted, equivalent to 22 TiRs of CO2 and 4 cisterns of water respectively.



Pillar STRONGER

Pillar description

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

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

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

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

Activities within the framework of GObeyond's strategy objectives in H1 2023

PILLAR	KEY ACHIEVEMENTS IN H1 2023
#STRONGER	<ul style="list-style-type: none"> Implementing a payment gateway solution for e-commerce clients. Axepta BNP Paribas is the first in Poland to offer the possibility of splitting the amount to be paid into different forms of payment. Unification of online and mobile banking systems for business customers (micro-entrepreneurs and farmers). Ability to operate a business and private account with a single login. Maintaining a clear separation of private and business transactions. Implementation of BLIK payments to business accounts of Micro-Entrepreneurs and Farmers in the GOmobile application. Implementation of electronic credit application for medium and large agricultural enterprises. 203 active robots to support operational processes. 17 deployments in H1 2023, in the areas of credit, accounts, cards, trade finance and compliance. Introducing the Broker ID remote identity confirmation service for SMEs, offered by Autenti, as the first bank in Poland to do so. Implementation of a new integrated CRM system in the retail customer area enabling, among other things, the use of artificial intelligence capabilities. Beginning to use artificial intelligence to determine deposit rates and margins on foreign exchange.

Digitisation and innovation - IT strategy

The IT@Scale strategy addresses both strictly infrastructural and process areas, as well as issues related to the development of employee competencies and the acquisition of IT experts from the demanding external market. All activities are subordinated to the idea of partnership between IT and business units in the model of agile activities, addressing flexible product development and modern, multi-channel customer service.

Implementation of the IT Strategy

In 2022 the Bank launched its GObeyond strategy with the goal of becoming the digital bank of the future; it launched extensive activities in the technology area, formulating them into strategic actions called IT@Scale.

These activities have been grouped into eleven initiatives, the leading one being the GOcore initiative modernising the central system environment, which is the hub of the enterprise architecture, providing services to the entire bank in a 24/7 working model. A comprehensive approach has been applied, taking into account the fact that the environment These activities have been grouped into eleven initiatives, the leading one being the GOcore initiative modernising the central system environment, which is the hub of the enterprise architecture, providing services to the entire bank in a 24/7



working model. A comprehensive approach has been applied, taking into account the fact that the environment consists of many integrated elements. Hence, as part of the GOcore initiative, not only was the modernisation of the central system initiated, but also the target architecture of the payment system, the target architecture of the customer data platform and the delivery of the PoC (Proof of Concept - pilot solution) of the product platform - the repository of all active individual and corporate Customer loans.

Implementation of the IT@ Scale Strategy in H1 2023

INITIATIVE		Deep transformation of the core banking ecosystem (GOcore)
INITIATIVE DESCRIPTION	<p>The transformation of the core banking ecosystem is a comprehensive redesign of the Bank's application architecture in terms of the central system and the directly related systems. The aim of the transformation is to reduce time-to-market, increase the efficiency of IT solutions and reduce operational risk by:</p> <ul style="list-style-type: none"> implementing IT platforms - scalable and re-usable across business domains (in terms of payments, products and Customer data) reducing business logic and dependencies between the central system and other IT systems 	
ACHIEVEMENTS	<ul style="list-style-type: none"> development of MVP concept - first functional scope of Customer360 - multidimensional customer data platform preparation for production implementation in Q3 of the payment processing platform (mass outgoing payments module) 	
INITIATIVE		Increasing the maturity of IT management processes and services (Hyperautomation)
INITIATIVE DESCRIPTION	<p>Improving the maturity of IT management processes and services, through optimization, standardization and automation</p>	
ACHIEVEMENTS	<ul style="list-style-type: none"> development and integration of tools to support IT service management processes, including Service Now and JIRA to increase process transparency and efficiency 	
INITIATIVE		Liquidation of technological debt (GOdata)
INITIATIVE DESCRIPTION	<p>Provide business units with support in delivering a modern, scalable and cost-effective system architecture</p>	
ACHIEVEMENTS	<ul style="list-style-type: none"> development of processes for identifying and managing technological debt launch of first investments in the redevelopment of selected systems to a modular, microservices-based architecture in the Bank's liquidity management area 	

INITIATIVE		Building a data platform (GOdata)
INITIATIVE DESCRIPTION	<p>Improve and implement data solutions to create a scalable and secure cloud-ready platform, providing consistent and integrated data and giving analytical capabilities available to the whole Bank</p>	
ACHIEVEMENTS	<ul style="list-style-type: none"> implementation of the Data Mesh data platform and tools incorporating the use of artificial intelligence for data analysis in the first business units - risk area and finance area 	

INITIATIVE		Building digital competence (Engineering Culture)
INITIATIVE DESCRIPTION	<p>Building the Bank's digital competence through innovative reskilling and upskilling programmes and promoting awareness of new trends and technologies</p>	
ACHIEVEMENTS	<ul style="list-style-type: none"> launch of the "I can do IT" upskilling programme enabling the Bank's employees to start a career path in new technologies as a service desk employee or IT analyst continuation of the upskilling programme on new technologies - UniversITy, whose trainers are internal IT experts - about 30% of the Bank's employees have built digital competencies by participating in the programme 	

INITIATIVE		Cloud transformation (GOcloud)
INITIATIVE DESCRIPTION	<p>Building and consistently deploying a hybrid-multicloud environment based on leveraging the benefits of private and public cloud, to ensure scalability of IT services and access to the latest tools and technologies</p>	
ACHIEVEMENTS	<ul style="list-style-type: none"> implementation work to lay the foundations for public cloud adoption by building Landing Zone configurations for individual cloud platform providers developing and establishing a standardised process for software deployment in the cloud model as support for business application owners on their journey to the cloud 	



Online and mobile banking

In the first half of 2023, the Bank continued the intensive development of remote channels, implementing a number of functionalities aimed at strengthening its competitive position, reducing the cost of providing services and increasing the quality of customer service while ensuring the highest security standards.

In addition, in view of the dynamic political and economic situation, the Bank's activities in the area of online and mobile banking also focused on maximising the support of Customers in remote access to banking services and products.

The Bank has consistently introduced further self-service processes to its e-banking offerings, so that customers can meet their most important needs on a daily basis without having to visit a branch - from applying for additional products to after-sales service - from any device and at their convenience.

Key developments in systems and offerings for retail customers in H1 2023

Payments

- Post-transaction balance in transaction history
- BLIK for micro-entrepreneurs
- Charity transfer (Aid for Turkey/Syria, "Support education of refugee children")
- Online currency exchange in GOMobile

Loans and cards

- New card types - Visa Film Card
- Implementation of Mastercard's „Bezcenne Chwile” programme
- Signing a loan agreement via GOMobile
- Adding the ability to remotely attach documents in the cash loan application process
- Possibility of remote delivery of policies for loans in GOonline

Investments and savings

- Remote process for opening IKZE
- New pensions tab in online banking

Customer details / Customer

- Possibility to sign paperless contracts in branch using GOMobile
- First phase of migration of micro customers from GOonline Business to GOonline/GOMobile
- Changes to customer profile settings in GOMobile/GOonline
- Improvements in the management of consents and limits

Key developments in systems and offerings for retail customers in H1 2023

Accounts and cards

- Promotion for a personal account with the Żabka network via GOMobile
- Remote debit card sales process
- Savings account for new funds

Security

- Improvements in transaction authorisation - TouchID/FaceID in GOMobile

The basis for building development plans in the area of online and mobile banking is the Customers' voice. Regular feedback, e.g. through a customer satisfaction survey, makes it possible to more efficiently identify the advantages and disadvantages of the services offered and to better understand individual Customer needs.

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

Table 14. Retail Customers' data

specification	system name	30.06.2023	30.06.2022
Number of customers/users using online banking	GOonline	713,159	779,336
Average number of transactions per month in the Internet channel	GOonline	3,262,983	3,200,775
Number of customers / users using the mobile application (GOMobile)	GOMobile	1,138,471	1,025,804
Number of customers / users using mobile banking (mobile device)	GOMobile + GOonline	1,262,295	1,177,446
Number of customers / users using only the mobile application (GOMobile)	GOMobile	779,550	678,809
Number of customers/users using only mobile banking (mobile device)	GOMobile + GOonline	896,852	795,538



Key developments in systems and offerings for business customers in H1 2023

- new Deposit module available in GOonline Business with the possibility of setting up negotiated deposits for less than a week (minimum two working days) and defining an individual name for a specific deposit
- making the new Statements module available to all GOonline Business customers, adding a Monthly tab to enable the download of monthly statements, without the need for an additional statement generation order
- making the new Statements module available to all GOonline Business customers, adding a Monthly tab to enable the download of monthly statements, without the need for an additional statement generation order
- expansion of the Payments module in GOonline Business to include management of payment templates, white-list support, PayU/Pay-By-Link payments and standing orders
- adaptation of GOMobile Business to support new payments in GOonline Business
- continuation of activities related to making the new Payments module available to selected customers of the Corporate Banking and SME segments (by the end of June, over 410 companies had used the pilot). Pilot customers can use both the new and the "old" Payments module in ex BiznesPl@net in parallel
- the start of the migration process of selected Micro customers from the GOonline Business system to GOonline in June this year. A total of more than 4.7 thousand companies have been migrated to GOonline

Table 15. Corporate and SME customer data

specification	system name	30.06.2023	30.06.2022
Number of customers actively logging on	GOonline Biznes	137,507	142,930
Average number of transactions per month	GOonline Biznes	6,787,921	6 124,569
Number of customers/mobile application users	GOMobile Biznes	26,196	19,899

Bank cards

In terms of issuing and processing payment cards, BNP Paribas Bank Polska S.A. cooperates with Mastercard and Visa. The card portfolio includes debit cards, credit cards and deferred payment cards.

As at 30 June 2023, the number of cards issued amounted to 2,508.3 thousand, down by 101.1 thousand from the same period last year. The recorded decrease mainly relates to credit cards and is related to the cyclical termination of inactive cards

- The increase in debit cards is mainly due to the Bank's highly popular offer:
 - My Premium Account opening with a dedicated My Premium Card or Multivalue Card,
 - Konto Otwarte na Ciebie (Account Open for You) with the possibility of issuing 4 cards (Karta Otwarta na Dzisiaj (Open Card for Today), Karta Otwarta na eŚwiat (Open Card for the World) and Multi-Currency Card,
 - Family Banking offer - Karta do Dorosłości (Adult Card) issued to persons aged 13-18, Karta Samodzielniaka (Self-dependent Card) and Microcard Samodzielniaka (Micro self-dependent Card) issued to children aged 7-13.
- Within My Premium Account and Open Account for You, in addition to the physical version of the card, a mobile card can also be obtained.

Table 16. Number of bank cards issued by the Bank

thousands of pieces	30.06.2023	30.06.2022	change y/y	
			thousands of pieces	%
Retail customers' debit cards	1,633.8	1,626.2	7.6	0.5%
Retail customers' credit cards	660.0	772.5	(112.5)	(14.6%)
Business debit cards	201.6	197.9	3.7	1.9%
Deferred payment business cards	8.3	7.6	0.7	9.2%
Business credit cards	4.6	5.2	(0.6)	(11.5%)
Total	2,508.3	2,609.4	(101.1)	(3.9%)

Supporting innovation

An Open Innovations Bureau operates in the Bank. It supports product development and increasing innovation and technological sophistication.

The team's main tasks are:

- support the Bank's units in sourcing and testing innovative solutions from startups and scaleups,
- assessing the potential and feasibility of implementing the innovations presented,



- identifying new business models,
- educating and inspiring Bank units on innovative solutions,
- implementing and banking for innovative companies.

The Open Innovations Bureau collaborates with all the Bank's units and with the New Technology and Cyber Security Area. Together, they develop new products and promote the spirit of innovation. The team looks for interesting solutions, follows market trends and then proposes interesting processes and products to the Bank.

To ensure that new products and services respond to the challenges of environmental and social sustainability - the Open Innovations Bureau works closely with the Sustainability Area and the Sustainability Community.

The Bureau's team has developed an Office Hours process for the Bank (a proprietary process for sourcing and adapting innovations), which from 2019, significantly simplifies internal procedures and increases the Bank's chances of sourcing cutting-edge technological solutions. The Bank is constantly evolving to establish business relationships with innovative young companies.

More information can be found at: <https://www.bnpparibas.pl/innowacje/wdrazamy>.

Effects of cooperation with positive impact in H1 2023

Collaboration with start-up EcoBean

From 1 August 2022, we started a pilot collaboration with EcoBean, a startup that recycles coffee grounds into reusable products: straws, cups or pots. The pilot includes the collection of coffee grounds from coffee machines at the Bank's head office at 2 Kasprzaka Street in Warsaw, and as of May 2023, two more Bank locations have joined the pilot: the Prime office building at Grzybowska 78 and Avatar in Kraków. During the first half of 2023, EcoBean collected 2,260 kg of coffee grounds from the Bank, saving us 1,355 kg of CO₂ and giving a second life to coffee grounds.

More information can be found at: <https://ecobean.pl/>

Initiatives to promote innovation

Positive Impact Ecosystem

The Bank has been co-creating the 'Positive Impact Ecosystem' project with the Kozminski Business Hub. In June 2023, the Kozminski Business Hub published another report "Positive Impact Startups. Radical Social Innovation", of which we again became a partner.

The project identified 21 of the most innovative startups that are working towards the UN Sustainable Development Goals. These are companies and organisations that respond to social and environmental challenges and provide a high level of organisational integrity and efficiency.

More information can be found at: <https://kozminskihub.com/raport-startupy-pozytywnego-wplywu/>

We connect entrepreneurs around innovation

We are intensively building the Bank's innovation ecosystem, particularly focusing on building synergies between industry leaders and its adepts working on innovative solutions. This time, we focused on connecting the above-mentioned players on the topic of medical innovation. Around 30 startups and scaleups offering the most interesting, innovative solutions for the medical sector were invited - these companies had 20-minute meetings with six large medical companies that are clients of the Bank. Venture Capital funds and business environment institutions also participated in the event. The initiative received a very positive response from the invited participants.

We help you go abroad - Gulermak & Shibumi International DemoDay

We are joining forces with other entities in the BNP Paribas Group and with our Strategic Partners to support innovative companies from Poland to successfully scale abroad. In April this year, we joined forces with our colleagues from TEB (Turk Ekonom Bankasi) to open up opportunities for selected innovative companies from Poland to gain collaborators abroad through the 'construction' industry leader Gulermak and the investment fund Shibumi International. Out of 45 companies, our partners identified 6, which then presented their technologies and products directly to their colleagues from abroad. The result? Two of the presenting companies, gained the interest of industry leaders from, among others, the United States, whose doors were opened to them by Gulermak and Shibumi. Subsequent discussions led to confirmation of the validity and scalability of the technology, and opened discussions on potential investments.

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

The Open Innovation Office team continues to source and bank innovative companies at various stages of development. In addition to offering financing, we offer young, fast-growing companies a full range of banking products - hitherto only available within Corporate Banking. Our main focus here is on building long-term relationships - both with innovative companies and their investors - and looking for new growth opportunities for them, hence experts in private banking or investment banking have also joined the team developing the initiative. We are already working with more than a hundred innovative companies and their founders. Our goal is to make Bank BNP Paribas the financial institution of first choice for fast-growing innovative companies by 2025.



Cybersecurity

The Bank continued its activities aimed at increasing the level of cybersecurity and building awareness of cyber threats and solutions among employees and customers. Among the activities carried out were webinars and e-learning training for employees and awareness campaigns for customers implemented through the Bank's website and as social media. Following the outbreak of war in Ukraine, the Bank implemented additional cyber security solutions and increased monitoring of ICT infrastructure.

Implementation of the Strategy in H1 2023

INITIATIVE	Secure Tomorrow
INITIATIVE DESCRIPTION	Strengthening the cyber security
ACHIEVEMENTS	<ul style="list-style-type: none"> • expansion of CyberBunker - increasing the number of critical applications protected against cyber attacks by creating isolated copies of data • extending behavioural protection to GOonline e-banking customers, whereby each customer actively using e-banking receives an individual unique behavioural model, on the basis of which additional verification is carried out that e-banking is only used by authorised persons • increase in the level of security of the Bank's infrastructure through the implementation of new Threat Intel tools • expansion of the system detecting fraudulent transactions with new functionalities enabling better protection of customer funds • updating requirements concerning the construction of domain and administrative passwords applicable at the Bank • increasing the security level of web applications by implementing a system that automates the detection and classification of vulnerability risks • maintaining Moody's "BitSight" security rating at 810



Pillar TOGETHER

Pillar description

The Bank is convinced that an engaged and satisfied employee guarantees a high level of customer satisfaction. Therefore, it will be 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, since the middle of last year, the Bank has been promoting values (Transparency, Simplicity, Courage, Collaboration, Empowerment) among its employees, the application of which in our daily work will enable us to respond dynamically to changing market conditions and contribute to the effective realisation of our strategic ambitions.

To ensure a more flexible operation and better alignment of products and services with customers' expectations, the Bank started operating under a new working model, known as Agile@Scale, from the beginning of 2022. This is a modern, agile way of operating with a high level of employee autonomy and decision-making. The number of permanent employees working in this format will be maintained above 1,300.

Actions within the framework of GO beyond strategy objectives in H1 2023

PILLAR	KEY ACHIEVEMENTS IN H1 2023
<p>#TOGETHER People first: we focus on people. An engaged and satisfied workforce guarantees a high level of customer satisfaction. Agile@Scale and a new organisational culture the foundation for a diverse and inclusive working environment based on trust, courage and creativity.</p>	<ul style="list-style-type: none"> Over a year of operating in an Agile@Scale style of working. Tribe objectives integrated with strategy directions. Improved employee satisfaction as measured by eNPS index by 7 points vs June 2022 and by 15 vs March 2022. Strengthening the foundations of the organisational culture through the "Values Meetings" initiative. - team workshops aimed at working out how to implement values into everyday life Building the competencies of the future: 'UniversITy' training in the area of New Technologies and Cyber Security. Supporting employee networks: „Kobiety zmieniające BNP Paribas“ (more than 3 years of activity), „BNP Paribas Pride Poland“, „Tato, masz to jak w banku“, „Wiek Agawy“ - network created by female employees and 50+ employees. Conducting an audit of the organisation in terms of the needs of neuroatypical employees together with the asperIT foundation. Partnership agreement entitled. "INCLU(VI)SION" with the Activation Foundation supporting the employment of people with disabilities. Numerous awards and distinctions, including the title of Top Employer Poland 2023, Honoured on the Diversity IN Check 2023 list.

Good place to work

Agile@Scale operating model

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

The new Agile@Scale operating model was implemented in January 2022 and approximately 1,500 people are covered. The implementation of Agile@Scale required a transformation of the organisational structure resulting in new units of 17 Tribes, 5 IT areas, 60 Products and 58 Chapters. In 2023, we continued the testing of the model, which began in 2022, in the retail distribution network and head office, which goes beyond Agile. The pilot involved approximately 400 employees.

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

- **FASTER** - by responding more quickly to changing customer needs and market conditions, as measured by the change in the Time to Market index, which shows how quickly we are able to implement new solutions
- **BE BETTER** – by providing innovative, high-quality products and services based on customer needs, as measured by an increase in the NPS indicator, which shows how customers recommend the Bank.
- **HAPPIER** – by engaging employees, improving their competencies and attracting and retaining talent. The Pulse Check employee opinion survey shows significant improvements at Bank level for almost all metrics, and Agile@Scale contributes to this. In particular, the eNPS has improved by 1 point from 18 in 2022 to 19 in H1 2023; the engagement index from 77% to 79% in 2023.

In H1 2023, activities focused on optimising manufacturing processes and aligning ways of working between Tribe and other units in the Bank.

In addition, in H1 2023 we expanded Agile@scale to include IT activities for the IT area and a new GOcore Tribe unit was established, responsible for designing and executing a comprehensive transformation of the core banking ecosystem.

Working relationships

We want to build an organisation that is an exceptional place to work, one that provides a high standard of leadership and where employees are aligned around the organisation's core competencies and values. While attracting the best candidates from the market, we also nurture motivation and performance among existing employees. We develop leadership and future competencies among our employees, enabling them to find their way and continuously develop in digital and changing times.



The most important documents formally defining the Bank's personnel policy are:

- Company Collective Labour Agreement for Employees of BNP Paribas Bank Polska S.A. (in H1 2023, 99% of employees were covered by it),
- Employee remuneration policy of BNP Paribas Bank Polska S.A.,
- Regulations of work at BNP Paribas Bank Polska S.A.,
- Remuneration Policy for persons with significant influence on the risk profile of BNP Paribas Bank Polska SA.

Projects and initiatives implemented in the area of human resources management are monitored through cyclical reviews with the area's management team, all projects having their indicators monitored. In addition, key projects in the area of human resources management are presented and discussed by our Bank's Management Board on an ongoing basis. We also employees for feedback on these activities through company-wide surveys and polls. The Bank's employees are informed a minimum of two weeks in advance of major operational changes that could have a significant impact on them.

To adapt the Bank's business model to the changing business environment, a programme of group redundancies for 2021-2023 was announced in December 2020 in consultation with the Trade Unions. In addition, in order to mitigate the social impact of the group redundancies, the Bank agreed with the Trade Unions to pay additional compensation and other elements of social protection, in addition to the statutory severance payments due to the redundant employees, and launched a Voluntary Redundancy Programme. In H1 2023, the Redundancy Programme continued.

99% of employees in the Capital Group and the Bank are covered by collective agreements. The application of the collective agreement was excluded entirely with regard to: employees who are members of the Bank's Management Board, the Chief Accountant and employees delegated to work abroad, persons taking up employment at the Bank on the basis of secondments from other BNP Paribas Group entities and employees under management contracts. The working and employment conditions of these employees are not determined on the basis of other collective agreements. These are determined by individual agreements.

8,232

Employment at the Bank (FTE)

8,370

Employment it the Group (FTE)

Table 17. Employment structure of the Bank and the Group

Employment	FTE numbers		Active employees' number	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Capital Group – total	8,370	8,587	7,873	8,002
Bank total, including:	8,232	8,450	7,740	7,870
Head Office	4,846	4,761	4,619	4,502
Branches	3,251	3,553	2,989	3,235
Mobile Advisors	94	95	91	92
Brokerage Office	36	36	36	36
Trade Unions	5	5	5	5
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	41	38	38	36
BNP Paribas Leasing Services Sp. z o.o.	8	8	8	8
BNP Paribas Group Service Center S.A.	85	81	83	78
Campus Leszno Sp. z o.o.	4	7	4	7
BNP Paribas Solutions Sp. z o.o. in liquidation	-	3	-	3

Data expressed in FTEs have been rounded to the nearest whole unit.

Central employees include all employees in the support areas, Trade Unions and the Brokerage Office.

Branch employees include all employees working in the sales network, consisting of: Retail and Business Banking Regions, Corporate and SME Banking Sales Network Division, Consumer Finance Sales Division and Mobile Advisors.

Excluding technical FTEs, in order to avoid double reporting of employees working in companies and technical FTEs in the Bank or vice versa



Dialogue with employees

We maintain an open, honest, ethical and respectful dialogue with employees. We ensure that information flows quickly and encourage dialogue. We also use internal communication to promote and reinforce the values that guide us on a daily basis. The Bank's high standards for communication with employees are set out, among others, in the BNP Paribas Group Code of Conduct and the GO beyond Strategy 2022-2025.

The priorities of the Bank's internal communications are:

- simple and understandable messages,
- transparent communication, especially on difficult subjects,
- the principle: "employees are the first to know",
- ethical behaviour and consistency with the Bank's values,
- employee development and involvement.

For the convenience of employees and the effectiveness of communication activities, there are more than a dozen communication channels in the Bank. The channels of communication with employees are: Echonet - the bank's intranet, which contains a wealth of useful, continuously updated information, mailings, the Hello newsletter (weekly online magazine), Bonjour magazine (monthly online magazine), webinars, staff meetings with the Management Board, Town hall (also online), screens in head offices, wallpapers, screensavers, pop-ups, videos, podcasts, surveys, polls, opinion polls, quizzes and competitions.

Employee satisfaction survey

At the Bank, we want to know exactly what employees think about working in our organisation. We want to respond quickly and efficiently to the needs and possible challenges raised by employees, which is why we conduct a Pulse Check survey regularly, three times a year. The results go to managers, HR Business Partners and the Management Board.

The survey, conducted in April 2023, had a turnout of 80%, with the highest proportion (over 97%) of positive ratings for the question: "I fully engage in my work to contribute to the success of the company".

eNPS Pulse Check indicator

eNPS	VI 2022	XII 2022	IV 2023
Question: how much do we recommend BNP Paribas Bank as an employer to our friends and family?	12	18	19

We calculate the eNPS indicator based on the answer to the question "How likely is it that you would recommend the BNP Paribas Bank Polska S.A. as an employer to your friends and family?". Each employee responds using an "11-point" scale from 0 to 10. During answering, it is important to keep in mind how individual choices are interpreted:

- choice of ratings from 0 to 6 - means "I am not satisfied with the pro-employee activities offered by the Bank" (critic group),
- choice of ratings 7 or 8 - means "I do not have an opinion on this subject and I find the Bank's pro-employee activities neutral" (indifferent group),
- selection of ratings 9 or 10 - means "I have a positive opinion of the activities implemented for employees at the Bank (promoter group).

