INTERIM CONSOLIDATED REPORT

FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2022

BNP Paribas Bank Polska S.A. Capital Group

BNP PARIBAS

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SELECTED FINANCIAL DATA

Selected consolidated financial data		in PLN '000		in EUR '000	
Statement of profit or loss	**Note**	**3 quarters of 2022 from 01.01.2022 to 30.09.2022**	3 quarters of 2021 from 01.01.2021 to 30.09.2021	**3 quarters of 2022 from 01.01.2022 to 30.09.2022**	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Net interest income	8	**2,276,074**	2,276,711	**485,511**	499,443
Net fee and commission income	9	**875,370**	747,729	**186,726**	164,030
Profit before tax		**457,314**	778,336	**97,550**	170,744
Profit after tax		**188,812**	449,802	**40,276**	98,673
Total net cash flows		**(502,409)**	152,275	**(107,169)**	33,405
Statement of cash flows		**3 quarters of 2022 from 01.01.2022 to 30.09.2022**	3 quarters of 2021 from 01.01.2021 to 30.09.2021	**3 quarters of 2022 from 01.01.2022 to 30.09.2022**	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Total net cash flows		**6,333,803**	993,682	**1,351,067**	217,984
Ratios		**30.09.2022**	30.09.2021	**30.09.2022**	30.09.2021
Number of shares (items)	48	**147,593,150**	147,518,782	**147,593,150**	147,518,782
Earnings per share	18	**1.28**	3.05	**0.27**	0.67
Statement of financial position		**30.09.2022**	31.12.2021	**30.09.2022**	31.12.2021
Total assets		**146,387,229**	131,777,481	**30,060,214**	28,651,016
Loans and advances to customers measured at amortised cost	23	**92,086,568**	85,080,454	**18,909,723**	18,498,164
Loans and advances to customers measured at fair value through profit or loss	24	**1,024,469**	1,219,027	**210,372**	265,040
Total liabilities		**135,523,820**	120,415,850	**27,829,443**	26,180,774
Amounts due to customers	33	**114,679,839**	101,092,941	**23,549,189**	21,979,593
Share capital	48	**147,593**	147,519	**30,308**	32,074
Total equity		**10,863,409**	11,361,631	**2,230,771**	2,470,242
Capital adequacy		**30.09.2022**	31.12.2021	**30.09.2022**	31.12.2021
Total own funds		**14,922,112**	15,502,698	**3,064,214**	3,370,591
Total risk exposure		**100,415,006**	91,651,096	**20,619,945**	19,926,750
Total capital ratio		**14.86%**	16.91%	**14.86%**	16.91%
Tier 1 capital ratio		**10.67%**	12.33%	**10.67%**	12.33%

Selected separate financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**3 quarters of 2022 from 01.01.2022 to 30.09.2022**	3 quarters of 2021 from 01.01.2021 to 30.09.2021	**3 quarters of 2022 from 01.01.2022 to 30.09.2022**	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Net interest income	**2,204,131**	2,224,036	**470,164**	487,888
Net fee and commission income	**828,200**	713,230	**176,664**	156,462
Profit before tax	**412,410**	773,441	**87,971**	169,670
Profit after tax	**148,563**	447,944	**31,690**	98,266
Total comprehensive income	**(542,658)**	150,417	**(115,755)**	32,997
Statement of financial position	**3 quarters of 2022 from 01.01.2022 to 30.09.2022**	3 quarters of 2021 from 01.01.2021 to 30.09.2021	**3 quarters of 2022 from 01.01.2022 to 30.09.2022**	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Total net cash flows	**6,610,921**	1,128,379	**1,410,179**	247,533
Ratios	**30.09.2022**	30.09.2021	**30.09.2022**	30.09.2021
Number of shares (items)	**147,593,150**	147,518,782	**147,593,150**	147,518,782
Earnings per share	**1.01**	3.04	**0.21**	0.67
Statement of financial position	**30.09.2022**	31.12.2021	**30.09.2022**	31.12.2021
Total assets	**140,681,815**	126,361,260	**28,888,623**	27,473,423
Loans and advances to customers measured at amortised cost	**86,597,352**	80,124,751	**17,782,527**	17,420,696
Loans and advances to customers measured at fair value through profit or loss	**1,024,469**	1,219,027	**210,372**	265,040
Total liabilities	**129,827,286**	114,968,617	**26,659,675**	24,996,438
Amounts due to customers	**115,170,851**	101,823,600	**23,650,017**	22,138,453
Share capital	**147,593**	147,519	**30,308**	32,074
Total equity	**10,854,529**	11,392,643	**2,228,948**	2,476,985
Capital adequacy	**30.09.2022**	31.12.2021	**30.09.2022**	31.12.2021
Total own funds	**14,950,168**	15,528,874	**3,069,976**	3,376,283
Total risk exposure	**96,141,992**	87,410,438	**19,742,493**	19,004,748
Total capital ratio	**15.55%**	17.77%	**15.55%**	17.77%
Tier 1 capital ratio	**11.18%**	12.96%	**11.18%**	12.96%