Based on these results, the eNPS index is calculated according to the formula: eNPS = % promoters - % critic group.

Our Bank's plans for the upcoming years include simplifying the process of collecting employee voices through surveys and analysis conducted in the organisation. This process will be taken care of by the Employee Voice Team, a cross-functional unit that brings together participants and competencies from different areas. Its role is to listen to, aggregate and learn from employee feedback.

Employee salaries

We implement a rational, sustainable and manageable remuneration policy at the Bank, which is in line with our strategy, accepted level of risk and standards and core values. The policy is based on clear principles and addresses good market practices in terms of remuneration. From the formal point of view, the rules related to remuneration are set by the "Company Collective Labour Agreement" and the "BNP Paribas Bank Polska S.A. Employee Remuneration Policy". In addition, the Bank also has a remuneration policy for individuals who have a material impact on the Bank's risk profile.

The employee bonus system is based on the Management by Objectives (MbO) formula. In practice, this means that an employee's individual bonuses are linked to the level of achievement of objectives - both quantitative and qualitative. The combination of individual and team objectives illustrates the level of expected performance, taking into account the Bank's risk profile and attention to activities in line with the interests of the customer.

The Remuneration Committee and the Nomination Committee support the Supervisory Board in its supervisory duties in human resources management. They monitor and supervise the most important processes - succession plans, professional development of employees, remuneration policy. The committees prepare opinions and recommendations for the Supervisory Board, which include the evaluation of candidates for the Management Board and candidates for the Supervisory Board, the terms and conditions of employment of Management Board members, including the amount of agreed and awarded variable remuneration. The Bank implements a compensation review process (Compensation Review Process) on an annual basis - one of the important criteria considered in this process is reduction of the pay gap, for which dedicated funds are allocated.



Wellbeing and employees health

The Bank's employees are offered attractive benefits and participation in initiatives to look after their health, develop their sport skills and pursue their passions. The benefits on offer have been designed so that relatives of employees can also benefit from them. The benefits offered at the Bank are grouped into four pillars, and their large number and wide range allow us to tailor benefits to the individual needs of each person.

Benefit offer for Bank employees (full-time employees, if not indicated differently).

Pillar: security

- Employee Capital Plans.
- Life and accident insurance for employees and their family members (also for part-time and temporary employees).
- Additional insurance for school-age children.
- Travel insurance.
- Additional insurance in case of cancer.

Pillar: health

- Lux-Med healthcare programme for employees and their relatives (also for part-time and temporary employees).
- MultiSport Plus cards (Employee, Accompanying Person, Kids, Kids Aqua, Student, Senior).
- The Worksmile app, which brings employees together around their passions and sporting activities. The app supports the GOOD programme and allows us to stay in touch while working remotely (also for part-time and temporary employees)
- Health days for all Bank employees, during which we promote healthy lifestyles - exercise and healthy eating (webinars on healthy eating, stationary events: body composition analysis, relaxation sessions and office exercises).
- Influenza vaccinations.
- Refunds for the purchase of glasses.

Pillar: work-life balance

- Action Two Hours for Humanity.
- Action Two Hours for Health.
- MyBenefit Cafeteria System (points top-ups for employees and their children).
- Holiday subsidies for employees and their children.
- Financial assistance from the Company Social Benefits Fund (also for part-time and temporary employees).

- Actions and activities within the framework of the Bank Close Relatives programme (pl. Bank Bliski Bliskim - e.g. parental week).

Pillar: friendly work environment

- Wellbeing programme GOOD (also for part-time and temporary employees).
- Flexible working hours.
- Additional holiday days (additional occasional leave, additional holiday day for taking all current leave in a calendar year, leave for volunteering).
- Promotion of parental holidays.
- Personalised "Szumiś" teddy bears for new-born children of employees.
- Mortgage loans from the Company Social Benefits Fund.
- Offer of discounts and banking products for Bank employees.

The Bank's flagship wellbeing programme is the "Good" programme, which aims to improve awareness of caring for a good quality of life and taking care of oneself, strengthening psycho-physical health, reducing stress, quieting the mind, working with one's emotions taking care of immune system and eating healthy. Employees receive a schedule of meetings every Monday and activities, which include health and stress webinars, psychological support, meetings with nutritionists, as well as talks with a mental coach and massages.

As part of the Lux Med healthcare programme, we pay for employees (employed for at least 0.3 FTE) a healthcare package including, among others, immunizations, occupational medicine examinations, consultations of specialist doctors, laboratory examinations and ambulatory procedures, diagnostic examinations, dental prophylaxis, emergency dental care, rehabilitation, examination package without referral. In addition, under the contract with Lux Med, employees can choose from several packages with a broader range of available services.

Employees development

We want every person employed at the Bank to know and feel that they are working in an organisation that develops professional competence. In addition to job-related mandatory training, which we primarily deliver remotely, we offer a broad package of individual trainings and the possibility of subsidising language learning or studies. We make around 60% of the Bank's annual training budget available to the individual business areas. We believe that decentralisation results in better decisions on the choice of topics for trainees and participants. The training team is divided - in line with the Agile methodology - into development and operations. This speeds up and improves the introduction of new developments and the maintenance of an optimal training and development offer.



In H1 2023:

- 226 people attended individual training sessions,
- more than 25 external group training sessions were held with 482 participants,
- 55 coaching sessions were held for 17 people,
- 68 people individually studied a foreign language,
- 32 people benefited from study funding,
- 56,654 e-learning courses delivered.

These are supplemented by a Central Development Offer, implemented with internal and external specialists, focused on the key competencies of the future - social, technical and cognitive. In H1 2023, we invited employees to 40 training sessions on 22 topics. 660 people attended these training sessions.

We develop the competencies of our employees from day one. Newly recruited employees receive basic general training - "Nice to see you" - as well as initial training in the product range and the use of operating systems.

The Bank's top training initiatives in H1 2023 were:

- 'Value Meetings', a workshop to support the implementation of Organisational Culture, in which 2,485 participants took part in 233 workshop sessions in H1 2023,
- The #MamToDamTo programme, which, among other things, allows for the development of skills in MS Office tools and the use of banking applications. Training also provided knowledge in the areas of Agile and Lean management. In the #MamToDamTo programme, we provide employees with the opportunity to share knowledge and support each other's development. In the first half of 2023, 937 participants attended in 101 training courses on 28 topics.
- UniversITy - IT training with more than 235 participants in the first half of 2023,
- To be Proud - a leadership development programme in the retail network,
- Women Up development programme, Future UP mentoring programme within the "BNP Paribas Women Changers" employee network,
- II edition of the ESG Academy - 122 new students,
- Leader Development Academy (New Born Leaders) - training for people with less than one year of managerial experience. The Academy shapes the leadership attitude desired in the Bank, develops leadership competencies and supports the building of an organisational culture and attitudes in line with our values.

In H1 2023, more than 500 people took part in various development activities. Our employees filled 11,909 places in various types of training groups.

At the Bank, we have also developed separate programmes for our talents. Leaders for Tomorrow is implemented together with the BNP Paribas Group, and the programme is attended by 80 people for whom special events, training and projects are organised to develop their specific competencies.

We are open as well to people who are just considering their career direction. Our Summer Internship Programme at the Bank is addressed to students in at least their second year of university. We want to break down the stereotypes associated with working in the banking industry and show what an exciting place to work can be in a modern, contemporary bank. During the internship, trainees gain knowledge of banking, customer service, new technologies and marketing. Students are invited to participate - remotely, on-site or hybrid - in engaging tasks and projects. For older students - 3rd and 4th year and graduates - we have prepared internship programmes. Their aim is to prepare interns to join our organisation.

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

Table 18. Average number of training hours

	30.06.2023	30.06.2022
Average number of training hours received by employees	17.79	16.60
by gender		
women	18.47	17.62
men	16.48	14.58
by employment category		
Management Board	13.14	9.18
key managers	9.64	-*
managers	18.22	13.32
other employees	17.87	17.00

* In 2022, the average number of training hours by category did not have a recognition for 'key managers'.



A diverse and inclusive workplace

At the Bank, we create a diverse community for a wide range of talents. The inclusive organisational culture, which has been built consistently over the years, increases creativity, drives innovation, opens up to new ideas, markets, customers, builds business advantage, and consequently contributes to the development of employees and the success of the entire organisation. Everyday cooperation is based on trust and respect - we want everyone at our Bank to be able to express themselves, realise their career aspirations and passions, feel valued and have a sense of impact.

81

age of the oldest employee

41

average age of employees

19

age of the youngest employee

40

the longest time of work

Diversity management policy

Since 2016, a "Diversity Management Policy" has been in force for everyone at our Bank, which allows us to promote a working environment focused on respecting and making the most of the potential contained in the differences between employees. According to the Policy, diversity is respected at the Bank in every aspect of workplace management. These principles are strictly respected in recruitment, career development and training. We also do not tolerate any direct or indirect discrimination in employment at the Bank.

An employee, either male or female, who has experienced disrespect towards him/herself or others should contact his/her supervisor or HR Business Partner in the first instance on this matter. If, for various reasons, this is not possible, he or she may also use other channels (as described in the Policy for dealing with breaches regarding respect for others at BNP Paribas Bank Polska S.A.):

- Mailing box: sprawypracownicze@bnpparibas.pl,
- Anonymous reporting (whistleblowing).

All reports are considered by the Employee Relations Team, while cases involving behaviour that may indicate the presence of bullying, discrimination, harassment or sexual harassment - are referred to the Employee Standards of Conduct Committee for consideration.

All reports are analysed with due respect, honestly, fairly and with complete discretion. In line with the latter principle, these cases are not publicised at the Bank and only those directly involved in their investigation have access to them. Due

to the gravity of the allegations made, the Bank's Employee Standards of Conduct Committee was set up twice during the period described. As a result of the Commission's work, the validity of both reports was confirmed. In all cases, the perpetrators of misconduct suffered consequences appropriate to the misconduct and the affected persons received the necessary support.

Diversity & Inclusion (D&I) management is part of GO beyond's business strategy for 2022-2025. In the TOGETHER pillar, we focus on a culture of courage, agency and diversity as a basis for fostering efficiency and creativity. We have also made specific commitments to, among others, a percentage of women on the Management Board of 30%, a gender pay gap of less than 4% by 2025.

Supporting diversity is one of the commitments in the BNP Paribas Group's global Strategy. The Group's Management Board is also involved, with measurable targets cascaded to individual countries. With the help of the Group leaders and Diversity Officers, countries implement their local challenges while respecting local circumstances and supporting the potential of bottom-up employee initiatives.

Bank activities promoting diversity

Since 2016, we have signed and respected the Diversity Charter, an international initiative under the auspices of the European Commission, which commits to prohibiting discrimination and promoting diversity. We have also signed the "BNP Paribas Agreement on Fundamental Rights and Global Social Solutions together with the ILO (International Labour Organisation) Global Business and Disability Network Charter". The document obligates us to respect human rights in our business activities and promote diversity, gender equity and protect health and quality of life at work. Overseeing and coordinating the respect for diversity is task by a person appointed to the dedicated position of Manager/Manager for Diversity and Inclusion Management as well as by two Diversity Officers in our Bank.

Diversity activities are subject to external assessment. In 2023, we were among the leaders (score above 80%) in diversity management for the fifth successful year in a row in the Diversity In Check survey organised by the Responsible Business Forum.

We demonstrate respect for diversity and an inclusive organisational culture at all times - not only towards existing employees, but also towards candidates, in line with the "Principles for the recruitment of employees 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 working for gender equality, equal parental rights, intergenerational dialogue for people 50+, with disabilities, neuroatypical, LGBT+ communities. We regularly conduct anti-discrimination activities and promote D&I standards in the workplace. We have developed an Equal Treatment Decalogue - "See differences, don't discriminate". - a set of rules against discrimination, micro-discrimination and exclusion in the workplace prepared on the basis of a survey exploring perceptions of equal treatment. We organise cyclical events such as Diversity Days, Health Days, Health starts with the head, Parenting Week.



Initiatives to promote partnerships and equal opportunities for women and men in business and in parenting/caring roles:

- BNP Paribas' proprietary 'Women Changing BNP Paribas' development programmes: Women Up and the mentoring programme Future Up,
- "Just a word" marketing campaign, promoting feminatives, the use of which helps to fight stereotypes and fosters equal opportunities between genders, "Where are our patrons" campaign,
- partnership in projects of the ngo sector Vital Voices, Success written with lipstick, Future Collars, 30% Club Poland, Jamias SansElles,
- partnership with the Share the Care Foundation and co-authorship of the guide for employers and working parents "Equal at home equal at work", as well as the publication "Guy for 100 pro" promoting a new dimension of fatherhood, partnership, parental equality,
- Parents' Week and Parents' Academy - improving parenting skills.

Initiatives promoting equal opportunities for people with disabilities as well as neuroatypical people:

- e-learning for managers and employees on the inclusion of people with disabilities,
- a series of films-interviews "People with experience" presenting interviews with employees who face the challenge of disability and want to share this experience with the banking community,
- once a year additional financial benefits for people with disabilities working at the Bank,
- the Inclu(vi)sion partnership to increase employment of people with disabilities (project initiated by the Activation Foundation),
- cooperation with the AsperIT Foundation - awareness campaign, webinars and audit of the organisation's readiness to work with neuroatypical people.

Initiatives supporting LGBT+ community:

- the Bank's participation in the Equality Parade in Warsaw webinar edukacyjne z ekspertami,
- partnership of the action "Business does not exclude - You can be yourself here" campaign (Love does not exclude association initiative),
- community skills training - a dialogue workshop on the topic "Should an employer engage in activities that support the 'LGBT+' community?".

The activities have been recognised, among others:

- we won in the study Brand Trustworthy 2023 (organised by My Company Poland) - in the category All colours of the rainbow - an award for a company that is not afraid to speak about the power of diversity, also concerning support for LGBT+,

- nomination in the gender equality category of the Polish Diversity Awards 2023. The award is given to companies, organisations and individuals who promote diversity, equality and inclusivity both within the organisation and in the business environment.



Financial results

Group financial results

63

Performance of business segments

81



Ewa Marchel-Pałka, Senior Data Management Manager



Group financial results

Consolidated income statement

The BNP Paribas Bank Polska S.A. Capital Group generated a net profit of PLN 947,632 thousand in H1 2023, by PLN 412,223 thousand (i.e., by 77.0%) higher than that achieved in H1 2022. The Group's result from banking activities in the analysed period amounted to PLN 3,552,289 thousand and was higher y/y by PLN 517,761 thousand, i.e., by 17.1%.

The most important events affecting the level of the result from banking activities in H1 2023 and its comparability with the first half of the previous year were the consequences of changes in the macroeconomic situation, including above all the persistently high level of inflation, which accelerated markedly with the outbreak of the war in Ukraine at the end of Q1 2022. These were accompanied by changes in economic and monetary policy and the situation in the financial markets, which had a very significant impact on the determinants of banking activities. The most significant impacts on the Group's results were:

- a high level of interest rates as a consequence of monetary policy tightening by the Monetary Policy Council (hereinafter: MPC). Since 6 October 2021 to the end of September 2022. The MPC made eleven interest rate increases totalling 665 bps, up to 6.75% for the reference rate (in H1 2022 the rate increased from 1.75% to 6.00%, in H1 2023 it remained at 6.75%). Since October 2022 the MPC has kept NBP interest rates unchanged. The higher level of interest rates sustained in H1 2023 had a positive impact on the level of margins realised by banks. The Group's net interest income in H1 2023 amounted to PLN 2,439,313 thousand and was PLN 286,943 thousand, i.e., 13.3% higher y/y,
- negative and lower, compared to H1 2022, result on hedge accounting related to the pace and direction of changes in interest rates. The change in the fair value of hedging transactions is recognised in the result on hedge accounting, which was by PLN 35,854 thousand lower y/y in H1 2023. Interest income from IRS transactions (total on derivatives under fair value hedge accounting and under cash flow hedge accounting) is recognised in net interest income and was in H1 2023 lower by PLN 282,396 thousand y/y,
- less volatility in financial markets in H1 2023 compared to H1 2022, for which the outbreak of the war in Ukraine became a turning point. In H2 2022 the Group changed its derivatives strategy (primarily FX Swaps), which had a significant impact on the trading result. This result in H1 2023 was by PLN 214,421 thousand (i.e. by 79.5%) higher compared to the result realised in the same period of the previous year largely due to an improvement in the result on FX Swaps and the result from the valuation of IRS hedging preferential loans,
- declining in H2 2022 (in line with the deterioration of the macroeconomic situation) and remaining at a relatively low level in H1 2023 (compared with the same period of the previous year) - demand from Individual Customers for credit products. The reduction in demand was associated with a decline in consumption dynamics, reflecting the negative impact of high inflation and interest rates on the level and structure of household spending. This phenomenon was most evident in the case of the PLN mortgage market, where a decrease in customer demand and creditworthiness led to a

significant reduction in sales in H1 2023. The aforementioned factors also influenced the decline in sales of consumer loans in H1 2023 compared to the same period of the previous year, slowing down the growth rate of bank commission and fee income.

Elements of the regulatory environment that had a positive impact on the results of H1 2023 compared to the same period of the previous year included a reduction in the total value of BFG contributions (lower annual contribution to the forced restructuring fund and no quarterly contribution to the bank guarantee fund) as well as no IPS costs. BFG and IPS costs incurred in H1 2023 were by PLN 215,546 thousand (i.e. by 63.4%) lower compared to H1 2022:

As a result, despite inflationary pressures translating into an increase in employment costs and other operating cost categories, total administrative costs and depreciation and amortisation incurred in H1 2023 were by PLN 115,704 thousand i.e. 7.1% lower compared to H1 2022. Costs excluding BFG and IPS costs would only be 7.8% higher compared to H1 2022 (CPI inflation was 11.5% y/y in June 2023).

The factor significantly affecting the level of the Group's net result in H1 2023 continues to be the costs from provisions for legal risk related to foreign currency loans. In H1 2023, these were charged to the Group's results in the amount of PLN 590,412 thousand, up by PLN 367,675 thousand (i.e. by 165.1%) y/y. At the same time, in H1 2023 the Group recognised a deferred tax asset related to concluded mortgage settlements. At the end of H1 2023, the asset amounted to PLN 31.55 million.

The continued good quality of the loan portfolio and the significant change in the macroeconomic outlook had a positive impact on H1 2023 results. The result of the allowance for expected credit losses of financial assets and provisions for contingent liabilities in H1 2023 was positive and amounted to PLN 51,350 thousand (compared to the negative result of PLN 164,727 thousand recorded in H1 2022).

Table 19. Income statement

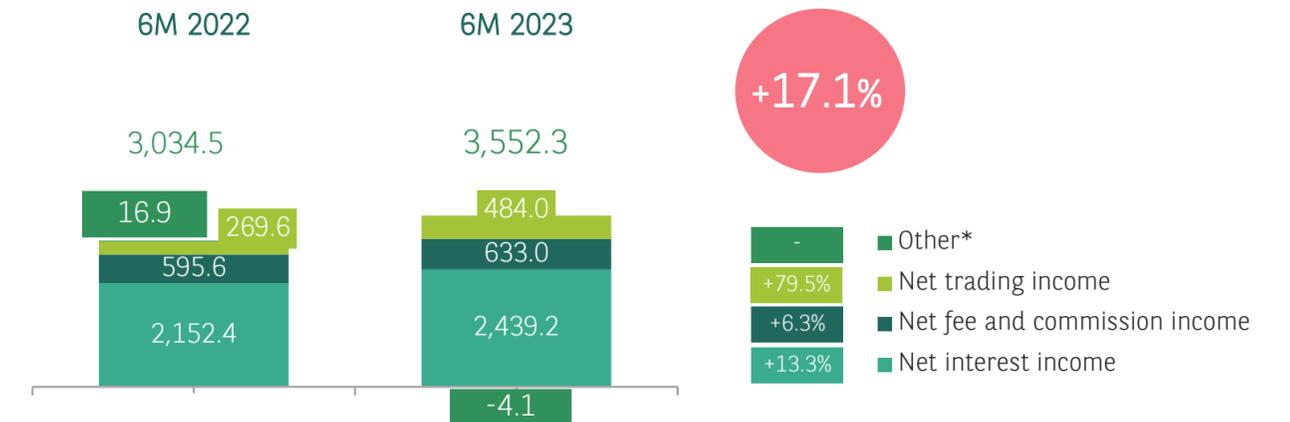
PLN thousand	6 months ended	6 months ended	change y/y	
	30.06.2023	30.06.2022	PLN thousand	%
Net interest income	2,439,313	2,152,370	286,943	13.3%
Net fee and commission income	633,019	595,623	37,396	6.3%
Dividend income	4,198	8,142	(3,944)	(48.4%)
Net trading income	484,031	269,610	214,421	79.5%



PLN thousand	6 months ended 30.06.2023	6 months ended 30.06.2022	change y/y PLN thousand	%
Net investment income	(6,363)	30,501	(36,864)	-
Result on fair value hedge accounting	(16,330)	19,524	(35,854)	-
Result on derecognition of financial assets/liabilities measured at amortised cost due to material modification	11,612	(2,379)	13,991	-
Other operating income and expenses	2,809	(38,863)	41,672	-
Net income on banking activity	3,552,289	3,034,528	517,761	17.1%
Net impairment allowance on financial assets and provisions for contingent liabilities	51,350	(164,727)	216,077	-
Result on provisions for court proceedings related to FX mortgages	(590,412)	(222,737)	(367,675)	165.1%
General administrative expenses	(1,286,747)	(1,419,515)	132,768	(9.4%)
Depreciation and amortization	(223,539)	(206,475)	(17,064)	8.3%
Operating result	1,502,941	1,021,074	481,867	47.2%
Tax on financial institutions	(202,535)	(202,768)	233	(0.1%)
Gross profit	1,300,406	818,306	482,100	58.9%
Income tax	(352,774)	(282,897)	(69,877)	24.7%
Net profit	947,632	535,409	412,223	77.0%
Net profit excluding the impact of credit holidays	929,812	535,409	394,403	73.7%

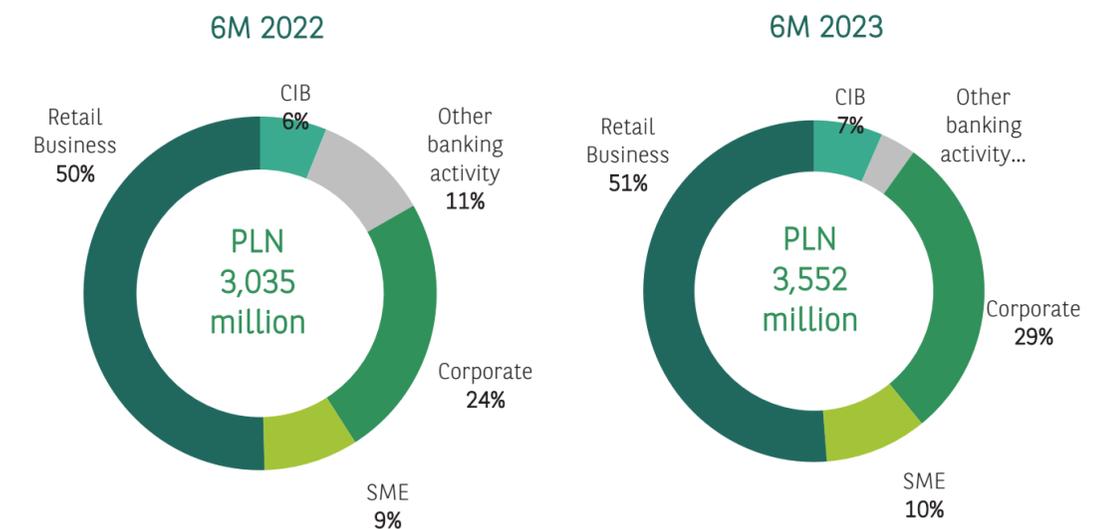
Note: Due to rounding, individual values in the tables and graphs of this Report may not add up.

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



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

Chart 14. Net income on banking activity by segments



The changes in the structure of the banking result by segment presented in the charts above are, among other things, the result of a significant improvement in interest income in the Corporate Banking, SME and CIB Divisions.



Net interest income

Net interest income, which is the Group's main source of revenue, amounted to PLN 2,439,313 thousand in H1 2023 and was higher y/y by PLN 286,943 thousand, i.e. by 13.3%. In H1 2023, compared to H1 2022, interest income was higher by PLN 1,745,752 thousand, i.e. by 57.4%, while interest expense increased by PLN 1,458,809 thousand, i.e. by 163.9%.

A significant external factor influencing the increase in the level of interest income and interest expenses in H1 2023 compared with H1 2022 was the policy of the National Bank of Poland's basic interest rates. Since October 2021 to September 2022, the Monetary Policy Council made eleven interest rate increases totalling 665 bps, up to 6.75% for the reference rate (in H1 2022 the rate increased from 1.75% to 6.00%, in H1 2023 it remained at 6.75%). In July 2023, NBP President Adam Glapinski announced the end of the interest rate hike cycle and the expected start of interest rate cuts in 2023, provided that single-digit inflation is recorded with some downward trend. An estimate of the sensitivity of the Group's interest income to changes in interest rates is presented in Note 52 of the Half-Year Consolidated Report.

Table 20. Net interest income

PLN thousand	6 months ended 30.06.2023	6 months ended 31.12.2022	change y/y	
			PLN thousand	%
Receivables from banks	276,203	107,416	168,787	157.1%
Loans and advances to customers measured at amortised cost	3,583,520	2,338,595	1,244,925	53.2%
Loans and advances to customers at fair value through profit or loss	44,815	35,407	9,408	26.6%
Debt instruments measured at amortised cost	343,893	297,648	46,245	15.5%
Debt instruments measured at fair value through profit or loss	3,658	3,701	(43)	(1.2%)
Debt instruments measured at fair value through other comprehensive income	304,193	138,851	165,342	119.1%
Derivative instruments in fair value hedge accounting	183,597	114,784	68,813	59.9%
Derivative instruments in cash flow hedge accounting	5,766	5,735	31	0.5%
Buy-sell-back securities	42,311	67	42,244	63,050.7%
Interest income, total	4,787,956	3,042,204	1,745,752	57.4%
Amounts due to banks	(321,515)	(185,055)	(136,460)	73.7%

PLN thousand	6 months ended 30.06.2023	6 months ended 31.12.2022	change y/y	
			PLN thousand	%
Debt securities issued	(3,154)	(8,935)	5,781	(64.7%)
Amounts due to customers	(1,353,062)	(370,287)	(982,775)	265.4%
Lease liabilities	(14,522)	(6,136)	(8,386)	136.7%
Derivative instruments in fair value hedge accounting	(630,699)	(293,105)	(337,594)	115.2%
Derivative instruments in cash flow hedge accounting	(22,970)	(9,324)	(13,646)	146.4%
Sell-buy-back securities	(2,721)	(15,821)	13,100	(82.8%)
Other related to financial assets	-	(1,171)	1,171	-
Interest expenses, total	(2,348,643)	(889,834)	(1,458,809)	163.9%
Net interest income	2,439,313	2,152,370	286,943	13.3%

As a result of the increase in interest rates described above, the profitability of loan products in H1 2023 was higher compared to H1 2022. The 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 3,628,335 thousand in H1 2023 and was higher by PLN 1,254,333 thousand, i.e. by 52.8%, than the income realised in H1 2022.

Among the factors that positively influenced the level of interest income in H1 2023 compared to H1 2022, one should also mention the increase in the scale of operations and, as a result, the increase in the average value of the securities portfolio (interest income on debt instruments measured at amortised cost and at fair value increased in the analysed period by a total of PLN 211,544 thousand, i.e. by 48.1%).

Due to the differences in the level of market interest rates between H1 2023 and H1 2022, the cost of acquiring deposits has increased. This process has been slower than the increase in loans profitability due, among other things, to the significant, however declining, share of current deposits in total deposits acquired from customers (at the end of H1 2023 it amounted to 63.3% compared to 71.2% at the end of H1 2022), which is of particular importance in the case of deposits accumulated in current accounts of Individual Customers.

The cost of interest on liabilities to customers amounted to 1,353,062 thousand in H1 2023 and was higher by PLN 982,775 thousand, or 265.4 %, than the cost incurred in H1 2022.



The level of interest income is affected by the Group's use of fair value hedge accounting and (to a much lesser extent) cash flow hedge accounting. The change in the fair value valuation of hedging transactions is recognised in the result on hedge accounting. Interest on IRS transactions and hedged items are recognised in net interest income. Net interest income on hedging relationships (the sum of interest income and interest expense on derivatives under fair value and cash flow hedge accounting) was negative in H1 2023, amounting to PLN 464,306 thousand, compared to a negative impact of PLN 181,910 thousand in H1 2022 (a negative impact increase of PLN 282,396 thousand y/y).

As a result of the enactment of the Act on Crowdfunding for Business Ventures and Assistance to Borrowers (the "Act"), allowing customers to suspend the repayment of their PLN mortgage contracts between 1 August 2022 and 31 December 2023 (the "moratorium"), based on the observed and projected number of moratorium requests, the Bank recognised in H2 2022 an amount of PLN 895 million of negative impact on gross profit and reduced the gross carrying amount of loans by this amount.

Based on data on customers' use of the option to suspend repayment of contracts, in H1 2023, the Bank revised its estimates and adjusted the impact of the holidays recognised in 2022 by PLN 22 million. This adjustment had a positive impact on net interest income in H1 2023. For more detailed information, see note 7 Estimates of the Consolidated Half-Year Report.

Net fee and commission income

The Group's net fee and commission income in H1 2023 amounted to PLN 633,019 thousand and was by PLN 37,396 thousand (i.e. by 6.3%) higher than that achieved in H1 2022. This increase was possible primarily due to higher transactional activity of Clients (cards and payments) and the increased importance of servicing large Corporate Clients.

Fee and commission income amounted to PLN 760,485 thousand and was higher by PLN 36,765 thousand (i.e. by 5.1%) compared to H1 2022, while commission expenses amounted to PLN 127,466 thousand and were lower by PLN 631 thousand (i.e. by 0.5%).

The increase in fee and commission income concerned mainly:

- debit and credit card processing by PLN 35,568 thousand, i.e. by 21.7% primarily due to settlements relating to cooperation with Mastercard and Euronet. In addition, as a result of the increasing number of debit cards and card transactions, revenues related to the maintenance and use of debit cards, revenues from currency conversions and interchange fees increased,
- intermediation in the sale of insurance products by PLN 19,082 thousand, i.e. by 25.3% (inter alia, due to higher revenues from cooperation with Cardif and from mortgage and cash loan insurance),
- other commissions by PLN 12,510 thousand, i.e. by 164.6% (primarily an increase in revenue for advisory services related to M&A transactions delivered by the CIB line, lower costs of provisions for unpaid commissions, higher commissions for bond issues and acting as securities agent),
- from guarantee liabilities and documentary operations by PLN 7,275 thousand, i.e. by 26.4% (as a result of higher commission income from Corporate Clients and CIB),

- lending and leasing activities by PLN 6,517 thousand, i.e. by 4.0% (inter alia due to higher revenues from transactions with large Corporate Clients).
- transfers and e-banking services by PLN 5,123 thousand, i.e. by 11.0% (as a result of higher commission income from foreign and domestic transfers resulting from, among other things, an increase in the volume of payments made by businesses),

The decrease in fee and commission income related primarily to:

- asset management and brokerage operations by PLN 23,534 thousand, i.e. by 31.7% (primarily due to lower revenues from the sale of IBV certificates and for the management and sale of investment fund units),
- account servicing by PLN 19,607 thousand, i.e. by 14.7% (inter alia as a result of lower income from fees for high balances on business accounts).

The decrease in commission and fee expenses resulted from a lower by PLN 5,140 thousand costs of electronic banking transfers and services (due to no costs of provisions for complaints related to the functioning of electronic banking in H1 2023, comparable to the same period of the previous year), with a simultaneous increase in the costs of debit and credit card services by PLN 2,273 thousand, i.e. by 4.2% (due to higher costs of commissions paid to organisations and entities servicing card transactions).

Table 21. Net fee and commission income

PLN thousand	6 months ended	6 months ended	change y/y	
	30.06.2023	30.06.2022	PLN thousand	%
Fee and commission income				
lending and leasing activity	171,300	164,783	6,517	4.0%
accounts servicing	114,071	133,678	(19,607)	(14.7%)
cash service	17,046	21,812	(4,766)	(21.9%)
cash transfers and e-banking	51,801	46,678	5,123	11.0%
guarantees and documentary operations	34,832	27,557	7,275	26.4%
asset management and brokerage services	50,712	74,246	(23,534)	(31.7%)
payment and credit cards servicing	199,133	163,565	35,568	21.7%
intermediation in the sale of insurance products	94,563	75,481	19,082	25.3%
intermediation in the sale of Bank's products and acquisition of customers	6,915	8,318	(1,403)	(16.9%)



PLN thousand	6 months ended 30.06.2023	6 months ended 30.06.2022	change y/y PLN thousand	%
other commissions	20,112	7,602	12,510	164.6%
Fee and commission income, total	760,485	723,720	36,765	5.1%
Fee and commission expenses, total				
lending and leasing activity	(252)	(91)	(161)	176.9%
accounts servicing	(4,783)	(4,644)	(139)	3.0%
cash service	(12,131)	(11,966)	(165)	1.4%
cash transfers and e-banking	(1,323)	(6,463)	5,140	(79.5%)
asset management and brokerage services	(2,926)	(2,626)	(300)	11.4%
payment and credit cards	(56,418)	(54,145)	(2,273)	4.2%
intermediation in the sale of insurance products	(12,401)	(11,480)	(921)	8.0%
intermediation in the sale of Bank's products and acquisition of customers	(10,735)	(11,984)	1,249	(10.4%)
other commissions	(26,497)	(24,698)	(1,799)	7.3%
Fee and commission expenses, total	(127,466)	(128,097)	631	(0.5%)
Net fee and commission income	633,019	595,623	37,396	6.3%

Dividend income

Dividend income in H1 2023 amounted to a total of PLN 4,198 thousand and resulted from the profits of companies for 2022 in which the Group held a minority interest, i.e.: among others, Biuro Informacji Kredytowej S.A. (PLN 1,856 thousand) or VISA (PLN 452 thousand).

Dividend income in H1 2022 amounted to PLN 8,142 thousand and came from the profits of companies for 2021 in which the Bank held a minority interest, i.e.: among others, Biuro Informacji Kredytowej S.A. (PLN 3,726 thousand), Krajowa Izba Rozliczeniowa S.A. (PLN 1,543 thousand), VISA (PLN 19 thousand).

Net trading income and result on investment activities

Net trading income in H1 2023 amounted to PLN 484,031 thousand and was higher by PLN 214,421 thousand, i.e. by 79.5% y/y. The level and volatility of this result are mainly shaped by the result on foreign exchange and derivative transactions

with clients, the result on transactions concluded by CIB and the Asset and Liability Management Division and the valuation of equity instruments.

The increase in net trading income in H1 2023 compared to the same period of the previous year was mainly due to a change in the derivatives strategy and a significant improvement in the result on FX swaps concluded within the Asset and Liability Management Division as well as a higher valuation of transactions hedging the valuation of the loan portfolio measured at fair value by 45,715 thousand PLN.

The result on equity instruments at fair value through profit or loss in H1 2023 was positive at PLN 19,282 thousand, compared to negative: PLN 10,453 thousand in the same period last year.

In addition, an improvement in the margin on foreign exchange and derivative transactions with customers, related, among other things, to higher business activity compared to H1 2022, contributed to the increase in net trading income. This result in H1 2023 was PLN 11,916 thousand (i.e. 3.2% y/y) higher than that obtained in the corresponding period of 2022.

The result on investment activities in H1 2023 was negative and amounted to PLN 6,363 thousand, compared to a positive result of PLN 30,501 thousand in the same period last year.

The decrease in the result on investment activities was mainly related to the negative result on valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which was lower by PLN 36,874 thousand compared to the same period of the previous year.

Other operating income

Other operating income in H1 2023 amounted to PLN 119,672 thousand and was higher by PLN 7,830 thousand, i.e. by 7.0% compared to H1 2022.

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

- higher by PLN 7,193 thousand (i.e. by 19.8%) revenue from the release of provisions for litigation and other liabilities primarily as a result of the release of the amount of PLN 26,626 thousand of the provision created in 2020 for the penalty imposed by the Office of Competition and Consumer Protection (UOKiK) in connection with declaring certain provisions of the contractual standard concerning the determination of exchange rates (the so-called anti-spread annex) to be unauthorised as a result of the Court of Appeal's judgment of 12 May 2023. At the same time, the y/y difference was reduced by the fact that in H1 2022 revenue from the release of provisions as a result of the termination of former cases concerning 3 corporate clients was booked. The associated higher level of other operating expenses in H1 2022 can be seen in the Other operating expenses category,
- higher by PLN 7,377 thousand (i.e. by 36.2%) other operating revenue,
- higher by PLN 3,311 thousand (i.e. by 380.1%) profit from sales of goods and services,
- lower by PLN 4,030 thousand (i.e. by 69.8 %) income from the release of impairment losses on other receivables,



- lower by PLN 3,958 thousand (i.e. by 54.4%) revenue from the sale or liquidation of tangible or intangible assets.

Table 22. Other operating income

PLN thousand	6 months ended 30.06.2023	6 months ended 30.06.2022	change y/y PLN thousand	%
Sale or liquidation of property, plant and equipment and intangible assets	3,312	7,270	(3,958)	(54.4%)
Release of impairment allowances for other receivables	1,747	5,777	(4,030)	(69.8%)
Sale of goods and services	4,182	871	3,311	380.1%
Release of provisions for litigation and claims and other liabilities	43,553	36,360	7,193	19.8%
Recovery of debt collection costs	9,735	9,321	414	4.4%
Recovered indemnities	259	223	36	16.1%
Leasing operations	29,134	31,647	(2,513)	(7.9%)
Other operating income	27,750	20,373	7,377	36.2%
Other operating income, total	119,672	111,842	7,830	7.0%

Other operating expenses

Other operating costs in H1 2023 amounted to PLN 116,863 thousand and were lower by PLN 33,842 thousand (i.e. by 22.5%) compared to the corresponding period in 2022.

The level of other operating costs was mainly influenced by:

- lower by 16,006 thousand (i.e. 25.9%) other operating expenses. The higher costs in H1 2022 were due to the termination in Q1 2022 of former cases concerning 3 corporate clients, the related higher level of other operating income in H1 2022 can be seen in the category Release of provisions for litigation and other liabilities. The decrease in the y/y difference was influenced by the fact that the final amount of the penalty imposed by the Office of Competition and Consumer Protection (OCCP) in connection with declaring certain provisions of the contractual standard concerning the determination of exchange rates (the so-called "anti-spread annex") illegal as a result of the Court of Appeal ruling of 12 May 2023 (PLN 6,656 thousand) was booked in this item,
- lower by PLN 8,742 thousand (i.e. by 29.6%) costs of provisions for litigation and other liabilities,

- lower by PLN 6,154 thousand (i.e. by 65.3%) costs of sale or liquidation of fixed assets, intangible assets,
- lower by PLN 3,936 thousand (i.e. by 63.6%) costs due to impairment losses on other receivables created,
- lower by PLN 3,099 thousand (i.e. by 13.8%) costs from leasing activities.

Table 23. Other operating expenses

PLN thousand	6 months ended 30.06.2023	6 months ended 30.06.2022	change y/y PLN thousand	%
Costs of sale or liquidation of fixed assets, intangible assets	(3,270)	(9,424)	6,154	(65.3%)
Due to impairment losses on other receivables created	(2,256)	(6,192)	3,936	(63.6%)
Due to provisioning for litigation and other liabilities	(20,792)	(29,534)	8,742	(29.6%)
From debt collection	(19,582)	(16,714)	(2,868)	17.2%
From donations made	(4,464)	(3,687)	(777)	21.1%
Costs from leasing activities	(19,390)	(22,489)	3,099	(13.8%)
Costs relating to damages, penalties and fines	(1,404)	(954)	(450)	47.2%
Other operating expenses	(45,705)	(61,711)	16,006	(25.9%)
Total other operating expenses	(116,863)	(150,705)	33,842	(22.5%)

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

Net allowances on expected credit losses of financial assets and provisions for contingent liabilities in H1 2023 was positive and amounted to PLN 51,350 thousand. Its impact on the Group's results was positive compared to a negative impact of PLN 164,727 thousand in H1 2022 (i.e. +PLN 216,077 thousand).

Taking into account the main operating segments:

- Retail and Business Banking segment recorded an improvement in the negative result by PLN 186,781 thousand (-PLN 43,470 thousand),
- SME Banking segment a positive result and an improvement of the result by PLN 11,441 thousand (+PLN 38,147 thousand),



- Corporate Banking segment (including CIB) a positive result and an improvement of the result by PLN 15,149 thousand (+ PLN 58,017 thousand),
- the other banking activities segment recorded a negative result and an improvement in the result by PLN 2,707 thousand (-PLN 1,344 thousand).

In H1 2023, the materialisation of the cost of risk remained low, influenced by the good quality of loan servicing and the related level of Phase 3 entries. At the same time, the net allowances on expected credit losses of financial assets and provisions for contingent liabilities was significantly affected by realised recoveries on the individually valued impaired portfolio. In particular, significant repayments were realised on two institutional customers, in the amount of PLN 37,130 thousand in Q1 2023 and in the amount of PLN 45,944 thousand in Q2 2023.

In H1 2023, as a part of adjusting the level of provisions to expectations of the future macroeconomic situation, the level of provisions decreased by PLN 35,815 thousand (including a release of PLN 63,581 thousand in Q1 2023 and an addition of PLN 27,766 thousand in Q2 2023) as a result of updating the forecasts of macroeconomic variables included in the IFRS model.

The higher cost of risk in H1 2022 was mainly due to the creation of provisions for potential future materialization of risk (release of provisions related to the negative effects of COVID-19 in the amount of PLN 200,130 thousand, creation of provisions for the impact of economic forecasts in the amount of PLN 245,036 thousand, and reviewing the loan portfolio to identify customers who are particularly vulnerable to economic disruption and the related creation of provisions in the amount of PLN 84,905 thousand).

In H1 2023 the Group entered into agreements for the sale of a portfolio of loans from the retail and SME portfolios. The gross carrying amount of the sold portfolio measured at amortised cost was PLN 106,560 thousand, the amount of impairment losses recognised was 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 from the sale of the portfolios amounted to PLN 10,590 thousand and is presented in the line net allowances on expected credit losses of financial assets and provisions for contingent liabilities.

In H1 2022 the Group entered into agreements for the sale of a portfolio of loans from the retail, SME and corporate portfolios. The gross carrying amount of the sold portfolio measured at amortised cost was PLN 227,708 thousand, the amount of impairment losses recognised was PLN 184,938 thousand. The contractual price for the sale of these portfolios was set at PLN 58,181 thousand. The net impact on the Group's result from the sale of the portfolios amounted to PLN 15,411 thousand and is presented in the line net allowances on expected credit losses of financial assets and provisions for contingent liabilities.

The cost of credit risk, expressed as the ratio of the result from allowances to the average gross loans and advances to customers, measured at amortized cost (calculated on the basis of balances at the end of the quarters), was positive and amounted to +0.11% in H1 2023, compared to a negative value of -0.37% in H1 2022. It is estimated that without taking into account the impact of the sale of receivables, the cost of risk would have been +0.09% in H1 2023 and -0.40% in H1 2022.

General administrative expenses, depreciation and amortization

The Group's general administrative expenses (including depreciation and amortization) for the first half of 2023 amounted to PLN 1,510,286 thousand and were lower by PLN 115,704 thousand, i.e. by 7.1%, compared to the same period last year.

The y/y decrease in costs was influenced by the fee incurred in H1 2022 for the Institutional Protection Scheme (IPS) in the amount of PLN 188,017 thousand. In June 2022, a company was established in which the Bank is a shareholder. Within the company, an Assistance Fund was established to finance the tasks of the system.

Table 24. General administrative expenses, depreciation and amortization

PLN thousand	6 months ended	6 months ended	change y/y	
	30.06.2023	30.06.2022	PLN thousand	%
Employee benefit costs	(696,834)	(630,717)	(66,117)	10.5%
Marketing costs	(35,269)	(52,909)	17,640	(33.3%)
IT and telecommunications costs	(121,703)	(116,751)	(4,952)	4.2%
Short-term leasing and operating expenses	(41,755)	(32,217)	(9,538)	29.6%
Other material costs	(236,767)	(211,413)	(25,354)	12.0%
Business travel	(7,353)	(5,066)	(2,287)	45.1%
ATM and cash handling costs	(13,227)	(13,100)	(127)	1.0%
Outsourcing costs in the leasing business	(1,727)	(1,398)	(329)	23.5%
Fees for the Bank Guarantee Fund	(123,909)	(151,713)	27,804	(18.3%)
Fees for the Commercial Bank Protection System	(275)	(188,017)	187,742	(99.9%)
Fee for supervision costs (KNF)	(7,928)	(7,213)	(715)	9.9%
Fee for the Borrower Support Fund	0	(9,001)	9,001	-
Administrative overhead, total	(1,286,747)	(1,419,515)	132,768	(9.4%)
Depreciation	(223,539)	(206,475)	(17,064)	8.3%
Total costs	(1,510,286)	(1,625,990)	115,704	(7.1%)



Costs of fees for the BFG, charged to the Bank's expenses in H1 2023, amounted to PLN 123,909 thousand and were lower by PLN 27,804 thousand compared to the first half of the previous year, including:

- annual contribution to the banks' forced restructuring fund - PLN 123,909 thousand (PLN 125,919 thousand in H1 2022);
- the contribution to the banks' guarantee fund in Q1 2022 amounted to PLN 25,794 thousand; the BFG decided to suspend its collection from Q2 2022, hence the Bank did not pay this contribution also in H1 2023.

In H1 2023, the Bank did not incur costs related to the fee for the Borrowers' Support Fund, while in the same period last year these costs amounted to PLN 9,001 thousand.

Increases in the level of costs y/y were recorded in the following categories:

- personnel costs - an increase of PLN 66,117 thousand, i.e. by 10.5% - mainly related to the cost of basic salaries, which increased from March 2023, which also translates into an increase in the cost of bonuses and salary surcharges. The increase in costs was partly offset by an increase in the capitalisation of salaries of employees involved in development work at the Bank;
- other material costs - an increase of PLN 25,354 thousand, of which:
 - consultancy services provided by the Group increased by PLN 11,607 thousand (PLN 37,055 thousand in H1 2023 vs PLN 25,448 thousand in H1 2022),
 - legal services costs increased by PLN 5,031 thousand y/y, which is mainly related to litigation related to CHF loans (PLN 30,995 thousand in H1 2023 vs PLN 24,829 thousand in H1 2022),
 - notary and court fees increased by PLN 3,314 thousand (increase mainly related to CHF loans: PLN 13,677 thousand in H1 2023 and PLN 10,217 thousand in H1 2022),
 - material costs incurred by the leasing company higher by PLN 4,801 thousand due to the increase in the scale of operations;
- short-term lease and operating expenses for the first half of 2023 amounted to PLN 41,755 thousand and were higher by PLN 9,538 thousand, i.e. by 29.6%, compared with the same period of the previous year, which was influenced by higher utility costs by PLN 7,319 thousand;
- IT and telecommunication costs - an increase of PLN 4,952 thousand, i.e. by 4.2%, as a result of an increase in the costs of service contracts for IT software and hardware and an increase in costs related to cyber security in connection with the war in Ukraine.

A decrease of PLN 17,640 thousand y/y was recorded in marketing costs, which is mainly due to a reduction in costs for promotion and advertising in the media and the organisation of events and meetings.

Depreciation and amortization expenses in H1 2023 amounted to PLN 223,539 thousand and were higher compared to H1 2022 by PLN 17,064 thousand, i.e., by 8.3%. This increase was mainly due to the Bank's continued transformation and digitalisation and the capital expenditure incurred for this purpose. Depreciation and amortisation costs at Group companies remained at a comparable y/y level.

Investment expenditure of the Bank for the six months of 2023 amounted to PLN 152,611 thousand and was higher by PLN 27,334 thousand, i.e. by 21.8%, compared to the same period of the previous year. The volume of capital expenditure is adapted to the Bank's current needs and capabilities. All projects are analysed from the point of view of rationality and impact on the financial and business situation of the Bank and the Group.

Statement of comprehensive income

The Group's total income in H1 2023 was PLN 1,351,505 thousand compared to a negative PLN -175,335 thousand in H1 2022 (an improvement of PLN 1,526,840 thousand).

This was the result of a positive valuation of financial assets measured by other comprehensive income (PLN 456,295 thousand in H1 2023 vs PLN -766,046 thousand in H1 2022). This improvement is related to a change in market expectations of interest rate levels.

The second element that improved the Group's total income was the net profit, which at the end of H1 2023 was higher by PLN 412,223 thousand (i.e. by 77.0%) compared to the end of H1 2022.

Table 25. Statement of comprehensive income

PLN thousand	6 months ended		change y/y	
	30.06.2023	30.06.2022	PLN thousand	%
Net profit	947,632	535,409	412,223	77.0%
Other comprehensive income				
Items that may be reclassified into profit or loss when certain conditions are met	404,169	(711,255)	1,115,424	(156.8%)
Valuation of financial assets at gross other comprehensive income	456,295	(766,046)	1,222,341	(159.6%)
Deferred tax on valuation of financial assets measured through other comprehensive income, gross	(86,696)	145,549	(232,245)	(159.6%)
Valuation of gross cash flow hedging derivatives	42,679	(112,047)	154,726	(138.1%)
Deferred tax on valuation of gross cash flow hedging derivatives	(8,109)	21,289	(29,398)	(138.1%)
Items that cannot be reclassified into profit or loss	(296)	511	(807)	(157.9%)
Gross actuarial valuation of employee benefits	(365)	631	(996)	(157.8%)



PLN thousand	6 months ended 30.06.2023	6 months ended 30.06.2022	change y/y PLN thousand	%
Gross deferred tax on actuarial valuation of employee benefits	69	(120)	189	(157.5%)
Other comprehensive income (net)	403,873	(710,744)	1,114,617	(156.8%)
Total comprehensive income	1,351,505	(175,335)	1,526,840	(870.8%)

Statement of financial position

Assets

The Group's total assets as at the end of H1 2023 amounted to PLN 150,561,628 thousand, down by PLN 955,441 thousand, or 0.6%, compared to the end of 2022.