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

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

- as of 30.09.2022 – EUR 1 = PLN 4.8698
- as of 31.12.2021 – EUR 1 = PLN 4.5994

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

- for the period from 1.01.2022 to 30.09.2022 - EUR 1 = PLN 4.6880
- for the period from 1.01.2021 to 30.09.2021 - EUR 1 = PLN 4.5585

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Interest income	8	1,103,035	4,145,239	842,538	2,455,579
Interest income calculated with the use of effective interest rate method		1,039,817	3,922,394	784,169	2,303,824
interest income on financial instruments measured at amortised cost		966,799	3,710,525	739,241	2,168,208
interest income on financial instruments measured at fair value through other comprehensive income		73,018	211,869	44,928	135,616
Income of a similar nature to interest on instruments measured at fair value through profit or loss		63,218	222,845	58,369	151,755
Interest expense	8	(979,331)	(1,869,165)	(57,555)	(178,868)
Net interest income		**123,704**	**2,276,074**	**784,983**	**2,276,711**
Fee and commission income	9	350,204	1,073,924	311,808	919,801
Fee and commission expenses	9	(70,457)	(198,554)	(61,209)	(172,072)
Net fee and commission income		**279,747**	**875,370**	**250,599**	**747,729**
Dividend income		2,509	10,651	5,358	6,813
Net trading income	10	211,855	481,465	161,600	493,417
Result on investment activities	11	6,321	36,822	5,351	45,345
Result on hedge accounting	22	(9,145)	10,379	42,429	23,867
Result on derecognition		(273)	(2,652)	-	-
Net impairment losses on financial assets and contingent liabilities	12	(54,021)	(218,748)	(60,932)	(191,946)
Result on provisions for legal risk related to foreign currency loans	51	(134,000)	(356,737)	(201,952)	(460,929)
General administrative expenses	13	(556,811)	(1,976,326)	(501,231)	(1,542,730)
Amortization	14	(101,853)	(308,328)	(97,448)	(295,646)
Other operating income	15	50,290	162,132	24,143	133,817
Other operating expenses	16	(67,249)	(217,954)	(58,836)	(210,736)
Operating result		**(248,926)**	**772,148**	**354,064**	**1,025,712**
Tax on financial institutions		(112,066)	(314,834)	(85,433)	(247,376)
Profit (loss) before tax		**(360,992)**	**457,314**	**268,631**	**778,336**
Income tax expenses	17	14,395	(268,502)	(114,772)	(328,534)
Net (loss) profit		**(346,597)**	**188,812**	**153,859**	**449,802**
attributable to equity holders of the Group		(346,597)	188,812	153,859	449,802
Earnings (loss) per share (in PLN per one share)					
Basic	18	(2.35)	1.28	1.04	3.05
Diluted	18	(2.35)	1.28	1.04	3.05

In the 3 quarters of 2022, the BNP Paribas Bank Polska Group generated a net profit of PLN 188,812 thousand, by PLN 260,990 thousand (i.e. by 58.0%) lower than that generated in the three quarters of 2021. The Group's result on banking activities amounted to PLN 3,632,287 thousand and was higher than the result obtained in the corresponding period of the previous year by PLN 115,324 thousand (i.e. by 3.3% YoY).