The most significant change in the Group's asset structure compared to year-end 2022 was a decrease in the share of the loan portfolio by 0.6 p.p. (sum of portfolios measured at amortised cost and at fair value) and securities by 2.2 p.p., with a corresponding increase of 2.8 p.p. in cash and funds at the Central Bank.

The Group's asset structure was dominated by loans and advances to customers (the sum of portfolios measured at amortised cost and at fair value), which accounted for 58.8% of total assets at the end of H1 2023, compared to 59.4% at the end of 2022. The decrease in net loans and advances volume amounted to PLN 1,466,421 thousand or 1.6% and concerned both the Individual Customers portfolio, which decreased by 3.5% compared to the end of 2022 (mortgage loans decreased by 5.3%) as well as the institutional customers portfolio (-0.3%).

The second largest asset item was securities, which at the end of H1 2023 represented 24.1% of total assets (end 2022: 26.3%). As at 30 June 2023, their value decreased by PLN 3,542,511 thousand (i.e. by 8.9%) compared to the end of 2022. The decrease in the portfolio of securities measured at fair value through other comprehensive income by PLN 6,628,455 thousand, i.e. by 38.1% (the decrease concerned NBP cash bills) was partially offset by an increase in the portfolio of securities measured at amortised cost (by PLN 3,132,340 thousand, i.e. by 14.1%).

The share of receivables from banks (the third largest asset item) amounted to 7.9% (end 2022: 7.8%). Their value remained stable compared to the end of 2022 and amounted to PLN 11,833,618 thousand, i.e. +0.3%. The share of the cash and funds position in the Central Bank increased from 1.8% to 4.6% (in value by PLN 4,253,302 thousand, i.e. by 156.5%).

Table 26. Assets

PLN thousand	30.06.2023	31.12.2022	change PLN thousand	%
Cash and balances at the Central Bank	6,971,609	2,718,307	4,253,302	156.5%
Receivables from banks	11,833,618	11,800,189	33,429	0.3%
Derivative financial instruments	3,257,019	3,224,272	32,747	1.0%
Fair value adjustment of hedged and hedging items	32,618	33,025	(407)	(1.2%)
Loans and advances to customers measured at amortised cost	87,787,952	89,090,317	(1,302,365)	(1.5%)
Loans and advances to customers at fair value through profit or loss	785,242	949,298	(164,056)	(17.3%)
Securities measured at amortised cost	25,299,601	22,167,261	3,132,340	14.1%
Securities at fair value through profit or loss	270,197	316,593	(46,396)	(14.7%)
Securities at fair value through other comprehensive income	10,756,338	17,384,793	(6,628,455)	(38.1%)
Intangible assets	825,006	821,106	3,900	0.5%
Property, plant and equipment	1,022,783	1,069,429	(46,646)	(4.4%)
Deferred tax assets	849,596	966,436	(116,940)	(12.1%)
Current income tax assets	20,257	14,107	6,150	43.6%
Other assets	849,792	961,936	(112,144)	(11.7%)
Total assets	150 561,628	151,517,069	(955,441)	(0.6%)



Credit portfolio

Structure of the loan portfolio

At the end of June 2023, gross loans and advances to customers (the sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 91,502,743 thousand and decreased by PLN 1,617,228 thousand, i.e., by 1.7% compared to the end of 2022.

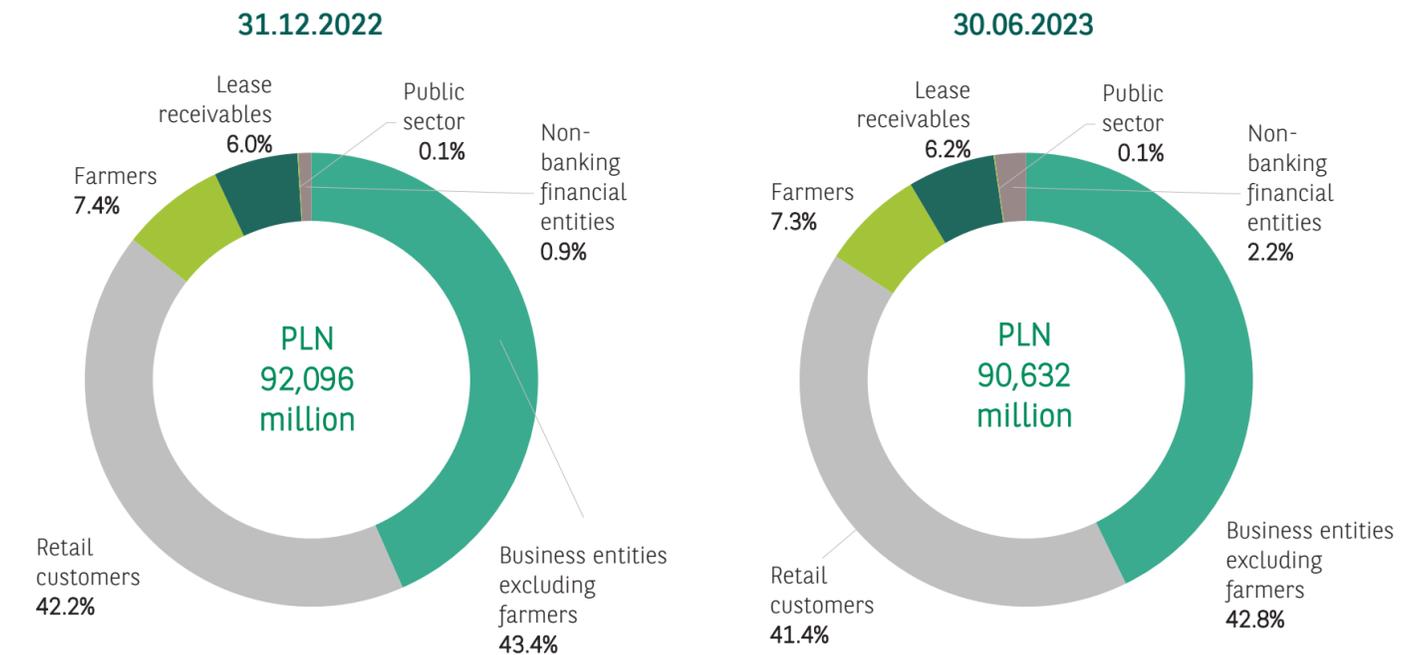
The gross portfolio of loans and advances measured at amortised cost in the period under review amounted to PLN 90,632,195 thousand and decreased by PLN 1,464,045 thousand, i.e., by 1.6% compared to the end of 2022.

Table 27. Structure of the loan portfolio measured at amortised cost

PLN thousand	30.06.2023	31.12.2022	change PLN thousand	%
Business entities excluding farmers	38,753,891	39,978,061	(1,224,170)	(3.1%)
Farmers	6,649,860	6,835,131	(185,271)	(2.7%)
Individual Customers	37,513,395	38,843,860	(1,330,465)	(3.4%)
- Real estate loans	25,270,694	26,651,564	(1,380,870)	(5.2%)
PLN	21 855,523	22,526,701	(671,178)	(3.0%)
Other currency	3,415,171	4,124,863	(709,692)	(17.2%)
- Cash loans	8,155,324	8,052,253	103,071	1.3%
- Other retail loans	4,087,377	4,140,043	(52,666)	(1.3%)
Lease receivables	5,623,525	5,527,297	96,228	1.7%
Budgetary sector	62,506	58,956	3,550	6.0%
Non-banking financial entities	2,029,018	852,935	1,176,083	137.9%
Gross loans and advances	90,632,195	92,096,240	(1,464 045)	(1.6%)

The gross portfolio of loans and advances to business entities (excluding farmers) amounted to PLN 38,753,891 thousand (a decrease of PLN 1,224,170 thousand, i.e., by 3.1% compared with the end of 2022). Their share in the analysed loan

portfolio at the end of 2022 was 42.8% (-0.6 p.p. compared to the end of 2022). Overdrafts account for 43.8% of this portfolio (-2.3 p.p. vs 2022).

Chart 15. Gross loans and advances measured at amortised cost – structure by entity type

Gross loans and advances to Individual Customers at the end of June 2023 amounted to PLN 37,513,395 thousand (down by PLN 1,330,465 thousand, or 3.4%, compared to the end of 2022). Their share in the loan portfolio measured at amortized cost in the period under review was 41.4% (a decrease of 0.8 p.p. compared to the end of 2022). More than two-thirds (67.4%) of the credit exposure of Individual Customers are mortgage loans, which amounted to PLN 25,270,694 thousand at the end of June 2023. In the structure of mortgage loans, 86.5% are loans granted in PLN, while 13.4% are loans granted in CHF (compared to the end of last year, the share of CHF fell by 1.9 p.p.).

The volume of loans granted to individual farmers at the end of June 2023 amounted to PLN 6,649,860 thousand, registering a 2.7% decrease compared to December 2022 r.

Lease receivables volume amounted to PLN 5,623,525 thousand (an increase of 1.7% compared to the end of 2022 r). Their share in the loan portfolio in the analysed period measured at amortized cost amounted to 6.2% (compared to 6.0% at the end of 2022).

The volume of loans granted to non-bank financial entities and budget sector institutions amounted to a total of PLN 2,091,524 thousand, registering a 137.9% increase compared to December 2022 r.).



Quality of the loan portfolio

The ratio of Phase 3 qualifying exposures to gross loans and advances to customers measured at amortised cost was 3.1% at the end of June 2023 and decreased by 0.2 p.p. compared to the end of 2022. The write-down coverage of Phase 3 exposures at the end of June 2023 was 60.5% and decreased by 0.9 p.p. compared to the end of 2022.

Table 28. Write-off coverage of loan portfolio measured at amortised cost

PLN thousand	30.06.2023	31.12.2022	change	
			PLN thousand	%
Total gross loans and advances to customers	90,632,195	92,096,240	(1,464,045)	(1.6%)
Impairment allowances	(2,844,243)	(3,005,923)	161,680	(5.4%)
Total net loans and advances to customers	87,787,952	89,090,317	(1,302,365)	(1.5%)
Exposures with no indication of impairment (Phase 1 and 2)				
Gross balance sheet exposure	87,778,089	89,074,361	(1,296,272)	(1.5%)
Allowance	(1,118,264)	(1,204,666)	86,402	(7.2%)
Net balance sheet exposure	86,659,825	87,869,695	(1,209,870)	(1.4%)
Impaired exposures (Phase 3)				
Gross balance sheet exposure	2,854,106	3,021,879	(167,773)	(5.6%)
Impairment allowance	(1,725,979)	(1,801,257)	75,278	(4.2%)
Net balance sheet exposure	1,128,127	1,220,622	(92,495)	(7.6%)

Ratios	30.06.2023	31.12.2022	change
Share of Phase 3 exposures in gross portfolio	3.1%	3.3%	(0.2 p.p.)
Allowance coverage of Phase 3 exposures	60.5%	59.6%	(0.9 p.p.)

Table 29. Quality of loan portfolio measured at amortised cost

PLN thousand	30.06.2023			31.12.2022		
	Gross Total	Phase 3	share %	Gross total	Phase 3	share %
Institutional loans excluding farmers	40,845,415	1,210,203	3.0%	40,889,952	1,293,814	3.2%
Farmers	6,649,860	509,830	7.7%	6,835,131	578,257	8.5%
Individual Customers	37,513,395	993,109	2.6%	38,843,860	997,425	2.6%
- real estate loans	25,270,694	484,920	1.9%	26,651,564	481,414	1.8%
PLN	21,855,523	196,459	0.9%	22,526,701	173,069	0.8%
FX currency	3,415,171	288,462	8.4%	4,124,863	308,345	7.5%
- cash loans	8,155,324	398,408	4.9%	8,052,253	408,864	5.1%
- other retail loans	4,087,377	109,781	2.7%	4,140,043	107,147	2.6%
Lease receivables	5,623,525	140,964	2.5%	5,527,297	152,383	2.8%
Gross loans and advances	90 632,195	2 854,106	3.1%	92,096,240	3,021,879	3.3%

Securitisation of the loan portfolio

In December 2017, the Bank completed a securitisation transaction of a portfolio of cash and auto loans using a subsidiary BGZ Poland ABS1 DAC (SPV) based in Ireland. The transaction entered into was a traditional securitisation involving the transfer of ownership of the securitised receivables to the SPV. The revolving period was 24 months and ended in December 2019. From January 2020, the transaction was amortisable.

As a result of the securitisation, the Bank obtained financing for its operations in exchange for the surrender of rights to future flows arising from the securitised loan portfolio with a total value of PLN 4.5 billion. The maximum date for full redemption of the bonds and repayment of the loan was set at 27 April 2032.

The SPV issued bonds based on the securitised assets with a total value of PLN 2,180,850 thousand and received a loan of PLN 119,621 thousand, which were secured by a registered pledge over the cash flow rights of the securitised assets.

The major benefit of the transaction was the positive impact on the Bank's capital adequacy ratios and the improvement in liquidity and diversification of funding sources.



Due to the declining balance of the securitised loan portfolio and the decreasing positive impact on capital adequacy ratios, the Bank decided to exercise its clean-up option and repurchase active loans from the SPV and terminate the securitisation programme. The transaction was completed on 27 March 2023 and had no impact on the consolidated statement of financial position, as the securitized loan portfolio was not derecognised from the statement of financial position at the time of the transaction. The value of the repurchased portfolio amounted to PLN 310 million.

Liabilities and equity

As at 30 June 2023, the Group's total liabilities amounted to PLN 137,947,511 thousand and were PLN 2,307,337 thousand, or 1.6%, lower than at the end of 2022. The share of liabilities in the Group's total liabilities and equity was 91.6% in the period under review (a decrease of 0.9 p.p. compared to year-end 2022).

The structure of liabilities is dominated by liabilities to customers. Their share as at 30 June 2023 amounted to 85.5% and decreased by 0.1 p.p. compared to the end of 2022. In terms of value, the volume of these liabilities decreased by 2,109,123 thousand, i.e. by 1.8% compared to December 2022, and amounted to PLN 117,911,920 thousand.

The Group's shareholders' equity as at 30 June 2023 amounted to PLN 12,614,117 thousand and increased by 12.0%, or PLN 1,351,896 thousand, compared to 31 December 2022. The share of total equity in the Group's total liabilities and equity was 8.4% at 30 June 2023 (compared to 7.4% at the end of 2022).

Table 30. Liabilities and equity

PLN thousand	30.06.2023	31.12.2022	change	
			PLN thousand	%
Amounts due to the Central Bank	0	8,713	(8,713)	-
Amounts due to other banks	7,058,586	7,158,024	(99,438)	(1.4%)
Derivative financial instruments	3,142,164	3,147,855	(5 691)	(0.2%)
Fair value adjustment of hedging instruments and hedged items	(275,213)	(451,646)	176,433	(39.1%)
Amounts due to customers	117,911,920	120,021,043	(2 109 123)	(1.8%)
Securities issued	0	364,633	(364 633)	-
Subordinated liabilities	4,337,381	4,416,887	(79 506)	(1.8%)
Lease liabilities	674,283	718,892	(44 609)	(6.2%)
Other liabilities	2,462,420	2,423,182	39,238	1.6%

PLN thousand	30.06.2023	31.12.2022	change	
			PLN thousand	%
Current income tax liabilities	202,796	223,527	(20 731)	(9.3%)
Provisions	2,433,174	2,223,738	209,436	9.4%
Total liabilities	137,947,511	140,254,848	(2 307 337)	(1.6%)
Share capital	147,677	147,593	84	0.1%
Supplementary capital	9,110,976	9,110,976	0	0
Other reserve capital	3,521,971	3,142,098	379,873	12.1%
Revaluation reserve	(745,913)	(1,149,786)	403,873	(35.1%)
Retained earnings	579,406	11,340	568,066	5,009.4%
- previous years' results	(368,226)	(430,157)	61,931	(14.4%)
- net profit for the period	947,632	441,497	506,135	114.6%
Total equity	12,614,117	11,262,221	1,351,896	12.0%
Total liabilities and equity	150,561,628	151,517,069	(955,441)	(0.6%)

Amounts due to customers

At the end of June 2023, payables to customers amounted to PLN 117,911,920 thousand and were lower by PLN 2,109,123 thousand, or 1.8%, compared to the end of 2022.

By entity, the decrease was mainly in the liabilities to businesses (balance as at 30 June 2023 amounted to PLN 63,470,362 thousand), the volume of which decreased by PLN 2,570,093 thousand, i.e. by 3.9%, compared with the balance as at the end of 2022, mainly as a result of a decrease in current accounts (by PLN 4,673,598 thousand), which was partially offset by an increase in time deposits (by PLN 2,311,071 thousand). The share of this segment in the structure of total liabilities to customers was 53.8% compared to 55.0% at the end of December 2022.

A decrease in deposit volumes was also recorded in the Individual Customers group, which at the end of June 2023 amounted to PLN 48,102,351 thousand and was down by PLN 918,105 thousand, or 1.9%, compared to the end of the previous year. The share of Individual Customers' deposits in the structure of amounts due to customers remained at 40.8%.



At the same time, the volumes of liabilities to non-bank financial entities (by PLN 928,266 thousand, i.e., by 39.0%) and to institutions of the budgetary sector (by PLN 450,809 thousand, i.e., by 17.5%) increased compared to the end of 2022.

Chart 16. Amounts due to customers - entity structure

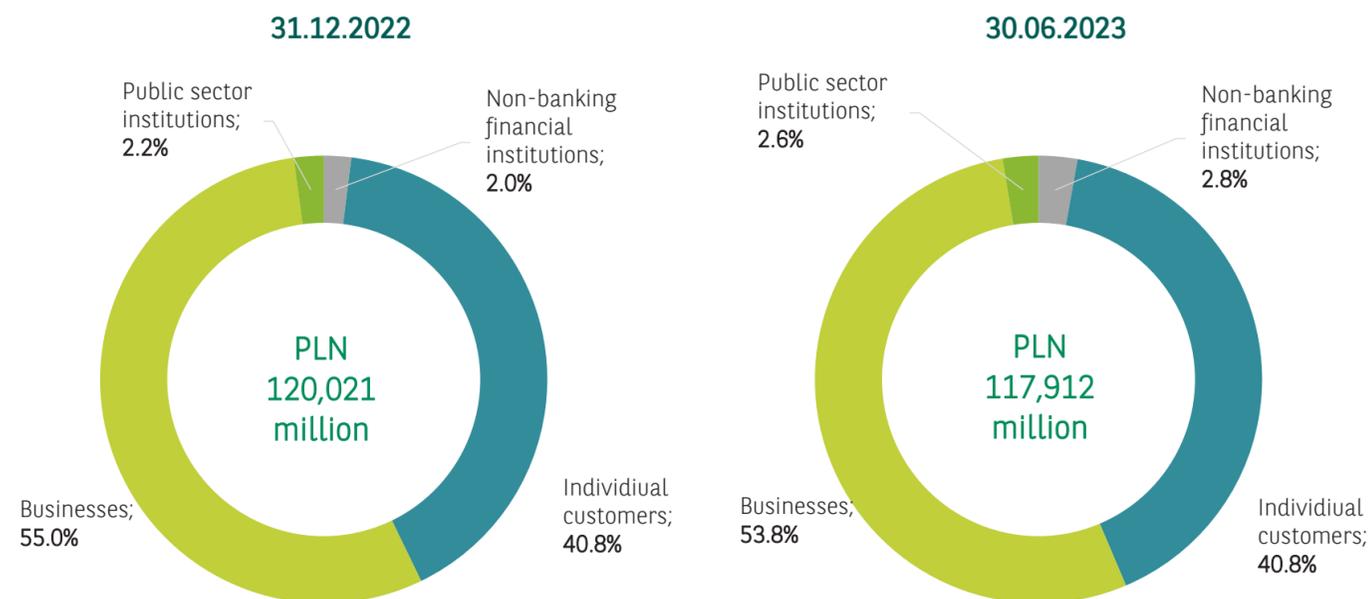


Table 31. Amounts due to customers by product

	30.06.2023		31.12.2022	
	PLN thousand	share %	PLN thousand	share %
Current accounts	74,335,397	63.0%	81,049,341	67.5%
Fixed-term deposits	42,041,145	35.7%	37,208,104	31.0%
Loans and advances received	476,338	0.4%	491,823	0.4%
Other liabilities	1,059,040	0.9%	1,271,775	1.1%
Liabilities to customers, including:	117,911,920	100.0%	120,021,043	100.0%
deposits	117,435,582	99.6%	119,529,220	99.6%

The share of current accounts in the structure of total liabilities to customers amounted to 63.0% at the end of June 2023, registering a decrease of 4.5 p.p. compared to the end of 2022. Funds deposited in current accounts amounted to PLN 74,335,397 thousand and decreased by PLN 6,713,944 thousand, i.e. by 8.3%. This decrease was driven by a reduction in the volume of both businesses (by PLN 4,673,598 thousand, i.e. by 9.5%) and Individual Customers (by PLN 2,618,711 thousand, i.e. by 9.0%).

The share of term deposits in the structure of liabilities to customers in the analysed period amounted to 35.7% and increased by 4.7 p.p. compared to the end of 2022. In value terms, term deposits increased by PLN 4,833,041 thousand to PLN 42,041,145 thousand, i.e. by 13.0% compared to December 2022.

The share of other liabilities and loans and advances received in total in the structure of liabilities to customers amounted to 1.3% and decreased by 0.2 p.p. compared to the end of 2022. Their total volume amounted to PLN 1,535,378 thousand.

Equity

As at 30 June 2023, the Group's shareholders' equity amounted to PLN 12,614,117 thousand and was PLN 1,351,896 thousand, or 12.0%, higher than at the end of 2022.

Pursuant to Resolution No. 7 of the Bank's Annual General Meeting of 30 June 2023, the Bank's profit after tax (net profit) for the completed financial year 2022, amounting to PLN 370,892 thousand, was fully transferred to the reserve capital.

Contingent liabilities

The following table shows the value of the items of liabilities given and received.

Table 32. Contingent liabilities

PLN thousand	30.06.2023	31.12.2022	change	
			PLN thousand	%
Contingent liabilities granted	45,952,725	42,977,848	2,974,877	6.9%
funding liabilities	30,234,251	30,486,679	(252,428)	(0.8%)
guarantee liabilities	15,718,474	12,491,169	3,227,305	25.8%
Contingent liabilities received	59,111,055	58,068,966	1,042,089	1.8%
liabilities of a financial nature	12,860,957	14,511,914	(1,650,957)	(11.4%)
liabilities of a guarantee nature	46,250,098	43,557,052	2,693,046	6.2%



Own funds and capital ratios

The calculation of the capital adequacy of the Group as at 31 December 2022 has been performed applying the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013. (CRR) on prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (CRR2) in relation to leverage ratio, net stable funding ratio, own funds and minimum eligible liabilities requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

On the 12th of December 2017, the European Parliament and the Council of the EU adopted Regulation No 2017/2395 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for treating as large exposures certain exposures to public sector entities denominated in the domestic currency of any Member State. The regulation was effective from 1 January 2018. The Group applied the transitional provisions provided by the regulation, with the result that the full impact of the implementation of IFRS 9 was not considered for the purposes of assessing the Group's capital adequacy until 31 December 2022.

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

As at 30 June 2023, the adjustment in Common Equity Tier 1 capital related to other intangible assets amounted to PLN 395,563 thousand.

On 30 March 2023, the Bank received a decision from the Polish Financial Supervision Authority approving the inclusion in consolidated common equity tier 1 capital of the revised consolidated net profit earned in the period from 1 January 2022 to 31 December 2022 in the amount of PLN 436,254 thousand. The Group's total capital ratio as at 30 June 2023 was 16.35%, up 0.80 p.p. compared to December 2022. The Group's consolidated Common Equity Tier I (CET I) capital ratio and consolidated Tier I capital ratio as at 30 June 2023 were equal at 12.13% (up 0.85 p.p. from the end of 2022).

The increase in capital adequacy ratios was mainly due to the inclusion of profit earned from 1 January 2022 to 31 December 2022 in common equity tier 1 capital, an improvement in the result of unrealized profits and losses measured at fair value through other comprehensive income, while the amount of risk-weighted exposure decreased.

Total own funds as at 30 June 2023 increased by PLN 132,512 thousand compared to 31 December 2022 r.

Total risk exposure as at 31 December 2023 amounted to PLN 91,562,026 thousand and decreased by PLN 3,894,270 thousand compared to 31 December 2022 r.

Table 33. Own funds and capital ratios of the Group

PLN thousand	30.06.2023	31.12.2022	change y/y	
			PLN thousand	%
Tier 1 capital				
- share capital	147,677	147,593	84	0.1%
- supplementary capital	7,259,316	7,259,316	0	0.0%
- reserve capital	4,696,477	4,308,272	388,205	9.0%
- funds for general banking risk	627,154	629,987	(2,833)	(0.4%)
- intangible assets	(435,404)	(439,502)	4,098	(0.9%)
- other components of equity included in Tier I capital	(1,185,738)	(1,142,526)	(43,211)	3.8%
Total Tier I capital	11,109,481	10,763,140	346,342	3.2%
Supplementary funds (Tier 2)				
- subordinated liabilities classified as Tier II capital	3,865,164	4,078,993	(213,829)	(5.2%)
Total own funds	14,974,645	14,842,133	132,512	0.9%
Risk exposure due to:				
- credit risk	81,071,564	85,304,706	(4,233,142)	(5.0%)
- market risk	1,083,948	1,307,210	(223,262)	(17.1%)
- operational risk	9,346,897	8,787,516	559,380	6.4%
- CVA adjustment	59,617	56,865	2,753	4.8%
Total risk exposure	91,562,026	95,456,297	(3,894,270)	(4.1%)
Group's ratios	30.06.2023	31.12.2022	change	
Total Capital Ratio (TCR)	16.35%	15.55%	0.80 p.p.	
Tier I Capital Ratio	12.13%	11.28%	0.85 p.p.	



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

The Polish Financial Supervision Authority in a communication dated 21 December 2022, announced that, based on the provisions of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system and after taking into account the opinion of the Financial Stability Committee, confirmed the identification of ten banks as other systemically important institutions (O-SIIs).

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

The Polish Financial Supervisory Authority, in a letter dated 23 December 2022, recommended limiting the risks inherent in the Bank's activities by having the Bank, maintain own funds to cover an additional capital charge to absorb potential losses arising from stress events, of 0.80 p.p. at the individual level and 0.77 p.p. at the consolidated level above the total capital ratio referred to in Article 92(1)(c) of Regulation (EU) No 575/2013, plus the additional own funds requirement referred to in Article 138(2)(2) of the Banking Act and the combined buffer requirement referred to in Article 55(4) of the Macroprudential Supervision Act. The additional surcharge should consist entirely of Common Equity Tier 1 capital.

The countercyclical buffer ratio for credit exposures in the territory of the Republic of Poland, which was applicable at the end of 31 March 2023, amounted to 0%. The Group-specific countercyclical buffer ratio, determined in accordance with the provisions of the Act of 5 August 2015 on Macroprudential Supervision of the Financial System and Crisis Management in the Financial System, as a weighted average of the countercyclical buffer ratios applicable in the jurisdictions where the Group's relevant credit exposures are located, was as of 30 June 2023, 1 bps. The value of the ratio was affected primarily by exposures in Luxembourg, where the countercyclical buffer ratio was 0.5%.

As a result of the changes described above, the minimum levels of solvency ratios under the law and administrative decisions issued by the PFSA as at the reporting date of 30 June 2023 on a consolidated basis are as follows:

Minimum levels of capital adequacy ratios of the Bank and Capital Group	30.06.2023
Common Equity Tier I (CET I) capital ratio	8.03%
Tier I capital ratio	9.53%
Total capital ratio (TCR)	11.53%

Minimum requirement for own funds and eligible liabilities (MREL)

On 3 June 2022, the Bank received a letter from the Bank Guarantee Fund ('BGF') regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board (SRB) and the BFG, on the minimum level of own funds and eligible liabilities ('MREL').

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

The MREL requirement for the Bank has been set at an individual level at 16.11% of the Total Risk Exposure Amount ("TREA") and 5.91% of the Total Exposure Measure ("TEM"). This requirement should be achieved by 31 December 2023. In addition, the BGF has set a mid-term MREL target

- in relation to TREA is: 12.05% as of the receipt of the BGF letter,
- in relation to TEM is: 4.46% as of the receipt of the BGF letter.

The MREL requirement applies at the individual level.

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 BGF Act, which transposes Article 45f(2) of BRRD2. According to the Decision, the part of MREL corresponding to the recapitalisation amount (CAR) will be met in the form of AT1, T2 instruments and other subordinated eligible liabilities acquired directly or indirectly by the parent undertaking. At the same time, the BFG indicated that the Common Equity Tier 1 ("CET1") instruments held by the Bank for the purposes of the combined buffer requirement 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 TEM interest.

The Bank meets the defined MREL requirements as of 30 June 2023.

MREL indicators	30.06.2023
TREA	17.98%
TEM	10.02%



Financial ratios

The Group's return on equity (ROE), calculated on a reported basis, amounted to 16.0% in H1 2023 and was by 6.4 p.p. higher than in H1 2022. Return on assets (ROA) calculated in a similar manner was 1.3% and increased by 0.5 p.p. compared to H1 2022. The improvement in the return ratios was mainly driven by an increase in the result from banking activities (higher net interest income, net trading income and commission income) with a decrease in regulatory costs (BFG and SOBK). This was despite higher negative risk provisions related to litigation related to foreign currency mortgage loans impact. The Group's return on equity (ROE), calculated eliminating the impact of credit holidays (normalized) would have been in H1 2023 at the level of 15.4%, i.e. by 5.8 p.p. higher compared to the ratio for H1 2022 (9.6%). In the case of return on assets (ROA), the ratio would be 1.2% i.e. 0.4 p.p. higher than in H1 2022.

The Cost/Income ratio calculated on the basis of reported volumes was 42.5% (11.1 p.p. lower compared to H1 2022 r. - as a result of the aforementioned decrease in regulatory costs while improving the level of result from banking activities). The ratio, calculated without the impact of the BGF and IPS costs as well as credit holidays impact, would have been 39.3%, 3.1 p.p. lower than in H1 2022.

Net interest margin calculated in relation to average assets amounted to 3.3% and was by 0.1 p.p. higher than the level calculated for the first half of 2022.

Changes in the values of the ratios representing the ratio of net and gross loans to deposits and funding sources reflect the good liquidity situation observed in H2 2022 and H1 2023.

Table 34. Financial ratios

	30.06.2023	31.12.2022	30.06.2022	change y/y
Return on capital	16.0%	3.9%	9.6%	+6.4 p.p.
Return on equity normalised	15.4%	10.2%	9.6%	+5.8 p.p.
Return on assets	1.3%	0.3%	0.8%	+0.5 p.p.
Return on assets normalised	1.2%	0.8%	0.8%	+0.4 p.p.
Net interest margin	3.3%	2.5%	3.2%	+0.1 p.p.
Cost/income	42.5%	56.8%	53.6%	(11.1 p.p.)
Cost/income excluding BGF and costs of integration, credit holidays	39.3%	42.9%	42.4%	(3.1 p.p.)
Credit risk costs	0.11%	(0.30%)	(0.37%)	+0.48 p.p.
Normalised credit risk costs	0.09%	(0.34%)	(0.40%)	+0.49 p.p.
Net lending/deposits	75.4%	75.3%	84.3%	(8.9%)
Gross loans/total funding sources	71.9%	71.3%	79.1%	(7.1%)



Alternative Performance Measures

Presented ratios and categories belong to a group of standard and commonly used in financial analysis. These allow for the assessment and comparison of the Group's profitability and financial position. The presentation of the level of net profit and ratios in normalised terms, i.e. calculated excluding the impact of abnormal events, is aimed at providing additional information to allow a more adequate assessment of changes in the long term and to assess the impact of various factors on the Group's results and financial position.

Table 35. Alternative Performance Measures

thousand PLN / %	30.06.2023	31.12.2022	30.06.2022	Definitions and assumptions
Net income	947,632	441,497	535,409	Profit and loss account category from the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group for the relevant years.
Total average equity	11,954,191	11,184,493	11,265,612	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 (statement of financial position category from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group).
Return on capital	16.0%	3.9%	9.6%	Ratio of net profit to average total equity
Normalised net profit	929,812	1,166,447	535,409	Consolidated income statement category adjusted for the negative impact of credit holidays (1 H 2023: + PLN 22 000 thousand, 2022: - PLN 895,000 thousand, see chapter Consolidated income statement). Impact of credit holidays on net profit estimated using an income tax rate of 19%.
Total average equity normalised	12,186,931	11,485,813	11,265,612	Average total equity adjusted in the same way as normalised net profit, with adjustments made for each quarter
Normalised return on equity	15.4%	10.2%	9.6%	Ratio of normalised net profit to average total normalised equity
Total average assets	150,086,078	142,002,171	137,368,852	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 (statement of financial position category from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group).
Return on assets	1.3%	0.3%	0.8%	Ratio of net profit to average total assets
Total average assets normalised	150,318,818	142,303,491	137,368,852	Average total assets adjusted in the same way as normalised net profit, with adjustments made for each quarter
Return on assets normalised	1.2%	0.8%	0.8%	Ratio of normalised net profit to average total normalised assets
Net interest income	2,439,313	3,493,005	2,152,370	Profit and loss account category from the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group for the relevant years.
Net interest margin	3.3%	2.5%	3.2%	Ratio of net interest income to total average assets
Costs	1,510,286	3,038,456	1 625,990	Sum of general administrative expenses and Depreciation and Amortisation (income statement categories from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group).
Net banking income (revenues)	3,552,289	5,351,946	3,034,528	The sum of net interest income, net fee and commission income, dividend income, net trading income, net investment income, net hedge accounting income, net discontinued assets/liabilities and other operating income and expenses (profit and loss account categories from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group)
Costs/Income				42.5% 56.8% 53.6% Cost-income ratio



thousand PLN / %	30.06.2023	31.12.2022	30.06.2022	Definitions and assumptions
Costs/income excluding BFG, SOBK, integration costs and impact of credit holidays	39.3%	42.9%	42.4%	Costs were reduced by the Group's cost of fees to the Bank Guarantee Fund and the IPS (categories of Notes Administrative expenses of the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group, (H1 2023: PLN 124,184 thousand; 2022: PLN 358,871 thousand, H1 2022: PLN 339,730 thousand). Revenues in H1 2023 was adjusted by the amount of PLN 22,000 thousand of the positive impact of credit holidays; in 2022: by the amount of PLN 895,000 thousand of the negative impact of credit holidays (see chapter Consolidated income statement)
Result of impairment losses on financial assets and provisions for liabilities	51,350	(275,010)	(164,727)	Category of Income Statement from the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group for the relevant years.
Average gross loans and advances to customers, measured at amortised cost	91,352,117	92,070,624	91,008,242	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 (statement of financial position category from the Consolidated Financial Statements of the BNP Paribas Bank Polska Group)
Credit risk costs	0.11%	(0.30%)	(0.37%)	Ratio of the result of impairment losses on financial assets and provisions for contingent liabilities to the average gross loans and advances to customers, measured at amortised cost
Net allowances on expected credit losses of financial assets and provisions for liabilities normalised	40,760	(309,054)	(180,138)	Net allowances on expected credit losses of financial assets and provisions for liabilities adjusted for the impact of the sale of non-performing loan portfolios (1 H 2023: + PLN 10,590 thousand; 2022: + PLN 34,044 thousand, 1 H 2022: + PLN 15 411 thousand)
Normalised credit risk costs	0.09%	(0.34%)	0.40%	Ratio of the Net allowances on expected credit losses of financial assets and provisions for contingent liabilities, normalised, to the average gross loans and advances to customers, measured at amortised cost
Net loans	88,573,194	90,039,615	91 798,775	The sum of the categories 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 - categories from the notes to the Consolidated Financial Statements of the BNP Paribas Bank Polska Group. Balances at the end of periods.
Deposits	117,435,582	119,529,220	108,892,644	Difference between the Liabilities to customers category and the Loans and advances to non-bank financial entities category - from the Note Liabilities to customers from the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group. Balances at the end of periods.
Net loans/deposits	75.4%	75.3%	84.3%	Net loans to deposits ratio
Impaired loans and advances (Phase 3)	2,854,106	3 021,879	2,965,383	Category from the Note Loans and advances to customers measured at amortised cost from the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group.
Gross loans and advances to customers measured at amortised cost	90,632,195	92,096,240	93,744,332	Category from the Note Loans and advances to customers measured at amortised cost from the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group.
Share of impaired receivables (Phase 3)	3.1%	3.3%	3.2%	Ratio of impaired loans and advances (Phase 3) to gross loans and advances to customers measured at amortised cost, at period end
Impairment losses (Phase 3 receivables)	1,725,979	1,801,257	1,801,693	Category from the Note Loans and advances to customers measured at amortised cost from the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group
Impairment coverage of receivables (Phase 3)	60.5%	59.6%	60.8%	Ratio of Impairment losses (Phase 3 receivables) to Impaired loans and advances (Phase 3)



Performance of business segments

Retail and Business Banking area

Commercial volumes

As at 30 June 2023, Customer deposits of the Retail and Business Banking segment on a consolidated basis amounted to PLN 60,607,993 thousand and were down by PLN 359,643 thousand, i.e. by 0.6%, compared with the balance at the end of 2022. Both funds in savings and current accounts decreased by PLN 1,451,589 thousand (i.e. by 12.5%) and PLN 1,014,104 thousand (i.e. by 3.4%), respectively. Time deposits increased by PLN 2,052,666 thousand, i.e. by 10.6% compared to the end of 2022.

The significant increase in NBP interest rates initiated in the fourth quarter of 2021 contributed to a reversal of the trend observed in 2021 of an increase in the share of current deposits and savings accounts. The percentage structure of the basic product categories at the end of H1 2023 did not change significantly compared with the end of 2022. There was a further increase in the share of time deposits (by 3.6 p.p. to 35.2%), with a decrease in the share of savings accounts (by 2.3 p.p. to 16.8%) and current accounts (by 1.4 p.p. to 47.3%).

The net loan portfolio of the Retail and Business Banking segment on a consolidated basis as at 30 June 2023 amounted to PLN 46,238,116 thousand, a decrease of PLN 1,772,41 thousand, (i.e. by 3.7%), compared to the end of 2022. In value terms, the largest decrease was in residential loans by PLN 1,399,656 thousand, i.e. by 5.3%. Investment loans decreased by PLN 264,822 thousand, i.e. by 4.7%.

The decline in net mortgage loans in the longer term was significantly impacted by the recognition in the second half of 2022 of the negative impact of the Community Financing for Business Ventures and Borrower Assistance Act (credit holidays). Compared to the end of 2022 the decreasing value of the PLN portfolio was impacted mainly by a reduction in demand and a significant decline in sales of home loans as a consequence of rising interest rates and a reduction in customers' creditworthiness.

The volume of gross residential foreign currency loans (withdrawn from the offer in 2008-2009) in the analysed period amounted to PLN 3,415,171 thousand (PLN 4,124,863 thousand at the end of 2022). Loans granted in CHF accounted for 99.2% of this portfolio. The decrease in the value of the portfolio was a result of repayments and the strengthening of the PLN against the CHF (the exchange rate fell from 4.7679 at the end of 2022 to 4.5562 at the end of H1 2023). The value of the portfolio expressed in CHF decreased by 13.4% compared to the end of 2022.

¹ Deposit and loan volumes of selected segments have been presented on the basis of data from management information systems, due to the availability of more detailed product information. For comparability, data as of 31 December 2022 have been presented in accordance with the segmentation in effect in 2023. Deposit

Table 36. Retail and Business Banking Deposits and Loans¹

PLN thousand	30.06.2023	31.12.2022	change	
			PLN thousand	%
Current accounts	28,695,373	29,709,477	(1,014,104)	(3.4%)
Savings accounts	10,173,002	11,624,591	(1,451,589)	(12.5%)
Fixed-term deposits	21,343,512	19,290,847	2,052,666	10.6%
Overnight deposits	396,106	342,721	53,385	15.6%
Accounts and deposits	60,607,993	60,967,636	(359,643)	(0.6%)
Consumer credit	10,766,761	10,656,811	109,950	1.0%
Investment credits	5,340,025	5,604,847	(264,822)	(4.7%)
Overdrafts	2,301,997	2,297,446	4,551	0.2%
Housing loans	24,778,137	26,177,793	(1,399,656)	(5.3%)
Lease receivables	2,167,699	2,368,130	(200,431)	(8.5%)
Credit cards	879,394	900,431	(21,037)	(2.3%)
Other loans	4,103	5,072	(969)	(19.1%)
Loans and advances (net)	46,238,116	48,010,530	(1,772,414)	(3.7%)

Gross result

In H1 2023, the Retail and Business Banking segment generated a pre-tax profit of PLN 128,828 thousand (compared with a loss of PLN 52,075 thousand in H1 2022), mainly due to a higher net banking income (by PLN 289,795 thousand, i.e. by 19.0% y/y) and lower operating expenses and depreciation and amortisation (lower BFG charges). The segment's result was

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



negatively impacted by PLN 367,675 thousand (i.e. 165.1%) higher provisions for legal risk related to foreign currency loans compared to the corresponding period of 2022.

In the first half of the year, an improvement was recorded in all components of the result on banking activities: the net interest income amounted to PLN 1,396,103 thousand, an increase of PLN 241,521 thousand, i.e. by 20.9% compared to the same period of the previous year, the net commission income increased by PLN 12,303 thousand, i.e. by 3.8%, and the result on trading and other activities increased by PLN 35,971 thousand, i.e. by 70.5%. The result from banking activities accounted for 51.2% of the Group's net income on banking activity in the analysed period. The Personal Finance area generated 23.7% of the net income on banking activity of the Retail and Business Banking segment.

The Retail Banking segment recorded a slight decrease in the number of customers in H1 2023 by 46 thousand, by 1.1% y/y.

Table 37. Gross result of the Retail and Business Banking segment²

PLN thousand	6 months ended		change	
	30.06.2023	30.06.2022	PLN thousand	%
Net interest income	1,396,103	1,154,582	241,521	20.9%
Net fee and commission income	335,977	323,674	12,303	3.8%
Result from trading and other activities	86,962	50,991	35,971	70.5%
Net income on banking activity	1,819,042	1,529,247	289,795	19.0%
Result of impairment losses	(43,470)	(230,251)	186,781	(81.1%)
Provisions for legal risk of the CHF portfolio	(590,412)	(222,737)	(367,675)	165.1%
Operating costs and depreciation	(600,783)	(696,323)	95,540	(13.7%)
Cost allocation	(369,889)	(328,602)	(41,287)	12.6%
Operating result	214,488	51,334	163,154	317.8%
Tax on financial institutions	(85,660)	(103,409)	17,749	(17.2%)
Gross segment result	128,828	(52,075)	180,903	-

²Data based on the segmentation note included in the Consolidated Semi-Annual Report of the BNP Paribas Bank Polska S.A. Group for the six months ended 30 June 2023.

Bank guarantees

In the first half of 2023 the Bank issued 12 bank guarantees on behalf of the Business Banking Area clients for a total amount of PLN 1.5 million.

Corporate and SME Banking area

Commercial volumes

Corporate Banking

As at 30 June 2023, deposits from Corporate Banking customers amounted to PLN 40,045,607 thousand and were by PLN 2,342,962 thousand, i.e., 5.5% lower than at the end of 2022. In the structure of the portfolio, the share of time deposits increased significantly (from 27.9% at the end of 2022 to 35.6% at the end of H1 2023), while the share of current accounts decreased (from 69.3% at the end of 2022 to 62.1% at the end of H1 2023).

The Corporate Banking segment's net loans and advances portfolio on a consolidated basis amounted to PLN 28,549,248 thousand at the end of H1 2023, 0.3% below the balance at the end of 2022. The decrease in investment loans and lease receivables was offset by an increase in overdrafts.

Table 38. Deposits and loans of Corporate Banking³

PLN thousand	30.06.2023		31.12.2022		change	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022	PLN thousand	%
Current accounts	24,873,350	29,363,468	24,873,350	29,363,468	(4,490,118)	(15.3%)
Savings accounts	4,189	10,614	4,189	10,614	(6,426)	(60.5%)
Fixed-term deposits	14,268,684	11,839,930	14,268,684	11,839,930	2,428,754	20.5%
Overnight deposits	899,385	1,174,557	899,385	1,174,557	(275,172)	(23.4%)
Accounts and deposits	40,045,607	42,388,569	40,045,607	42,388,569	(2,342,962)	(5.5%)
Investment loans	17,129,477	17,761,536	17,129,477	17,761,536	(632,059)	(3.6%)
Overdrafts	9,101,519	8,496,900	9,101,519	8,496,900	604,619	7.1%
Lease receivables	2,171,644	2,333,453	2,171,644	2,333,453	(161,809)	(6.9%)

³ Deposit and loan volumes of selected segments have been presented on the basis of data from management information systems, due to the availability of more detailed product information. For comparability, data as at 31.12.2022 have been presented in accordance with the segmentation in force in 2023. Deposit volumes do not include balances of certain credit institutions, which are treated as interbank deposits in management reporting, while in financial reporting they are included in customer deposits; in addition, balances do not include accrued interest not matured



PLN thousand	30.06.2023	31.12.2022	change	
			PLN thousand	%
Factoring	143,182	35,880	107,301	299.1%
Other credits	3,427	3,346	81	2.4%
Loans and advances (net)	28 549,248	28,631,115	(81,867)	(0.3%)

Small and Medium-Sized Enterprise Banking

As at 30 June 2023, deposits of Small and Medium Business Banking customers on a consolidated basis amounted to PLN 16,184,028 thousand and were by PLN 475,946 thousand, i.e., by 3.0%, higher than at the end of 2022. The largest increase in value was in term deposits (by PLN 535,446 thousand, i.e., by 18.6%), with a slight decrease in current accounts by PLN 49,264 thousand, i.e., by 0.4% compared to the balance at the end of 2022. Current accounts accounted for 78.5% of deposits of SME Banking customers and their share decreased from 81.2% at the end of 2022, with a simultaneous increase in the share of term deposits from 18.3% at the end of 2022 to 21.1% at the end of H1 2023.

The SME Banking segment's net loan portfolio on a consolidated basis amounted to PLN 6,686,874 thousand as at 30 June 2023, a decrease of PLN 525,625 thousand, or 7.3%, compared with the balance at the end of 2022. The largest decrease in value was in investment loans and overdrafts.

Table 39. Deposits and Loans of the Small and Medium-sized Enterprises Banking Group⁴

PLN thousand	30.06.2023	31.12.2022	change	
			PLN thousand	%
Current accounts	12,702,628	12,751,893	(49,264)	(0.4%)
Saving accounts	51,527	59,214	(7,687)	(13.0%)
Fixed-term deposits	3,410,628	2,875,182	535,446	18.6%
Overnight deposits	19,245	21,793	(2,549)	(11.7%)
Accounts and deposits	16,184,028	15,708,082	475,946	3.0%

⁴ Deposit and loan volumes of selected segments have been presented on the basis of data from management information systems, due to the availability of more detailed product information. For comparability, data as at 31.12.2022 have been presented in accordance with the segmentation in force in 2023. Deposit volumes do not include balances of certain credit institutions, which are treated as interbank deposits in management reporting, while in financial reporting they are included in customer deposits; in addition, balances do not include accrued interest not matured.

PLN thousand	30.06.2023	31.12.2022	change	
			PLN thousand	%
Investment credits	3,694,886	4,002,823	(307,937)	(7.7%)
Overdrafts	2,225,232	2,366,069	(140,836)	(6.0%)
Lease receivables	764,409	840,793	(76,383)	(9.1%)
Factoring	323	337	(14)	(4.2%)
Other credits	2,024	2,478	(454)	(18.3%)
Loans and advances (net)	6,686,874	7,212,499	(525,625)	(7.3%)

Gross profit

Corporate Banking

The Corporate Banking segment in H1 2023 generated a gross profit amounting to PLN 742,771 thousand (against PLN 369,981 thousand in H1 2022, an increase by 100.8%). The increase in gross profit was the result of high interest rates and higher customer transaction activity, which contributed, among other things, to an increase in trading profit. Gross profit was positively impacted by a high quality of credit portfolio as well as an improvement in the result of impairment losses.

The result from Corporate Banking activities amounted to PLN 1,036,562 thousand and was by PLN 302,110 thousand higher, i.e., by 41.1% compared to H1 2022, mainly as a result of an increase in net interest income by PLN 273,425 thousand i.e., by 73.4% y/y as well as in the result of trade and other activities by PLN 26,893 thousand, i.e., by 15.1% y/y).

This result accounted for 29.2% of the Group's net income on banking activity in the period under review.

Table 40. Gross result of Corporate Banking segment⁵

PLN thousand	6 months ended 30.06.2023	6 months ended 30.06.2022	change	
			PLN thousand	%
Interest income	645,973	372,548	273,425	73.4%
Fee and commission income	185,275	183,483	1,792	1.0%

⁵ Data based on the segmentation note included in the Consolidated Half-Yearly Report of the BNP Paribas Bank Polska S.A. Group for the six months ended 30 June 2023.



PLN thousand	6 months ended		change	
	30.06.2023	30.06.2022	PLN thousand	%
Trading and other income	205,314	178,421	26,893	15.1%
Net income on banking activity	1,036,562	734,452	302,110	41.1%
Impairment losses	53,663	32,920	20,743	63.0%
Operating expenses and depreciation	(208,799)	(263,049)	54,250	(20.6%)
Expense allocation	(83,758)	(84,932)	1,174	(1.4%)
Operating result	797,668	419,391	378,277	90.2%
Tax on financial institutions	(54,897)	(49,410)	(5,487)	11.1%
Gross segment result	742,771	369,981	372,790	100.8%

Small and Medium Enterprises

The Small and Medium Enterprises Banking segment in H1 2023 generated a gross profit of PLN 204,137 thousand (against PLN 89,754 thousand in H1 2022, an increase of PLN 114,383 thousand, i.e. by 127.4% y/y).

Improvement has been recorded in net interest income by PLN 85,007 thousand (i.e. by 58.8%) and net fee and commission income by PLN 3,868 thousand (i.e. by 5.6%) compared to the same period in 2022. The result from trading and other activities decreased by PLN 7,500 thousand (i.e. by 15.2% y/y). The improvement in gross profit was also driven by lower operating expenses as well as depreciation and amortization by PLN 24,953 thousand (26.2%) and an increase of PLN 11,441 thousand in positive impairment losses (up 42.8%).