The most important events affecting the level of the result on banking activities in the 3 quarters of 2022 and its comparability with the corresponding period of the previous year were changes in the macroeconomic situation, including, above all, the largest increase in inflation in several decades, which became apparent already in Q4,2021 and accelerated markedly with the outbreak of the war in Ukraine. These were accompanied by changes in economic and monetary policy, which had a very significant impact on the determinants of banking activities. The most significant impacts on the Group's financial performance were:

- the Monetary Policy Council's ongoing monetary tightening cycle. From 6 October 2021 to the end of September 2022, the MPC made eleven interest rate increases totalling 665 bps to 6.75% for the reference rate. In October 2022, MPC decided to keep the interest rate unchanged. Statements by MPC members including the President of the NBP suggest that the monetary tightening cycle is not over. The increases and expectations as to their scale have pushed up market interest rates and contributed to the Group's interest income,
- the enactment of the Community Financing for Economic Ventures and Borrower Assistance Act of 14 July 2022, allowing borrowers to request a suspension, at no cost, of the repayment of 8 instalments of a PLN mortgage loan from 1 August 2022 to 31 December 2023 (credit holiday). Based on data on customers' utilisation of the aforementioned option, the Bank recognised an amount of PLN 965 million of costs related to credit holidays in the interest result of the third quarter of 2022.

The factors described above had the greatest impact on the development of net interest income, which was by PLN 637 thousand lower in the 3 quarters of 2022 compared with the 3 quarters of 2021.

Elements that negatively affected the results of the 3 quarters of 2022 compared with the 3 quarters of 2021 included a significant increase in BGF contributions and costs related to contributions to the assistance fund under the Commercial Banks Protection Scheme S.A. (SOBK). The sum of costs incurred on the aforementioned titles was by PLN 227,944 thousand higher in the 3 quarters of 2022 compared to the 3 quarters of 2021. (PLN 358,239 thousand vs. PLN 130,295 thousand).

In total, general administrative expenses and depreciation and amortisation incurred in the 3 quarters of 2022 were by PLN 446,278 thousand higher compared to the 3 quarters of 2021. In addition to the increase in regulatory costs described above, this was also due to inflationary pressures translating into an increase in staff and administrative costs.

In the 3 quarters of 2022, the Group incurred financial institution tax expenses of PLN 314,834 thousand, i.e. PLN 67,458 thousand (27.3%) higher than in the 3 quarters of 2021.

A factor affecting the Group's net result remains the cost of provisioning for risks related to CHF mortgage loan litigation. In the 3 quarters of 2022, these costs burdened the Group's results with PLN 356,737 thousand (PLN 104,192 thousand lower than in the 3 quarters of 2021). The costs of credit risk remained at a level similar to the corresponding period of the previous year (the negative result of impairment allowances on financial assets and provisions for contingent liabilities increased by PLN 26,802 thousand YoY).

It is estimated that, excluding the negative imapct of credit holidays and the costs of provisions for risk related to CHF mortgage loan litigation, the Group's net profit in the 3 quarters of 2022 would amount to PLN 1,327,199 thousand and would be by PLN 416,468 thousand (i.e. by 45.7%) higher than that generated in the 3 quarters of 2021 (PLN 910,731 thousand on a comparable basis).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 01.01.2021 to 30.09.2021
Net profit (loss) for the period	**(346,597)**	**188,812**	**153,859**	**449,802**
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**21,862**	**(689,393)**	**(124,876)**	**(298,352)**
Measurement of financial assets measured through other comprehensive income	24,595	(741,451)	(128,978)	(347,404)
Deferred income tax	(4,673)	140,876	24,506	66,007
Measurement of derivatives hedging gross cash flows	2,395	(109,652)	(26,036)	(20,932)
Deferred income tax	(455)	20,834	5,632	3,977
Items that will not be reclassified to profit or loss	**(2,339)**	**(1,828)**	**(389)**	**825**
Actuary valuation of employee benefits	(2,888)	(2,257)	(481)	1,018
Deferred income tax	549	429	92	(193)
Other comprehensive income (net)	**19,523**	**(691,221)**	**(125,265)**	**(297,527)**
Total comprehensive income for the period	**(327,074)**	**(502,409)**	**28,594**	**152,275**
attributable to equity holders of the Group	(327,074)	(502,409)	28,594	152,275

The Group's total comprehensive income in the 3 quarters of 2022 was lower by PLN 654,684 thousand compared with the corresponding period of the previous year, amounting to PLN -502,409 thousand.