The net income on banking activities of Small and Medium Enterprises Banking in H1 2023 amounted to PLN 344,177 thousand and was 31.0% higher compared to the same period in 2022. The result accounted for 9.7% of the Group's net income on banking activity in the period under review.

Table 41. Gross result of the SME Banking segment⁶

PLN thousand	6 months ended		change	
	30.06.2023	30.06.2022	PLN thousand	%
Interest income	229,460	144,453	85,007	58.8%
Fee and commission income	72,924	69,056	3,868	5.6%
Trading and other income	41,793	49,293	(7,500)	(15.2%)
Net income on banking activity	344,177	262,802	81,375	31.0%
Impairment losses	38,147	26,706	11,441	42.8%
Operating expenses and depreciation	(70,115)	(95,068)	24,953	(26.2%)
Expense allocation	(95,485)	(89,811)	(5,674)	6.3%
Operating result	216,724	104,629	112,095	107.1%
Tax on financial institutions	(12,587)	(14,875)	2,288	(15.4%)
Gross segment result	204,137	89,754	114,383	127.4%

Bank guarantees

In terms of guarantees and letters of credit, the Bank offers a fast and comprehensive service based on dedicated IT solutions.

In H1 2023, the Bank upon customers' requests:

- **Corporate Banking Area:** issued 2,682 bank guarantees for a total of PLN 4,922.1 million, opened 523 import letters of credit for a total of PLN 320.9 million and handled 154 export letters of credit for a total of PLN 448.9 million issued by third-party banks in favour of these clients;
- **SME Banking Area:** issued 350 bank guarantees for a total amount of PLN 86.8 million, opened 37 import letters of credit for a total of PLN 13.9 million and handled 22 export letters of credit for a total of PLN 6.7 million issued by third-party banks in favour of these clients.

⁶ Data based on the segmentation note included in the Consolidated Half-Year Report of the BNP Paribas Bank Polska S.A. Group for the six months ended 30 June 2023.



Risk management

Risk management system

86

Principal types of risk

88



Paulina Angel, Project Manager



Risk management system

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

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

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

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

The chief role in the Bank's risk management system is played by the Bank's Management Board, which determines the Bank's risk management strategy, risk appetite and adopts risk management policies, as well as sets limits for significant risks and risk control procedures. The risk management principles have their source in the document Risk Management Strategy at BNP Paribas Bank Polska S.A. defined by the Bank's Management Board and approved by the Supervisory Board.

The organization of the Bank's risk management system primarily takes into account the role of the Supervisory Board, the Bank's Management Board, dedicated committees (Audit Committee as well as Risk Committee at the Supervisory Board level, Asset and Liability Committee (ALCO), Risk Management Committee, Retail Banking Risk Committee, Personal Finance Risk Committee, Credit Committee, Problem Loan Committee, TAC/NAC Committee and Internal Control Committee), Risk Area, Compliance Monitoring Division as well as Security and Business Continuity Management Division.

Assessment of internal capital adequacy

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

The Bank has developed comprehensive principles for identifying and assessing risks as part of its response to the requirements of the supervisory review and assessment process. The principles are designed to identify and assess all risks to which the Bank is or may be exposed, taking into account regulatory requirements, best 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 activities as well as the associated risks, ensuring that all significant risks in the Bank's operations are measured and mitigated. The Bank strives to identify and assess risks arising from the internal and external environment that could have a significant impact on the Bank's financial stability.

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

The risk management process is designed to:

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

The risk identification process is conducted annually at the Bank.

Assessment of the materiality level of the risks recognised in the identification process includes:

- defining materiality of risks,
- defining factors that determine the materiality of risks,
- conducting an assessment of the risks materiality,
- preparation of an assessment report.

The materiality assessment process of risks is conducted annually at the Bank.

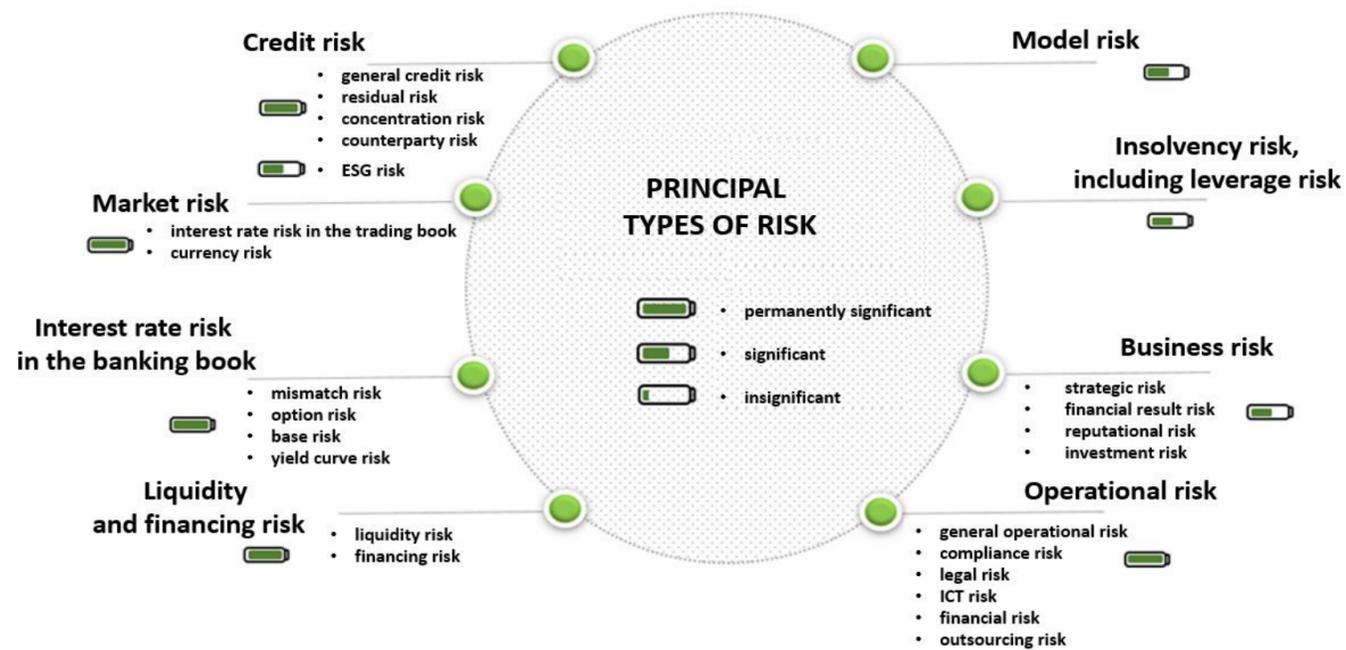
The Bank identifies the following types of risks:

- permanently significant - inherent in the profile of the business (does not require periodic materiality assessment),



- significant,
- risks in relation to which the Bank has historically incurred costs related to their implementation,
- risk exposure, the severity of losses, and the lack of adequate risk mitigation processes and procedures expose the Bank to unexpected financial losses (risks for which the materiality rating is least at the average level),
- insignificant – risks with a low materiality assessment.

As a result of the risk identification and materiality assessment process conducted in 2022, the structure of the identified risks is as follows:



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

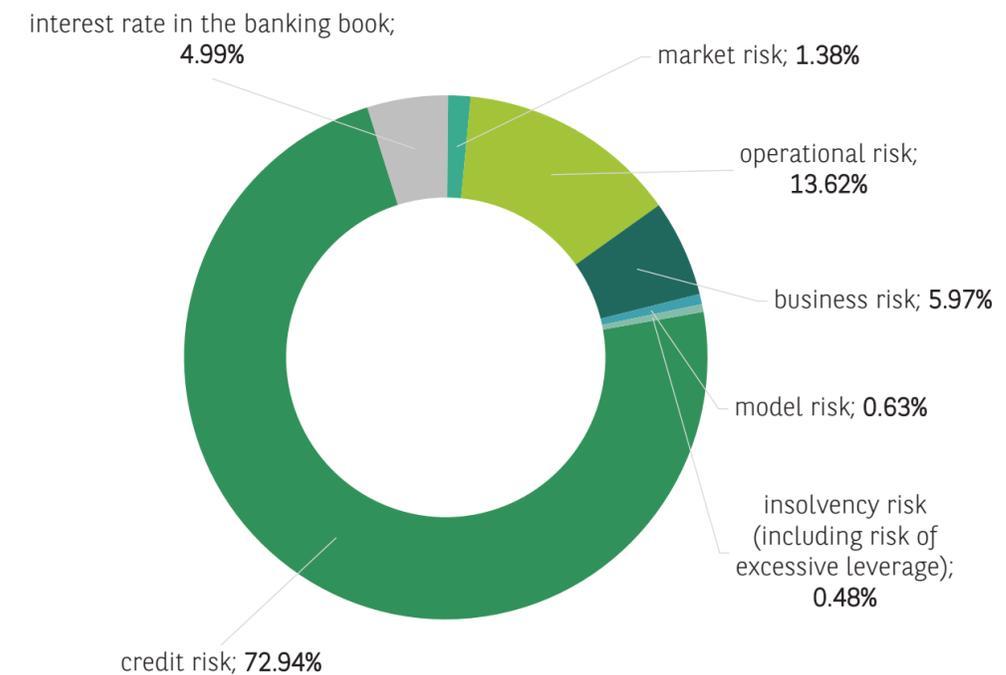
A review of the capital adequacy process is conducted once a year, and the review report is submitted to the Management Board and the Supervisory Board. In addition, internal audit regularly conducts an independent review of the ICAAP process.

The Bank applies two approaches to measure risk: quantitative and qualitative. The use of a particular approach is linked to the characteristics of the risk.

Risk measurement methods:

- quantitative methods - are used in cases where the Bank has information on risk realisation and is able to measure a quantitative characteristic,
- qualitative methods - used when the Bank has no information collected on the historical realisation of risk or the effect of volatility of a risk measure is determined by numerous risk factors, among which the Bank is not able to distinguish the effect related to the source of the assessed risk. The Bank considers the risk as difficult to measure and performs the assessment using the qualitative method, presenting the qualitative characteristics of the risk realization.

Chart 17. The structure of internal capital in the BNP Paribas Bank Polska S.A. Group as at 30.06.2023





Risk appetite

For the material risks identified, the Bank defines the risk appetite. By determining the level of risk appetite, the Bank sets its risk profile and the approach adopted towards risk. The risk appetite determines the maximum level of risk that the Bank is prepared to accept in pursuit of the business strategy and financial plan.

The risk appetite, within the limits set by the risk tolerance, determines how the Bank uses its risk-taking capacity by determining, for each risk type, the degree of risk exposure that a particular area can take. The Bank specifies the level of risk appetite in the form of risk measures that reflect the Bank's current and future risk appetite. All methods and procedures are periodically reviewed for adequacy and reliability. The level of risk appetite is determined by the Bank's Management Board and requires the approval of the Supervisory Board.

In addition, the Bank monitors individual risks using a formal system of limits, which is established in such a way that:

- the Bank complied with supervisory standards,
- the desired risk profile defined in the Bank's business strategy and risk management strategy is maintained,
- limits did not exceed the risk level acceptable to the BNP Paribas Group.

If limits are exceeded, corrective actions are taken to reduce the value of the risk in accordance with the procedures in place at the Bank. The information system used in risk management ensures collection of data on operations and transactions as well as their impact on the Bank's risk profile. The Bank has risk control and risk management policies governing the handling of crisis events.

Stress tests

Pursuant to the Methodology of the stress testing programme at BNP Paribas Bank Polska S.A. The Bank conducts, among others, the following types of bottom-up tests:

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

Stress tests are an important tool in the risk management process. They allow to extend the risk measurement and include sensitivity to abnormal changes in market parameters, significantly deviating from those observed in periods of normal functioning of the financial markets. The objective of the stress testing programme is to assess the potential risks to which the Bank is exposed under hypothetical market conditions. The macroeconomic assumptions are developed by the Bank's Chief Economist. The stress testing programme fulfils the requirements of Guideline EBA/GL/2018/04 of 19 July 2018 on stress testing.

The stress testing programme covers:

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

The Bank conducts tests with reference to the level of risk appetite expressed in terms of risk appetite measures as well as capital targets specified in the Capital Management Policy at BNP Paribas Bank Polska S.A. Through stress testing, the Bank assesses the reliability of its financial plan and capital plan under stress conditions to ensure that the Bank meets the capital requirements applicable to it. The Bank's Management Board approves the stress testing programme and supervises its implementation and results.

Principal types of risk

Credit risk

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

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

Credit policies also set out detailed rules for identifying, measuring and accepting risk, securing loan repayment and monitoring customers during the life of the loan agreement.

The credit risk management process is aligned organisationally to the business line structure adopted at the Bank. A key role in the credit risk management system is held by an organisationally separate Risk Area, headed by a member of the Management Board (Chief Risk Officer). Credit risk management activities are supported by the Risk Management Committee as well as the Retail Banking/Personal Finance Risk Committees.

The credit risk of the customers is assessed with use of rating and scoring classification systems as well as IFRS risk classification standards.

Credit decisions are made in accordance with the decision-making model approved by the Management Board of the Bank and aligned with the standards imposed by the BNP Paribas Group. The decision-making model takes into account the structure of the business lines, establishes the number of decision-making levels, the scope of their competencies and the rules, criteria and conditions for taking credit decisions. The value thresholds for the decision-making competence depend on such criteria as the customer segment, risk profile and the borrowing period. At each competence level, credit decisions



are taken by two employees (four-eyes principle), namely a representative of the business line and a representative of the organisational unit responsible for customer and transaction risk assessment performed independently of the business line. For customers whose credit risk assessment is performed in accordance with simplified risk assessment principles or models, including scoring models approved by the Risk Management Committee or the Retail Banking/Personal Finance Risk Committees, credit decisions may be taken by one representative of the business line.

The Bank applies the following credit risk management principles:

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

Credit risk management in the Bank's subsidiaries

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

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

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

- a rating system for Corporate Banking Customers and Small and Medium Enterprises Banking,
- IFRS risk classification system,
- assessing the creditworthiness of the Bank's and companies' customers
- a model of making credit decisions,
- the Bank's internal limits system for concentration risk, including limits on the subsidiaries' portfolios of receivables.

Measurement of impairment of financial assets

The principles of measuring impairment are described in the Impairment of financial assets section within the Consolidated Financial Statements for the 6 months ended 30 June 2023.

In the first half of 2023, as part of the adjustment of the write-downs level to expectations of the future macroeconomic situation, provisions decreased by PLN 35,815 thousand (which included release of provisions in the amount of PLN 63,581 thousand in Q1 2023 and creation of provisions in the amount of PLN 27,766 thousand in Q2 2023, which was a result of the updated projections of macroeconomic variables included in the applied IFRS9 model.

In H1 2023 the Group introduced following changes in the write-offs calculation process:

- with regard to the portfolios of loans to individuals secured on real estate, the Group took into account all relevant macroeconomic variables affecting:
 - the level of PD. This change had a neutral impact on the level of provisions (addition of PLN 11,730 thousand with a simultaneous release of Post Model Adjustment provisions of PLN 11,730 thousand). This change resulted in a decrease in the level of Post Model Adjustment provisions related to risk factors affecting default risk not directly included in the macroeconomic model to PLN 139,740 thousand compared to PLN 151,470 thousand as at 31 March 2023,
 - LGD level. Along with the adjustment of expected sales prices of NPL portfolios as part of the update based on current forward-looking information, this change resulted in the release of a provision at the level of PLN 11,745 thousand (adding provisions of PLN 26,755 thousand with the simultaneous release of Post Model Adjustment provisions in the amount of PLN 38,500 thousand). The remaining balance of allowances in this regard (PLN 15,200 thousand) relates to the Bank's subsidiary.

Additionally, in H1 2023, the level of provisions was influenced by updating the level of provisions in the form of Post Model Adjustments maintained in connection with the risk of customers who are particularly sensitive to changes in the economic environment, as well as parameter adjustments for sensitive customers taking advantage of credit vacations - the Bank released PLN 224 thousand of provisions created for this purpose.

Considering the factors described above, in H1 2023 the Group released PLN 50,454 thousand of additional provisions (in the form of Post Model Adjustments). The balance of these additional provisions as at 30 June 2023 was PLN 256,617 thousand compared with a balance of PLN 307,071 thousand as at 31 December 2023.

In the first half of 2023, the Bank revised the provisions held for risks of clients particularly sensitive to changes in the economic environment. Due to the ongoing war in Ukraine and the economic sanctions issued against Russia and Belarus, the Bank analysed credit exposures directly linked to these countries and, on this basis, did not identify any significant exposures in both the corporate and retail client portfolios. At the same time, the Bank monitors the situation of customers on an ongoing basis taking into account the collateralisation of the credit portfolio by adequately reflecting the level of risk on these customers in the amount of allowances. The Bank has identified institutional customers who are vulnerable to the effects of the situation in Ukraine, including in particular customers whose business is linked to the economies of the above countries (and thus may be exposed to the effects of the war and the sanctions imposed) and whose business is exposed to



the embargo on Russian gas. As at 30 June 2023, these customers accounted for 1,394,936 thousand of the exposure and were classified in Phase 2 as customers for whom there was a material increase in credit risk. Due to the recognition of an allowance for expected credit losses for these customers over the entire remaining expected life, the level of the allowance on these customers increased by PLN 31,867 thousand compared to the allowance over the 12-month horizon.

Restructuring and debt collection

In the first half of 2023, a total of PLN 632.2 million in receivables were collected, of which:

- PLN 444.6 million - as a result of portfolio restructuring (corporate entities PLN 366.3 million, SME PLN 77.4 million, Individual Customers PLN 0.6 million, microenterprises PLN 0.3 million),
- PLN 153.1 million - as a result of debt collection activities (Individual Customers PLN 40.9 million, SME PLN 36.6 million, microenterprises PLN 36.2 million, corporate entities PLN 25.0 million, mortgages PLN 14.4 million),
- PLN 34.5 million - as a result of impaired portfolio sales.

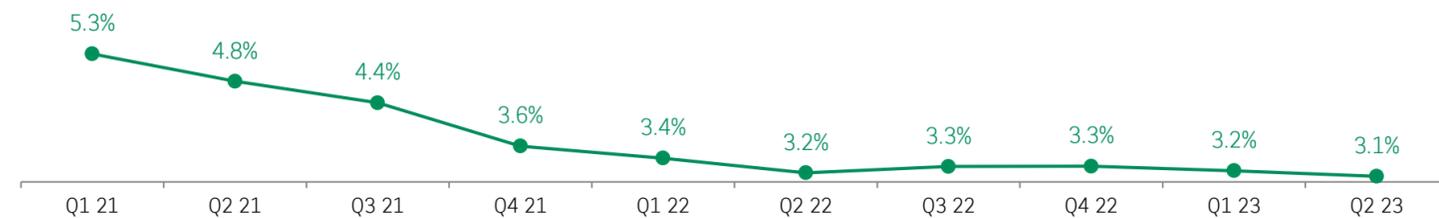
Quality of the Bank's loan portfolio

Structure of loans by stages

The share of receivables classified to Stage 3 at the end of June 2023 was significantly better than in previous years. The share of loans at amortised cost classified to Stage 3 in the Group decreased from 3.3% at the end of 2022 to 3.1% at the end of June 2023.

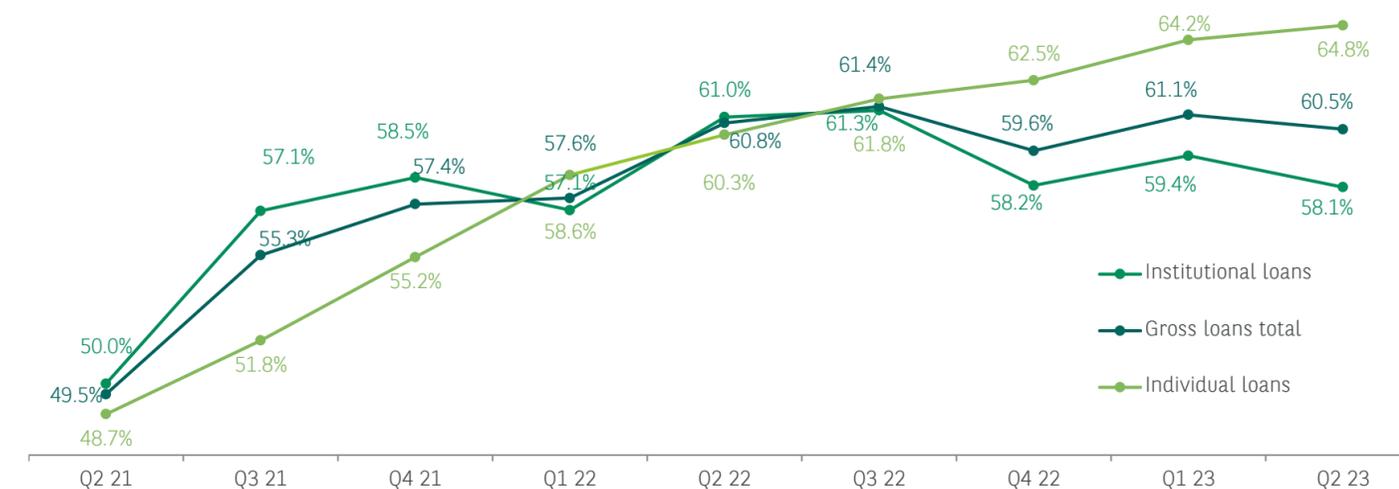
Despite the negative macroeconomic factors, the Group maintained the ratio of receivables measured at amortised cost classified as Phase 3 at a stable level. This was possible with measures taken at various stages of servicing non-performing loans in the process of active NPL portfolio management, in particular, effective monitoring of customers being potentially at risk of entering Stage 3 and high efficiency of debt collection activities.

Chart 18. Share of receivables measured at amortised cost, classified in Phase 3



At the end of June 2023, the write-down coverage of the portfolio classified as Stage 3 was 60.5%, which is an increase over the coverage level at the end of 2022. It is mainly the result of the aging effect of the Stage 3 portfolio.

Chart 19. Provision coverage for the portfolio classified as Stage 3



Detailed information on the quality of the portfolio is presented in the financial performance section of the loan portfolio.

The Group also actively monitors the structure of the credit portfolio, including in particular the industry structure. Details are described in the Concentration risk section.

Concentration risk

Concentration risk is an inherent risk taken by the Bank within the framework of its statutory activity and is subject to a specific management process and rules.

The Management Board assesses the adopted concentration risk management policy in terms of its application methods, in particular as regards its effectiveness and adequacy of rules implementation in the context of current and planned activities and taking into account the risk management strategy. In the event of significant changes in the Bank's operating environment or risk management strategy, the review of the adequacy of the concentration risk management process is carried out immediately after the occurrence of such circumstances.

To mitigate concentration risk, there are mechanisms in place to identify and measure concentration risk and concentration limits, including limits on large exposures. These allow to monitor and maintain the diversification of the loan portfolio at



levels consistent with the Bank's strategy and risk appetite. The Bank's limit system also takes into account external macroeconomic and sectoral conditions as well as prospects.

As at the end of June 2023: the limits on a consolidated and stand-alone basis set out in Article 395 of the EU Regulation No. 575/2013 were not exceeded with regard to BNP Paribas S.A. Group entities and amounted to 20.7% of Tier 1 capital on a consolidated basis.

With regard to the exposure limit to entities outside the BNP Paribas S.A. Group, the limits were not exceeded, with the largest exposure representing 11.7% of Tier 1 capital on a consolidated basis.

Internal limits for credit concentration risk are set for, among others:

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

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

- limiting the scope of financing to specific types of customers by modifying the credit policy,
- reducing the concentration risk limits,
- diversification of asset types at the level of the Bank's statement of financial position,
- changing the business strategy to prevent excessive concentration,
- diversification in the types of collateral received.

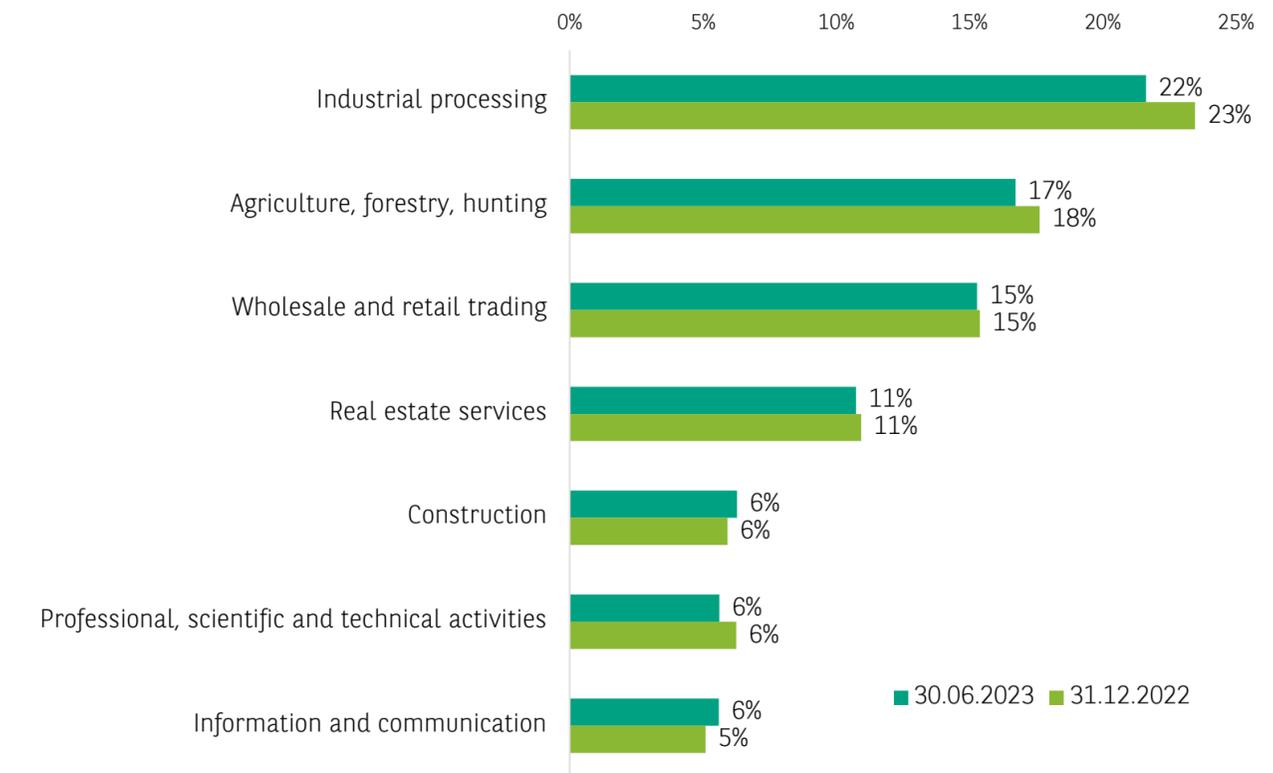
The Bank's mitigating actions of a single / specific decision and transaction nature include:

- limiting new transactions with a given customer or a group of connected clients,
- sale of selected assets / loan portfolios,
- securitisation of assets,

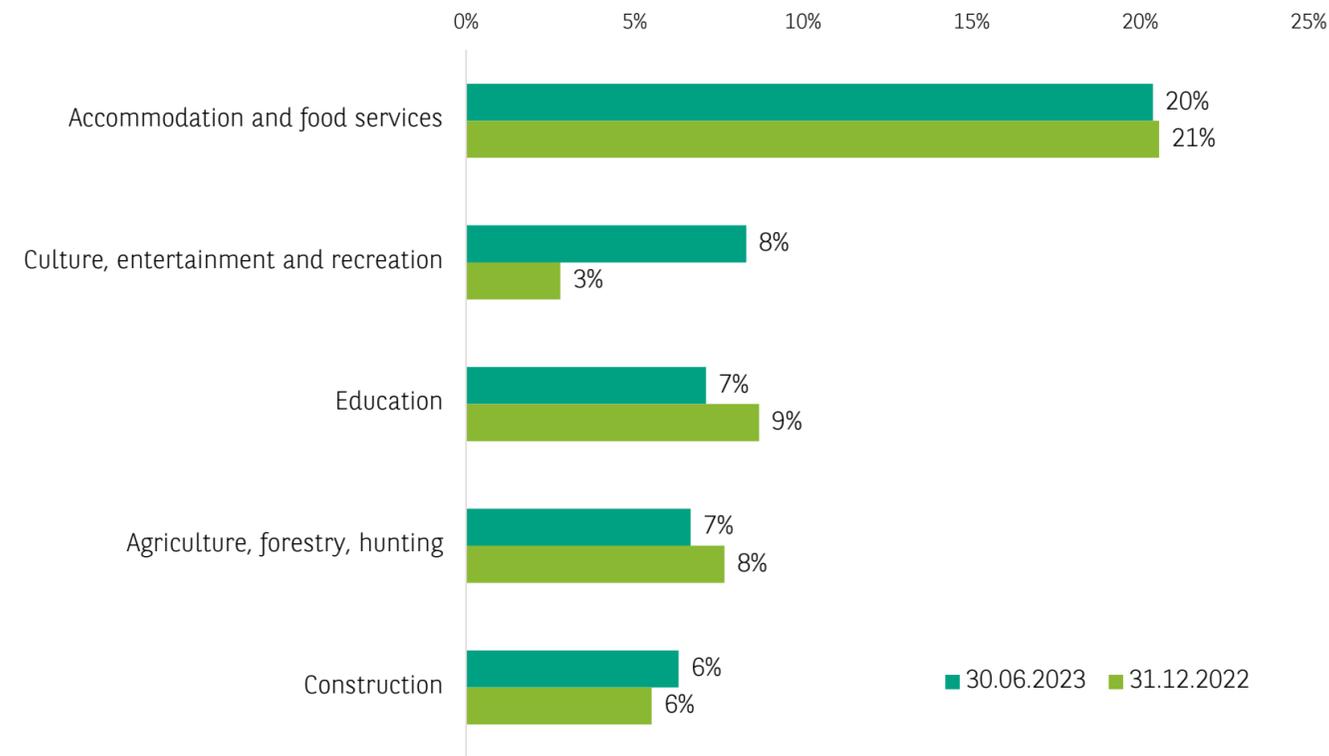
- establishment of new collateral for existing or new credit exposures.

The analysis of industry concentration performed by the Bank covers all the Bank's credit exposures to institutional customers.

Chart 20. Share of industry in the institutional clients' loan portfolio (industries above 5%)



The analysis of industry concentration performed by the Bank covers all the Bank's credit exposures to institutional customers.

**Chart 21. Share of impaired loans (greater than 5%) in the portfolio of the industry**

The BNP Group has the highest share in the "Industrial processing", where the share of non-performing loans is less than 5%, similar to the previous year. On the other hand, the industry with the highest share of non-performing loans is "Accommodation and food services" which accounts for only 1% in Institutional Clients' balance sheet exposure.

Detailed information on industry exposure can be found in Note 52 of the Consolidated Financial Statements of the BNP Paribas Bank Polska Group for the 6 months ended 30 June 2023.

As a result of the ongoing war in Ukraine and the economic sanctions imposed against Russia and Belarus, the Bank analysed credit exposures directly related to these countries and, based on this, have not identified significant exposures in either the institutional or individual customer portfolios.

Counterparty risk

Counterparty risk is the credit risk concerning the counterparty, with whom the transactions are concluded, and in case of which the amount of liability may change in time depending on market parameters. Thus, counterparty risk is associated

with transactions involving instruments the value of which may change in time depending on such factors as interest rates or foreign exchange rates. The varying exposure may affect the customer's solvency and is of crucial importance to the customer's ability to settle liabilities when the transaction matures. The exposure is determined by the Bank on the basis of the current contract valuation as well as the potential future changes in the exposure, depending on the transaction type, Customer type and settlement dates.

As at the end of June 2023, the counterparty risk was calculated for the following types of transactions: foreign exchange transactions, interest rate swap transactions, FX options, interest rate options and commodity derivatives.

Counterparty credit risk for transactions which generate counterparty risk is assessed using the same methodology as the one applied to loans. This means that in the credit process these transactions are subject to limits, the value of which results directly from the assessment of customer creditworthiness performed in the same way as in the process of credit product offering. However, the assessment also takes into account the specific nature of transactions, in particular their varying value in time or direct dependence on market parameters.

The principles applicable to foreign exchange transactions, derivative transactions as well as credit limit granting, use and monitoring for transactions subject to counterparty risk limits have been regulated in dedicated procedures. In accordance with its policy, the Bank enters into all transactions on the basis of individually allocated limits and is guided by its knowledge of the client's. The Bank has defined groups of products offered to customers depending on their knowledge, experience and risk tolerance. The Bank has transparent principles for collateralising the counterparty risk exposures.

As a result of the war in Ukraine and the economic sanctions imposed against Russia and Belarus, the Bank observes increased volatility in market risk parameters, which is reflected in fluctuations in counterparty risk exposure. The Bank assesses counterparty risk on an ongoing basis by conducting reviews of the portfolio of clients on which this risk exists. The Bank maintains the application of its basic principle of "Know Your Customer." In connection with non-standard situations, some customers may be asked for additional information related to changes in their business conditions. The Bank also takes into account the higher volatility of the aforementioned parameters in its risk assessment when entering into new transactions.

Market risk (including: interest rate risk in the trading book and currency risk)

The market risk management process at BNP Paribas is divided into interest rate risk management in the trading book and currency risk management. The process is centralized, which means that all transactions that expose the Bank to the aforementioned risks are transferred to the Financial Markets Division, which is responsible for operational risk management within the limits granted. The unit responsible for measuring and monitoring the level of market risk is the Market and Counterparty Risk Division, which is organizationally separated up to the level of the Bank's Management Board from the units performing activities that expose the Bank to risk. The key participants in the market risk management process are the Risk Management Committee, the Management Board and the Supervisory Board, which, within the scope of the authority and responsibility defined in the written regulations, decide on and allocate the amounts of market risk limits, the level of risk appetite, and monitor the level of their utilisation and the compliance of the business with the adopted strategy.



While measuring market risk, the Bank uses, among other things, the Value at Risk (VaR) method. VaR is the change in the market value of an asset or a portfolio of assets under certain assumptions about market parameters, over a fixed period of time and with a given probability. It is assumed that VaR for the purpose of currency risk monitoring is determined with a 99% confidence level over a one-day time horizon. The VaR methodology is subject to at least an annual review of the quality of implemented models, inter alia by performing a test comparing forecasted values and values determined on the basis of actual changes in risk factors, on the assumption that the open position remains unchanged (historical verification or back-testing).

In addition to VaR, the Bank used a number of other measures in its market risk management process, such as open position limits for a given risk factor, loss limits, analysis of stress test results, or gamma and vega limits for options.

The global crisis triggered by COVID-19 together with the war in Ukraine and related uncertainties in the financial instruments market forced a reduction in open market risk positions. However, these occurrences have not adversely affected the realization of the budgeted target.

Interest rate risk in the trading book is the risk of adverse changes in the Bank's financial result or equity, driven by any of the following factors:

- differences in the repricing dates of the Bank's assets and the liabilities used for purposes of their financing (mismatch risk),
- difference in reference rates used for purposes of determining the interest rate for items with the same repricing dates (basis risk),
- changes in market interest rates which affect the fair value of the Bank's open positions (interest rate volatility risk).

The interest rate risk in the trading book is classified as material, while the economic capital allocated to this risk represents less than 1% of the Bank's total economic capital.

Exposures to interest rate risk were the main source of risk in the trading book. The Bank assesses the level of this risk as moderate. In addition to instruments of a linear risk nature, the Bank maintained a small open position in interest rate options to ensure that customer transactions could be serviced at more favourable pricing conditions.

The table below presents the level of interest rate risk in the trading book in terms of value at risk with a 99% confidence level over a one-day time horizon, allowing the Bank's result to be estimated in terms of its sensitivity to changes in market interest rates, including in particular potential losses.

Table 42. The level of interest rate risk in the trading book in terms of value at risk with a 99% confidence level over a one-day time horizon

IR VaR (PLN thousand)	H1 2023	H2 2022
Average	3,526	2,139
Maximum	7,060	5,954
Minimum	1,974	869

Currency risk is the risk of adverse changes in the Bank's financial result, driven by changes in market foreign exchange rates.

The Bank is engaged in activities that result in FX-sensitive positions. At the same time, it strives to limit its exposure to FX risk related to offering its customers products in foreign currencies. The Bank undertakes limited activity on the foreign exchange market in order to generate financial results from short-term arbitrage positions. In addition to instruments of a linear risk nature, the Bank maintained a small open position in foreign exchange options to ensure that customer transactions could be serviced at more favourable pricing conditions.

Currency risk has been classified as material, while the economic capital allocated to this type of risk represents less than 1% of the Bank's total economic capital.

The table below presents the level of currency risk in terms of value at risk with a 99% confidence level over a one-day time horizon, allowing the Bank to estimate the sensitivity of the Bank's result to changes in market interest rates, including in particular potential losses.

Table 43. The level of currency risk in terms of value at risk with a 99% confidence level over a one-day time horizon

FX VaR (PLN thousand)	H1 2023	H2 2022
Average	224	595
Maximum	921	1,890
Minimum	43	58

Interest rate risk in the banking portfolio

The Group's core business activities - lending and taking deposits from customers - result in open interest rate risk positions that are transferred from business lines to portfolios managed by the Asset and Liability Management Division by means of a transfer pricing system.



The structural elements (the stable, not sensitive to interest rate, part of the current accounts and capital) are hedged with longer maturity transactions. On the remaining portfolio, the Group's intention is to close interest rate risk.

When determining the interest rate risk profile, the Group takes into account not only contractual parameters, but also the actual characteristics of the products resulting from customer behaviour and built-in options, applying models e.g., for current accounts, savings accounts, fixed rate loans, credit cards.

Modelling the behaviour of products divided into business lines, which allows to separate their stable and unstable part, reacting in different ways to changes in interest rates.

The following basic types of interest rate risk analyses (for the overall portfolio and divided by currencies) are defined in the policy on interest rate risk adopted by the Group:

- a mismatch between the repricing dates of assets and liabilities ("gapping"), for the banking book,
- sensitivity of interest income to defined – expected and stressed – scenarios for shifting interest rate curves, assuming various interest rate curve scenario (EaR),
- the amount of interest income under defined scenarios for the change of interest rate curves (NII),

- sensitivity due to different reference rates (basic risk),
- average investment horizon of capital and non-interest bearing current accounts (structural elements),
- sensitivity of fair value to a parallel shift of interest rate curves by 1 basis point, and to a shift of interest rate curves by 1 basis point at a selected nodal point of the curve,
- sensitivity of fair value measured as the nominal value of the annual transaction (item) with identical sensitivity (OYE),
- change in fair value of capital with defined scenarios for changing interest rate curves.

The above analyses constitute the essential component of the system used for mitigating the interest rate risk in the banking book. The analyses are performed for the relevant portfolios on a daily, monthly or quarterly basis. Additionally, the Bank conducts sensitivity analyses for its banking book, where the changes in interest rates are significantly larger than those typically observed (stress tests).

The table below presents the interest rate gap for the banking portfolio as at 30 June 2023. The gap presents the net amounts of revalued items by product in each time interval. Utilisation of set limits is below the maximum values.

Table 44. Interest rate gap

PLN thousand	to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	total
Cash and balances at the Central Bank	6,971,552	-	-	-	-	6,971,552
Amounts due from banks	11,751,828	-	21,500	-	-	11,773,328
Loans to customers	34,597,062	23,764,365	18,900,484	10,214,680	1,515,467	88,992,057
Securities:	1,341,000	1,086,839	6,667,737	15,161,176	12,306,596	36,563,348
Other assets	861,772	188,372	337,521	1,729,624	819,181	3,936,470
Total assets	55,523,214	25,039,576	25,927,242	27,105,479	14,641,243	148,236,755
Amounts due to banks	(8,255,886)	(3,319,459)	(540,586)	(294,255)	(10,405)	(12,420,591)
Amounts due to customers	(44,732,541)	(15,493,574)	(26,907,395)	(18,408,439)	(11,277,127)	(116,819,075)
Other borrowed funds	-	(450,000)	-	-	-	(450,000)
Capital	(531,799)	(289,709)	(1,303,690)	(6,953,012)	(3,476,506)	(12,554,716)
Other liabilities	(5,661,661)	(96,738)	(6,802)	(17,875)	(966)	(5,784,042)
Total liabilities:	(59,181,887)	(19,649,481)	(28,758,472)	(25,673,581)	(14,765,004)	(148,028,424)
Off-balance sheet net liabilities	(5,124,452)	(3,394,033)	163,302	5,406,422	2,995,986	47,224
Interest rate gap	(8,783,125)	1,996,063	(2,667,929)	6,838,320	2,872,226	255,555



The average length of capital investment and non-interest bearing current accounts as at 30 June 2023 was 4.4 years.

The sensitivity of net interest income when interest rate curves shift as at 30 June 2023 largely depends on changes in the balance sheet structure.

Table 45 presents sensitivity of net interest income as at 30 June 2023 with immediate shift of interest rates in all currencies by 100 basis points over a horizon of 12 months taking into account shifts between non-interest-bearing current accounts and interest-bearing deposits resulting from high levels of interest rates in PLN. A factor that has a significant impact on the sensitivity of net interest income is the large share of non-interest-bearing current accounts, some of which, for prudential reasons, are hedged (from an interest rate risk perspective) with short-term (O/N/1M) financial transactions. The impact of maturity mismatches between assets and liabilities on the sensitivity of net interest income is at a lower level.

Table 45. Sensitivity of net interest income as at 30.06.2023

Shift in interest rate (PLN million)	+100 bps	-100 bps
PLN	163	(130)
All currencies - total	233	(200)

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

Table 46. Supervisory test of the Group's equity economic sensitivity

Scenario	PLN million	% of own funds
+200 bps	(283)	(1.89%)
-200 bps	(227)	(1.51%)

The economic sensitivity of capital is at a low level at the end of June 2023.

As at 30 June 2023, the Group applies hedge accounting:

- macro fair value hedge - the hedged risk is interest rate risk, and in particular changes in the fair value of fixed-rate liabilities caused by changes in a specified reference rate. The hedged items are current accounts with fixed interest rates in PLN, EUR and USD. The hedging instruments are plain vanilla interest rate swaps (IRS) in PLN, EUR and USD under which the Bank receives a fixed interest rate and pays a variable rate based on W WIBOR 6M, WIBOR 3M, EURIBOR 6M, EURIBOR 3M, EUR ESTRS, USD LIBOR 6M, USD LIBOR 3M, USD SFROIS.

- macro fair value hedge - the hedged risk is interest rate risk, and in particular changes in the fair value of fixed-rate assets due to changes in a specified reference rate. The hedged items are fixed-rate coupon bonds: EUR0233, EIBE0730. The hedging instruments are interest rate swaps (IRS) in EUR, under which the Bank pays a fixed interest rate and receives a variable rate based on EUR ESTRS.
- micro fair value hedge - the hedged risk is interest rate risk, and in particular changes in the fair value of fixed-rate assets due to changes in a specified reference rate. The hedged items are fixed-rate coupon bonds: EUR0233, EIBE0730. The hedging instruments are interest rate swaps (IRS) in EUR, under which the Bank pays a fixed interest rate and receives a variable rate based on EUR ESTRS.
- cash-flow hedge - the hedged risk is interest rate risk and, in particular, changes in the cash flows of the hedged item resulting from changes in a specified reference rate. The hedged items are: WZ1131 floating coupon bonds. The hedging instruments are interest rate swaps (IRS) in PLN, under which the Bank receives a fixed interest rate and pays a variable rate based on WIBOR 6M.

The war in Ukraine has generally not affected the management of interest rate risk in the banking portfolio.

Liquidity risk

Liquidity risk is defined as the risk of losing by the Bank the ability to meet its financial obligations, where liquidity is defined as the ability to:

- finance assets and meet the Bank's obligations on a timely basis in the course of its daily operations or in other conditions, without the necessity to incur loss, whereas, as maintenance of liquidity is the Bank's top priority - optimization of liquidity costs is considered in the last place,
- obtaining alternative and supplementary funding to those held at present if they are withdrawn early and/or not renewed, so as to meet the current or potential demand for funds from the current depositors, to cover lending and other potential liabilities related to, inter alia, the settlement of derivative transactions or collateral established by the Bank,
- generate a positive balance of cash flows over a specified time horizon, regardless of macroeconomic developments, achievement of business plans and changes in the regulatory environment.

The Bank operates in a free-market environment and is a financial markets participant, specifically in the retail, corporate and interbank markets, which offers a wide range of opportunities to control the liquidity level, but, at the same time, makes the Bank sensitive to crises in each of these environments. There is an automated risk monitoring system in the Bank which enables the Bank to obtain information on the current level of future liquidity risk on a daily basis and online information on the level of the intraday liquidity risk.

The following types of liquidity are distinguished by the Bank:

- immediate liquidity (intraday) - during the present day,
- future liquidity - beyond the present day, additionally divided into:
- current liquidity - within 7 days,



- short-term liquidity – more than 7 days to 1 month,
- medium- and long-term liquidity – over 1 month.

The Bank defines liquidity risk as the risk of losing its ability to:

- meet its payment obligations on a timely basis,
- obtain alternative and supplementary funding to those currently held,
- generating a positive balance of cash flows within a defined time horizon.

The Bank's policy on liquidity risk management focuses on:

- sustainable, organic growth of the balance sheet (an increase in the value of assets has to be linked with a corresponding rise in the level of financing with the use of stable equity and liabilities) as well as off-balance sheet transactions and liabilities;
- limitation of the Bank's dependence on changes in external conditions and ensuring that in a local or global crisis or a crisis directly affecting the Bank, the Bank will be able to quickly meet its obligations without reducing the range of its services or initiating changes in its core business profile. In the event of a crisis situation occurring in the longer term, the Bank's policy focuses on maintenance of liquidity with possible changes in growth directions and introduction of costly business profile change processes;
- active limitation of the probability of adverse events which may affect the Bank's liquidity. In particular, this concerns events which may affect reputation risk. In such case, the Bank will undertake actions aimed at restoring confidence of both customers and financial institutions as soon as possible;
- ensuring high quality of liquidity management standards. Actions aimed at improving the quality of liquidity management at the Bank are its top priority.

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

At the end of June 2023, the Bank financed a portfolio of mortgage loans in CHF with funds in EUR and USD by concluding medium- and long-term FX swap transactions.

Loan financing structure

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

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

Table 47. Structure of Group's loan portfolio financing

PLN million	30.06.2023
Net loans	88,573
Total sources of funding	124,494
Customer deposits, including:	117,436
- retail customers	48,102
- corporate	63,470
- non-banking financial institutions	2,830
- public sector institutions	3,033
Liabilities to banks	7,059
Debt securities issued	-

As at the end of June 2023, compared to December 2021, the amount of wholesale funding received from the BNP Paribas Group remained at the same level. The Bank has not obtained new financing from other entities in the first half of 2023 as well. At the end of the first quarter 2023 the Bank repaid earlier its obligations resulting from securitisation, and thus completed the transaction. The Bank finances its foreign currency loans with deposits accepted from Customers using, if necessary, foreign exchange transactions. In case of a necessity, the Bank may use funds from medium and long-term loans from the BNP Paribas Group, which provides stable financing to cover currency shortages in EUR, USD or CHF. As of 30 June 2023, the structure of long-term credit lines drawn down was as follows:

Table 48. Structure of loans from the BNP Paribas Group

PLN million	30.06.2023
CHF	150
EUR	200
PLN	2,740

**Table 49. Structure of loans from the EBRD, EIB and CEB**

PLN million	30.06.2023
PLN	481

The net liquidity coverage ratio (LCR) for the Group amounted to 204.9% at the end of June 2023, which constitutes an increase of 35.1 p.p. compared to the end of 2022. (169,8%). The increase in the LCR measure is mainly due to an increase in customer deposits with a simultaneous decrease in loans.

The Net Stable Funding Ratio (NSFR) for the Bank at the end of June 2023 reached 142.7% and for the Group - 141.6%, an increase in the end of 2022 by 11.0 p.p. and 11.1 p.p. respectively. The recorded increase is a result of a steady growth in interest-bearing deposits instead of deposits in current and savings accounts. Fluctuations in the ratio in 2023 were not significant and the ratio gradually decreases to the current level.

The ongoing war in Ukraine has not affected the Bank's overall liquidity situation. The significant increase in NBP interest rates in 2022 was reflected in lower sales of loans to Individual Customers in 2023, especially in the area of mortgages. Inflationary concerns, wage pressures, as well as significant increases in energy prices are also slowing loan granting in the corporate segment.

Operational risk

The Bank defines operational risk in accordance with the requirements of the Polish Financial Supervision Authority included in Recommendation M as the possibility of incurring a loss through the fault of inappropriate or unreliable internal processes, people, technical systems or as a result of external factors. It incorporates legal risk, but does not include strategic risk. The Bank also recognizes as operational risk events and losses the consequences of materialization of compliance risk. Operational risk is inherent in any type of banking operations. The Bank identifies operational risk as permanently significant.

Objectives of operational risk management

The Bank's operational risk management objectives include, in particular, compliance with high operational risk management standards that guarantee security of customer deposits, the Bank's equity, stability of its financial result as well as maintenance of the operational risk level within the range of the operational risk appetite and tolerance defined by the Bank. The main measure used to measure risk within the adopted appetite for operational risk is the ratio of operational losses recorded by the Bank over the adopted time period. While developing the operational risk management system, the Bank complies with the applicable legal requirements, in particular the recommendations and resolutions of the national financial supervision authorities and the standards adopted by the BNP Paribas Group.

Operational risk management strategy and policy

The operational risk management strategy is described in the "Operational risk management and internal control strategy of BNP Paribas Bank Polska S.A.", approved by the Management Board of the Bank and accepted by the Supervisory Board.

The strategy is reviewed at least once a year, and the Management Board reports the results of the review to the Supervisory Board. Changes to the Strategy require the approval of the Supervisory Board, which assesses the implementation of the Strategy and compliance with it 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 the level of risk only within the accepted risk appetite, eliminating unacceptable events, reducing the possibility of unexpected events with severe consequences for the Bank, and proactively responding and reacting to identified events that may cause such consequences. Achieving the above priority also includes supporting an appropriate operational risk management culture within the Bank. The goals of the Strategy, which the Bank achieved in the first half of 2023 covered the implementation of measures to reduce the risk of fraud, including phishing, as well as the mitigation of the materialization of other risks and the optimization of the internal control environment

The Management Board of the Bank regularly receives information concerning the scale and types of operational risk to which the Bank is exposed, its effects and management methods. In particular, both the Bank's Management Board and the Supervisory Board are regularly provided with information about the development of the operational risk appetite measures specified in the operational risk management strategy.