The decrease was the result of a deterioration in the valuation of financial assets measured through other comprehensive income (by PLN 394,047 thousand), a decrease in net profit (by PLN 260,990 thousand) and a deterioration in the valuation of gross cash flow hedging derivatives (by PLN 88,720 thousand).

The decisive factor was the necessity to recognise the amount of PLN 965 million of negative impact to the credit holidays as a result of the enactment of the Community Financing for Business Ventures and Borrower Assistance Act of 14 July 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 September 2022	31 December 2021
Cash and balances at Central Bank	19	3,725,276	4,631,477
Amounts due from banks	20	10,199,997	2,615,150
Derivative financial instruments	21	4,314,266	1,901,919
Adjustment of fair value of hedging item	22	13,065	65,465
Loans and advances to customers measured at amortised cost	23	92,086,568	85,080,454
Loans and advances to customers measured at fair value through profit or loss	24	1,024,469	1,219,027
Securities measured at amortised cost	25	23,217,809	23,268,041
Securities measured at fair value through profit or loss	26	316,129	347,309
Securities measured at fair value through other comprehensive income	27	7,519,927	9,143,353
Intangible assets	28	752,014	728,475
Property, plant and equipment	29	1,077,579	1,243,523
Deferred tax assets		1,113,115	876,599
Current tax assets		10,081	94
Other assets	31	1,016,934	656,595
Total assets		**146,387,229**	**131,777,481**
LIABILITIES	Note	30 September 2022	31 December 2021
Amounts due to other banks	33	6,410,975	8,012,244
Derivative financial instruments	21	4,436,575	1,918,032
Adjustment of fair value of hedging and hedged item	22	(203,842)	44,107
Amounts due to customers	33	114,679,839	101,092,941
Debt securities issued	34	435,961	722,628
Subordinated liabilities	35	4,496,847	4,334,572
Lease liabilities	30	767,577	860,004
Other liabilities	36	2,264,598	1,556,289
Current tax liabilities		221,201	175,681
Provisions	37	2,014,089	1,699,352
Total liabilities		**135,523,820**	**120,415,850**
EQUITY		30 September 2022	31 December 2021
Share capital	48	147,593	147,519
Supplementary capital		9,110,976	9,110,976
Other reserve capital		3,135,111	2,946,115
Revaluation reserve		(1,286,843)	(595,622)
Retained earnings		(243,428)	(247,357)
retained profit		(432,240)	(423,655)
net profit for the period		188,812	176,298
Total equity		**10,863,409**	**11,361,631**
Total liabilities and equity		**146,387,229**	**131,777,481**

The Group's total assets as at 30 September 2022 amounted to PLN 146,387,229 thousand, which was an increase of PLN 14,609,748 thousand, or 11.1%, compared to the balance as at the end of 2021.

The most important change in the Group's asset structure compared to the end of 2021 was an increase in the share of amounts due from banks (by 5.0 p.p.) and derivative financial instruments (by 1.5 p.p.), with a decrease in the share of the securities portfolio (by 3.6 p.p.) and in the share of the loan portfolio (the sum of portfolios measured at amortised cost and at fair value), which decreased by 1.9 p.p.

The Group's asset structure was dominated by loans and advances to customers (sum of portfolios measured at amortised cost and at fair value), which accounted for 63.6% of total assets at the end of September 2022, compared to 65.5% at the end of 2021. The increase in the volume of net loans and advances amounted to PLN 6,811,556 thousand (i.e. by 7.9%) and concerned both the Institutional Customers portfolio (+12.6%) and the Retail Customers portfolio (+1.8%). The share and growth rate of the loan portfolio was significantly influenced by the recognition of the costs of credit holidays in the amount of PLN 965,000 thousand in the third quarter .