The operational risk management strategy also covers the Bank's subsidiaries. In accordance with supervisory regulations, the Bank has oversight of operational risks related to the activities of its subsidiaries. Operational risk management in subsidiaries is carried out within dedicated units/persons appointed for this purpose. The manner and methods of operational risk management in subsidiaries are organized adequately to the scope of the entity's activities and its business profile, in accordance with the Bank's rules.

The organizational framework and standards for operational risk management are defined by the "The Operational Risk Policy of BNP Paribas Bank Polska S.A.", adopted by the Bank's Risk Management Committee. In accordance with the "The Operational Risk Policy of BNP Paribas Bank Polska S.A.", the Bank's operational risk management processes include:

- the identification and assessment of operational risks through the collection of information on operational events, the assessment of risks in processes and products, and determination of key risk indicators,
- setting the operational risk appetite and limits at the level of the entire Bank and individual business areas, the operational risk analysis and its monitoring and ongoing control,
- counteracting increased levels of the operational risk, including risk transfer.

Organization of operational risk management

The Bank maintains and develops the operational risk management system that comprehensively integrates the management of individual types of operational risk in all areas of the Bank's operations. The objective of the operational risk management system is to ensure the safety of the Bank's operations by implementing effective mechanisms for identification, assessment and quantification, monitoring, control, reporting and taking actions aimed at reducing



operational risk. Such measures take into account the structures, processes, resources and scopes of responsibilities for the aforementioned processes at various organisational levels at the Bank.

The Bank precisely defines the roles and responsibilities in the operational risk management process, considering its organisational structure. The operational risk management process is implemented through three lines of defense. The first line of defense consists of risk management in the operational activities of the Bank. The second line of defense includes, in particular, risk management by employees of specially appointed organisational units, independent of the risk management of the first line of defense, and the activities of the compliance function. The third line of defense involves the activities of the internal audit department.

As part of the second line of defense, comprehensive supervision of the organization of operational risk management standards and methods is exercised by the Operational Risk, Internal Control and Anti-Fraud Division operating within the Risk area. The Division's responsibilities include operational risk management issues, protecting Bank from fraud, and supervision of internal control, including control of personal data protection processes.

The definition and implementation of the Bank's insurance strategy, as a method of risk mitigation, is the responsibility of the Real Estate and Administration Department. On the other hand, business continuity management, including issues related to business continuity plans to ensure continuous and uninterrupted operation of the Bank and contingency plans to ensure the Bank's ability to conduct its day-to-day operations, is the responsibility of the Security and Business Continuity Management Division.

As part of the legal risk management process, the Legal Division monitors, identifies and performs analyses of changes to universally binding law and their effect on the Bank's operations, in addition to court and administrative proceedings which affect the Bank. The Compliance Department is responsible for day-to-day compliance risk analysis as well as development of appropriate risk control techniques and their improvement.

Other important areas of operational risk management include also:

- human resources management (HR risk),
- outsourcing risk,
- model risk management,
- IT systems risk management (ICT risk),
- management of conduct risk,

for which risk management policies and procedures, are defined - in accordance with the scope of competence - by designated organizational units of the Bank.

The Bank periodically monitors functioning of the implemented operational risk management system and its appropriateness for the Bank's current risk profile. The organisation of the operational risk management system is reviewed as part of periodic control exercised by the Internal Audit Division, which is not directly involved in the operational risk management process but provides professional and independent opinions supporting achievement of the Bank's objectives.

The Supervisory Board oversees the control of the operational risk management system and assesses its adequacy and effectiveness.

Risk identification and assessment tools

The Bank places a strong focus on identification and assessment of the factors that trigger its present exposure to operational risk in relation to banking products. It is the Bank's objective to reduce the operational risk level through improvement of its internal processes as well as mitigating the operational risk in the process of launching new products and services and outsourcing operations to third parties.

In accordance with the "The Operational Risk Policy of BNP Paribas Bank Polska S.A.", operational risk analysis is aimed at acquiring an understanding of the interdependence between the risk generating factors and operational event types, and it is performed primarily with the objective to define the operational risk profile.

The Bank manages operational risk using the following tools, among others:

TOOLS USED	THE MAIN PURPOSE OF THE TOOL
RECORD OF OPERATIONAL RISK EVENTS	<ul style="list-style-type: none"> • Effectively analyzing and monitoring operational risks • Responding to disclosed operational risk vulnerabilities
OPERATIONAL RISK AND CONTROL SELF-ASSESSMENT (RCSA)	<ul style="list-style-type: none"> • Building operational risk awareness • Identification of operational risks, identification of threats and identification of their sources, as well as determination of the size and potential consequences of threats • Evaluation of control mechanisms and mitigation of identified risk • Improvement of processes and reducing identified operational risks • Ensuring adequate risk control in processes exposed to operational risk
SCENARIO ANALYSIS OF OPERATIONAL RISK (SA)	<ul style="list-style-type: none"> • Identification of events characterized by low frequency but high severity • Assessing the impact of possible extreme events on the Bank's operations by estimating the probability of occurrence and anticipated severity of the scenarios considered • Raising awareness of the Bank by providing information on possible operational risk scenarios • Support the development of action plans for identified risks
KEY RISK INDICATORS (KRI)	<ul style="list-style-type: none"> • Ongoing monitoring and reporting of operational risk exposures • Providing warning signals on the operation and operational risk exposure of the Bank's processes and business areas • Monitoring changes in risk levels over time
RISK ASSESSMENT OF IMPLEMENTED PROJECTS	<ul style="list-style-type: none"> • Identification and assessment of operational risks associated with the Bank's ongoing projects, including: products being implemented or modified



TOOLS USED	THE MAIN PURPOSE OF THE TOOL
IDENTIFICATION OF OPERATIONAL RISKS FOR CONTRACTS WITH EXTERNAL SUPPLIERS (OUTSOURCING)	<ul style="list-style-type: none"> Independent verification and check by the second line of defense of the correctness of risk identification and mitigation by the first line of defense units Recommendation of risk mitigation measures
OPERATIONAL RISK REPORTING	<ul style="list-style-type: none"> Ensuring proper identification and assessment, control and monitoring and mitigation of operational risks Ensuring that regulatory requirements for the Bank's outsourcing process are met Provide current and periodic operational risk information meeting the management needs: to the Bank's Management Board, the Committees responsible for risk management, the Supervisory Board and other members of the Bank's management, according to their responsibilities Enabling assessment of the Bank's exposure to operational risk and evaluation of the effectiveness of operational risk management Disclose information on 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 authorisation 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.

The operational risk profile constitutes the assessment of materiality of the risk, which is understood as the scale and structure of the operational risk exposure, defining the degree of exposure to the operational risk (operational losses), within the structural dimensions selected by the Bank and the defined scale. Periodic assessment and review of the Bank's operational risk profile is based on an analysis of the Bank's current risk parameters, changes and risks occurring in the Bank's environment, implementation of the business strategy, as well as the adequacy of the organisational structure and the effectiveness of the risk management and internal control system.

In accordance with the applicable regulations, the Bank determines regulatory capital to cover the operational risk. The Bank uses the standardised approach (STA) for calculation of the capital requirement. Subsidiaries of the Bank, on a consolidated basis, determine the capital requirements according to the basic indicator approach (BIA).

Control and monitoring of operational risk

The purpose of internal control is effective risk control, including risk prevention or early detection. The role of the internal control system is to achieve general and specific objectives of the internal control system, which should be considered at the design stage of control mechanisms. The principles of the internal control system are described in the "Policy on internal control at BNP Paribas Bank Polska S.A.", approved by the Bank's Management Board. This document describes the

main principles, organisational framework and standards for the functioning of the control environment in the Bank, complying with the PFSA's requirements provided in Recommendation H. Detailed internal regulations concerning specific areas of the Bank's activity are adapted to the specifics of the Bank's operations. The appropriate organisational units of the Bank, in accordance with the scope of the tasks assigned to them, are responsible for developing detailed regulations relating to the area of internal control.

The internal control system in the Bank is based on the 3 lines of defense model.

The Bank ensures the exercise of internal control through independent monitoring of compliance with controls, including ongoing verification and testing.

Operational risk mitigation

In H1 2022 the Bank applied and maintained a number of measures to mitigate operational risk, strengthening control mechanisms and processes over this type of risk. In particular, processes and tools for preventing and combating fraud against the Bank were strengthened, including, among others, combating credit fraud and phishing. In addition, a program to mitigate fraud risk was implemented at the Bank. The Bank monitored its exposure to legal risk on an ongoing basis, including risks arising from pending litigation concerning CHF-denominated loans, in order to respond adequately to changes in the level of risk. With reference to the outbreak of war in Ukraine, the Bank monitored potential risks to the Bank on an ongoing basis, including those relating to security and ensuring business continuity.

The Bank's Management Board and the Risk Committee of the Supervisory Board are informed periodically, in particular about the effectiveness of the solutions implemented by the Bank.

Risks resulting from the war in Ukraine

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

Compliance risk

The Bank defines compliance risk as the risk of negative consequences, including legal and regulatory sanctions, financial penalties and loss of reputation, due to the Bank's failure to comply with laws, regulatory standards and recommendations, ethical and market standards as well as internal regulations applicable to the Bank.

Compliance assurance system

The compliance assurance system consists of organizational arrangements, processes and control mechanisms aimed at ensuring the Bank's compliance with laws, internal regulations and market standards. The system operates as part of the internal control system and is implemented along three lines of defense:



- the first line of defense includes all organizational units responsible for the operational functioning of the Bank. These units are required to comply with internal regulations, apply the control mechanisms and compliance risk control mechanisms established at the Bank, as well as to ensure independent horizontal monitoring of compliance with control mechanisms aimed at ensuring compliance,
- the second line of defense consists of compliance risk management by independent organizational units set up for this purpose - the Compliance Monitoring Division responsible for the implementation of 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 units, legal unit),
- the third line of defense involves the activities of internal audit, which is responsible for testing the adequacy and effectiveness of the internal control system.

The Compliance Monitoring Division assists, with respect to compliance risk, the Management Board in introducing and ensuring the operation of an adequate and effective internal control system and the Supervisory Board in supervising its implementation.

The role of the compliance function

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 activities of this unit are aimed at implementing the process of compliance risk management, i.e., introducing solutions to identify, assess, control and monitor this risk. This unit is also responsible for submitting reports in this regard 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, advising, conducting investigations, creating compliance risk control mechanisms, current vertical verifications and vertical and horizontal testing of the effectiveness of control mechanisms to ensure compliance of the Bank's operations with laws, internal regulations and market standards, including their compliance with the first line of defense of the Bank's internal control system, with particular attention to the following areas:

- anti-money laundering and countering the financing of terrorism,
- compliance with embargoes and international sanctions,
- protection of customer interests,
- professional ethics and anti-corruption,
- performance on financial markets,
- preventing market manipulation and insider trading,
- management of conflicts of interest,
- compliance by the Bank and its clients with regulations on tax avoidance and those relating to financial markets, with a transnational scope.

Appropriate mechanisms have been introduced at the Bank to ensure the independence of the Compliance Monitoring Division and to provide it with a possibility to perform its assigned functions. As part of the Bank's organizational structure, the Managing Director of the Compliance Monitoring Division reports directly to the President of the Management Board, and the rules and regulations of the Compliance Monitoring Division and the necessary mechanisms to ensure its independence are approved by the Supervisory Board. In addition, the Bank has a dedicated procedure for the appointment and dismissal of the head of the Compliance Monitoring Division, and the necessary mechanisms are in place to protect the employees of the Compliance Monitoring Division from unjustified termination of their employment contracts.



Additional information

Court proceedings	102
Post balance sheet events	108
Statements of the Management Board of BNP Paribas Bank Polska S.A.	108



Przemysław Mroczek, Compliance Systems Analysis and Implementation Expert



Court proceedings

Legal Risk

As of 30 June 2023, 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. In November 2022, the first hearing was held, the case is pending.

Corporate claims against the Bank (interchange fee)

As of 30 June 2023, the Bank received:

- 33 requests for settlement from companies (merchants), due to interchange fees paid in relation to the use of payment cards, (two from companies which submitted their requests twice and, one from the company which submitted its request three times and one from a company which submitted two requests for different payment methods). The total amount of these claims was PLN 1,028.02 million, including PLN 1,018.05 million where the Bank had joint responsibility with other banks;

- 4 requests for mediation before the PFSA. The requests were sent to the Bank by the same entrepreneurs who had previously submitted requests for a settlement attempt. The total value of claims arising from the above applications amounts to PLN 40.29 million, of which PLN 37.79 million relates to joint liability with other banks.

Litigation and claims of investment fund participants in connection with the performance of the function of investment fund depositary.

As of 30 June 2023, the Bank had received a total of 128 individual lawsuits and one collective lawsuit 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 covered by the above-mentioned lawsuits is PLN 161.7 million. The vast 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 collective lawsuit was filed on behalf of 397 participants of the RPF Fund, and concerns claims in the total amount of PLN 96,221 thousand. 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. No verdict has yet been issued in any of the cases.

Proceedings regarding recognizing a standard contract as prohibited

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

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

The Bank filed an appeal against the decision within the statutory deadline. The Bank has made a provision for the above penalty in full. On 5 October 2022. The Court of Competition and Consumer Protection handed down a judgment in which it overturned the decision of the UOKiK. Both the President of the UOKiK and the Public Prosecutor filed appeals against the judgment. The Bank replied to both appeals.

On 12 May 2023 the Court of Appeal partially upheld the appeal of the President of the UOKiK, while significantly reducing the penalty imposed on the Bank - to the amount of PLN 6,656 thousand. The Bank filed a motion to suspend the effectiveness of the ruling, which the Court dismissed on 26 May 2023. Thus, the decision, as resulting from the judgment, became final on 12 May 2023. The Bank paid the penalty, published information about the decision and its content on the



Bank's website, by 12 August this year. The Bank will send the required communications to customers. At the same time, the Bank is preparing a cassation appeal.

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 Client.

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 Client 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.

By the letter dated 06.04.2023 the UOKiK notified about the extension of the deadline for the completion of the proceedings until 11.08.2023.

Proceedings for practices violating the collective interests of consumers - credit holidays

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.

The Bank has created a provision in the amount of the penalty imposed.

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 2023, the Bank had received a total of nine lawsuits. All lawsuits were filed on behalf of consumers and relate to mortgage loan agreements in PLN, concluded in 2020-2021 (1 claim relates to a contract concluded in 2015) and also contain a request for security of action. It should be emphasised that 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 51% of the Bank's retail PLN loan exposure. The total amount of claims covered by the lawsuits received amount to PLN 2.30. All court proceedings are pending before courts of first instance.

Along with the lawsuits, applications for security of action are filed. In seven court proceedings, such motions were resolved in favour of the Bank (in six cases the motions were dismissed, and in 1 case, as a result of a complaint filed by the Bank, the previously granted security was revoked). In 1 court proceeding, the application for security has not yet been decided by the court. In 1 court proceeding, security was granted (the complaint filed by the Bank has not yet been recognised).



In addition, in 5 debt collection cases brought by the Bank, customers have raised arguments challenging WIBOR as a reference index.

The Bank's position is that the clients' 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 Financial Supervision Commission, 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 Financial Supervision Commission. The Commission 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 Financial Supervision Authority, the Ministry of Finance and the Bank Guarantee Fund.

On 29 June 2023, the Financial Supervisory Commission 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 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 Bank Association (as at the end of May 2023), 155 court proceedings have been initiated against banks. In 5 cases, the courts of first instance ruled in favour of the banks, and 1 proceeding was legally concluded with a ruling in favour of the Bank. No rulings unfavourable to banks.

Litigation concerning CHF credit agreements in the banking sector

Following the judgment of the Court of Justice of the European Union in the CHF-indexed mortgage case (C-260/18), the number of lawsuits related to CHF mortgage loans against banks is gradually increasing. 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 May 2023 was nearly 127,000 compared to over 110,000 at the end of 2022. In the first five months of 2023, there were more than 16 thousand new foreign currency loan cases in banks. 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 2022 was around PLN 11.6 billion and in the first quarter of 2023 around PLN 3.4 billion, translating into total provisions for this purpose of PLN 29.1 billion at the end of 2022 and over PLN 30.2 billion at the end of the first quarter of 2023.

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

The gross balance sheet value of mortgage and housing loans granted to Individual Customers in CHF as of 30 June 2023 amounted to PLN 3.39 billion, compared to PLN 4.09 billion at the end of 2022.

As of 30 June 2023, the Bank was the defendant in 4,507 (1,311 new cases in 2023) pending court proceedings (including validly closed cases, clients brought a total of 5,130 claims against the Bank), in which the Bank's customers demanded the annulment of mortgage loan agreements regarding foreign currency loans or loans denominated in CHF, or declaration that the contract is permanently ineffective. The claims are based in particular on a contravention of Article 69 of the Banking Act or on the occurrence of abusive clauses which cause the contract cannot be remained in force (article 3531 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 2023 was PLN 2,163 million (as of 31 December 2022 was PLN 1,549.5 million), and in legally binding cases PLN 234.0 million (PLN 150.4 million as of 31 December 2022).

As of 30 June 2023, the following judgments have been issued in 623 proceedings that have been legally concluded: 176 judgments in favour of the Bank, including 117 proceedings in case of which a court settlement agreement was concluded, and in 447 cases the courts ruled against the Bank by declaring the loan agreement invalid or permanently ineffective.

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

The total value of provisions created as at 30 June 2023 amounted to PLN 2 123.8 million (as at 31 December 2022 it amounted to PLN 1,892.4 million), with an impact on the Bank's income statement of PLN 590.4 million in the first half of 2023 (in 2022 it amounted to PLN 740 million). An increase in the level of provisions in the first half of 2023 was primarily due to an inflow of new lawsuits and an update of the estimate of projected number of lawsuits.

At the same time, the Bank considered the right to recognize a deferred tax asset due to the entitlement valid until the end of 2024 to apply a tax preference to settlements covered by the scope of the Regulation of the Minister of Finance of 11 March 2022, amended by the Regulation of 20 December 2022, on the abandonment of the collection of income tax on certain income (revenue) related to a residential mortgage loan. The Bank recognised PLN 59.04 million deferred tax assets in the first quarter, of which PLN 27.49 million were realised as at 30.06.2023. The remaining asset value is PLN 31.55 million.

The provision is created in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets. Provision for pending cases is calculated on an individual basis, while for future cases using the portfolio method. While calculating the provision, the Bank takes into account, inter alia, the number of certificates downloaded by clients for trial purposes, the estimated probability of clients filing cases, the estimated number of future claims, the number of claims filed, the probability of losing the case, and the Bank's estimated loss in the event of an unfavourable judgment. In addition, the Bank included in the provisioning model the estimated number of settlements to be signed with customers. The amount of the provision for the estimated settlements was PLN 218.5 million from the total balance of provisions.

It should be stressed that the Polish courts, despite contrary indications arising from CJEU rulings (C-19/20 and C-932/19), in the vast majority rule that credit agreements are invalid or ineffective. A number of Supreme Court judgments have been handed down in recent months (according to data at the end of June, there were approx. 100 judgements), most of them already have written justifications.



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 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 the first half of 2023, the Bank used PLN 213.8 million of the provision for legal risk of CHF loans in connection with the concluded settlements (in 2022 Bank used PLN 150 million of the provision).

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 the first half of 2023, the Bank used PLN 59.5 million of the provision for legal risk of CHF loans in connection with the receipt of final judgments declaring loan agreements invalid (in 2022 Bank used PLN 85 million for the same provision).

Should the assumed average loss change by +/- 5%, with all other significant assumptions unchanged, the amount of the provision would change by +/- PLN 83 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
Percent of lost cases	+5 p.p.	PLN +72 million
	-5 p.p.	PLN -79 million

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

Parameter	Scenario	Impact on Bank's loss due to legal risk
Number of future lawsuits	+20%	PLN +88 million
	-20%	PLN -88 million

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 30 million.

When calculating the expected loss on legal risk related to CHF loans, the Bank takes into account the available historical data, including the content of judgments in concluded cases. The Bank monitors the number of collected certificates and the changing number of lawsuits in order to update the provision estimate accordingly.

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 or the possibility for banks to claim retention. Furthermore, despite the CJEU's judgment of 15 June 2023 in Case C-520/21, indicating that a bank cannot claim compensation from a consumer beyond the return of the principal, the possibility for banks to claim the valorisation of the capital paid out is still unsettled, as is whether and what claims a consumer can make under national law. The above issues are important for assessing the risks involved in the proceedings in question.

The Bank monitors the courts' rulings on an ongoing basis and will adjust the level of reserves to the current case-law. At the same time, the Bank is aware that the assumptions made are subject to a subjective assessment of the current situation, which may change in the future. In determining the value of the provision, the Bank relies on all information available at the date of signing the Financial Statements.

CJEU case law (judgments made in 2023)

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.
- in the event of cancellation of the contract it is not possible to apply national law providing for an equal division of losses between the 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 paragraph 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 points out that remuneration for the use of capital for the Bank is not a parameter used in the Bank's current provisioning model and does not have a direct impact on the Bank's risk as expressed by the level of provisions for the effects of voided loan agreements. 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 estimation of the amount of potential costs associated with this risk requires a refinement of the assumptions on the basis of the developed future line of case law based on the CJEU judgment of 15 June 2023.

The CJEU still has one outstanding preliminary question relating to a bank's ability to assert claims for the use of capital (case reference C-756/22).

Supreme Court case law on CHF denominated and foreign currency loans - key findings:

- 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 08 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, III CZP 6/21));

- 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).

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 client'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 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.

In a case III CZP 89/22, the Supreme Court is to decide whether a loan agreement is a reciprocal contract and, if so, whether it will be effective for the attorney-in-fact to raise a plea of retention (based on a power of attorney) and whether it is possible to formulate a plea of retention as an alternative claim. However, the hearing scheduled for 7 February 2023 has been postponed due to the pendency of the proceedings pending the decision of the CJEU in Case C 28/22 (the question in that case concerning the right of retention). Similar issues will be decided in case III CZP 126/22 (the Supreme Court is to decide whether a bank credit agreement, as a named agreement regulated outside the Civil Code in the Banking Law, is a reciprocal agreement or a bilateral but not reciprocal agreement - the hearing scheduled for 12 July 2023 was postponed by the Supreme Court until 6 October 2023, due to many threads that need to be resolved) and in case III CZP 152/22 (the Supreme Court is to decide whether an indexed bank credit agreement is a reciprocal agreement within the meaning of art. 487 § 2 of the Civil Code), as well as in case III CZP 31/23 (the Supreme Court is to decide whether a party is entitled to a right of retention if the recoverable consideration of both parties to the agreement is monetary).

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.

It should also be pointed out that the legal questions posed to the full panel of the Civil Chamber by the First President of the Supreme Court on key legal issues relating to the problem of CHF loans have still not been resolved.

As of the end of June 2023, 188 cassation appeals have been filed with the Supreme Court in cases of CHF loans granted by the Bank, 16 appeals have been accepted by the Supreme Court for examination and are awaiting substantive decision, as to 31 cassation appeals, the Supreme Court has issued a decision on refusal to accept for examination. Three cases have been sent back for examination, while in one it dismissed the cassation appeal.

Individual settlements offered by the Bank

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



Following the CJEU judgment of 15 June 2023 in case C-520/21, the Bank has observed slight changes in customer behaviour (inter alia, related to the withdrawal of some customers from a settlement, despite their previous acceptance of its terms), which affect the parameters and assumptions made so far, including the propensity of customers to settle.

As of 30 June 2023, the Bank has made individual settlement proposals to 12,120 Customers and 3,399 Customers accepted the terms of the proposals presented out of which 2,617 settlements were signed.

Post balance sheet events

Changes to the composition of the Bank's Management Board after 30 June 2023 are presented in the Bank's Statutory Bodies section.

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

Truthfulness and reliability of the reports presented

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

- the consolidated Semi-Annual Report of the BNP Paribas Bank Polska S.A. Group for the period of 6 months ending June 30th, 2023, including the Interim Abbreviated Separate Financial Statements of BNP Paribas Bank Polska S.A. and the comparative data have been prepared pursuant to 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 its Group;
- the Management Board Report on the activities of the BNP Paribas Bank Polska S.A. Group in the first half of 2023 gives a true picture of the development, achievements and situation of the Bank's Group, including a description of the main risks and threats.

Position of the Bank's Management Board regarding the feasibility of meeting previously published earnings forecasts for the given year

The Bank did not publish financial performance forecasts for 2023.



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

9.08.2023	Przemysław Gdański President	<i>signed with a qualified electronic signature</i>
9.08.2023	André Boulanger Vice President	<i>signed with a qualified electronic signature</i>
9.08.2023	Przemysław Furlepa Vice President	<i>signed with a qualified electronic signature</i>
9.08.2023	Wojciech Kembłowski Vice President	<i>signed with a qualified electronic signature</i>
9.08.2023	Kazimierz Łabno Vice President	<i>signed with a qualified electronic signature</i>
9.08.2023	Magdalena Nowicka Vice President	<i>signed with a qualified electronic signature</i>
9.08.2023	Volodymyr Radin Vice President	<i>signed with a qualified electronic signature</i>
9.08.2023	Agnieszka Wolska Vice President	<i>signed with a qualified electronic signature</i>