The second largest asset item was securities, which accounted for 21.2% of total assets at the end of September 2022 (at the end of 2021: 24.9%). Compared to the end of 2021, the amount of the securities portfolio decreased by PLN 1,704,838 thousand (i.e. by 5.2%). The decrease mainly concerned securities measured at fair value through other comprehensive income, including bonds issued by banks and central government institutions.

The third largest asset item was amounts due from banks, whose share in assets increased from 2.0% to 7.0% (an increase of PLN 7,584,847 thousand, or 290.0%). Compared to the end of 2021, the share of the financial derivatives item also increased from 1.4% to 2.9% (an increase of PLN 2,412,347 thousand, or 126.8%).

As at 30 September 2022, the Group's total liabilities amounted to PLN 135,523,820 thousand and were by PLN 15,107,970 thousand, or 12.5%, higher than at the end of 2021. The share of liabilities in the Group's total liabilities and equity amounted to 92.6% in the analysed period (+1.2 pp. compared to the end of 2021).

The most significant change in the structure of the Group's liabilities compared to the end of 2021 was an increase in the share of financial derivatives (by 1.7 p.p.) and amounts due to customers (by 0.7 p.p.), with a simultaneous decrease in the share of amounts due to banks (by 1.9 p.p.).

The structure of liabilities is dominated by amounts due to customers. Their share as at 30 September 2022 increased to 84.6. In value terms, the volume of these liabilities increased by PLN 13,586,898 thousand, i.e. by 13.4% compared to December 2021, to the level of PLN 114,679,839 thousand.

A decrease in the share in total liabilities by 1.9 p.p. to the level of 4.7% was recorded in relation to amounts due to banks. Their value amounted to PLN 6,410,975 thousand and was lower compared to the end of 2021 by PLN 1,601,269 thousand (i.e., 20.0%).

The Group's shareholders' equity as at 30 September 2022 amounted to PLN 10,863,409 thousand and decreased by 4.4%, or PLN 498,222 thousand, compared to 31 December 2021, as a result of a decrease in the revaluation reserve caused primarily by a reduction in the fair value of securities in an environment of rising interest rates. The share of total equity in the Group's total liabilities and equity at the end of September 2022 amounted to 7.4% (compared with 8.6% at the end of the previous year).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	Net profit for the period	Total
Balance as of 1 January 2022	**147,519**	**9,110,976**	**2,946,115**	**(595,622)**	**(423,655)**	**176,298**	**11,361,631**
Total comprehensive income for the period	**-**	**-**	**-**	**(691,221)**	**-**	**188,812**	**(502,409)**
Net profit for the period	-	-	-	-	-	188,812	188,812
Other comprehensive income for the period	-	-	-	(691,221)	-	-	(691,221)
Distribution of retained earnings	**-**	**-**	**184,526**	**-**	**(8,228)**	**(176,298)**	**-**
Distribution of earnings intended for capital	-	-	184,526	-	(8,228)	(176,298)	-
Issuance of shares	74	-	-	-	-	-	74
Management stock options*	**-**	**-**	**4,470**	**-**	**-**	**-**	**4,470**
Other adjustments	**-**	**-**	**-**	**-**	**(357)**	**-**	**(357)**
Balance as of 30 September 2022	**147,593**	**9,110,976**	**3,135,111**	**(1,286,843)**	**(432,240)**	**188,812**	**10,863,409**

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

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

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

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as of 1 January 2021	**147,419**	**9,110,976**	**2,208,982**	**255,833**	**(425,778)**	**733,095**	**12,030,527**
Total comprehensive income for the period	**-**	**-**	**-**	**(297,527)**	**-**	**449,802**	**152,275**
Net profit for the period	-	-	-	-	-	449,802	449,802
Other comprehensive income for the period	-	-	-	(297,527)	-	-	(297,527)
Distribution of retained earnings	**-**	**-**	**731,060**	**-**	**2,035**	**(733,095)**	**-**
Distribution of retained earnings intended for capital	-	-	731,060	-	2,035	(733,095)	-
Issuance of shares	**100**	-	-	-	-	-	**100**
Management stock options*	**-**	**-**	**5,024**	**-**	**-**	**-**	**5,024**
Other adjustments	**-**	**-**	**-**	**-**	**151**	**-**	**151**
Balance as of 30 September 2021	**147,519**	**9,110,976**	**2,945,066**	**(41,694)**	**(423,592)**	**449,802**	**12,188,077**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Net profit (loss)		**188,812**	**449,802**
Adjustments for:		**5,248,538**	**751,517**
Income tax expenses		268,502	328,534
Depreciation and amortization		308,328	295,646
Dividend income		(10,651)	(6,813)
Interest income		(4,145,239)	(2,455,579)
Interest expense		1,869,165	178,868
Change in provisions		312,023	431,280
Change in amounts due from banks		(341,890)	(151,276)
Change in assets due to derivative financial instruments		(2,359,947)	443,454
Change in loans and advances to customers measured at amortised cost		(6,661,474)	(8,152,776)
Change in loans and advances to customers measured at fair value through profit or loss		194,558	236,714
Change in amounts due to banks		(2,104,655)	(2,009,624)
Change in liabilities due to derivative financial instruments		2,160,942	(676,207)
Change in amounts due to customers		13,373,044	8,949,276
Change in other assets and current tax assets		(356,316)	(17,093)
Change in other liabilities and provisions due to deferred tax		415,330	820,262
Other adjustments	40	184,883	104,906
Interest received		3,780,694	2,621,949
Interest paid		(1,637,800)	(189,040)
Lease payments for short-term leases not included in the lease liability measurement		(959)	(964)
Net cash flows from operating activities		**5,437,350**	**1,201,319**

CASH FLOWS FROM INVESTMENT ACTIVITIES:		3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Investment activities inflows		**51,692,833**	**62,036,396**
Sale and maturity of financial assets		51,670,138	62,007,435
Sale of intangible assets and property, plant and equipment		12,044	22,148
Dividends received and other inflows from investing activities		10,651	6,813
Investment activities outflows		**(50,909,158)**	**(62,323,797)**
Purchase of debt securities		(50,688,180)	(62,120,429)
Purchase of intangible assets and property, plant and equipment		(220,978)	(203,368)
Net cash flows from investment activities		**783,675**	**(287,401)**
CASH FLOWS FROM FINANCING ACTIVITIES:		3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Financing activities inflows		**1,471,681**	**1,592,320**
Long-term loans received and subordinated liabilities		1,471,607	1,592,220
Net inflows from issuance of shares and return of capital contributions		74	100
Financing activities outflows		**(1,358,903)**	**(1,512,556)**
Repayment of long-term loans received		(973,274)	(978,652)
Repayment of lease liability		(99,098)	(62,676)
Redemption of debt securities		(286,531)	(471,228)
Net cash flows from financing activities		**112,778**	**79,764**
TOTAL NET CASH AND CASH EQUIVALENTS		**6,333,803**	**993,682**
Cash and cash equivalents at the beginning of the period		**5,512,816**	**3,705,320**
Cash and cash equivalents at the end of the period:	38	**11,846,619**	**4,699,002**
Effect of exchange rate fluctuations on cash and cash equivalents		95,454	22,763

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. IDENTIFICATION DATA

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

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

2. DESCRIPTION OF THE CAPITAL GROUP

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

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

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

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

On 28 January 2022, the Extraordinary Shareholders' Meeting of BFN ACTUS Sp. z o.o. passed a resolution to dissolve the Company by way of liquidation. As of 1 February 2022, the Company changed its name to Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. in liquidation.

On 1 March 2022, the Extraordinary Meeting of Shareholders of BNP Paribas Solutions Sp. z o.o. adopted a resolution to open liquidation of the Company. As of that date, the Company changed its name to BNP Paribas Solutions Sp. z.o.o. in liquidation.

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

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

The interim condensed consolidated financial statements for the 3 quarters of 2022 ended 30 September 2022 were prepared in accordance with the requirements of International Financial Reporting Standards, as adopted by the European Union ("EU IFRS"), in particular, in accordance with IAS 34. The accounting principles applied in the 3 quarters of 2022 do not differ from the principles applicable in 2021, which are described in detail in the Consolidated financial statements of Bank BNP Paribas S.A. Capital Group for the year ended 31 December 2021.

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

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

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

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

Standards / Interpretations	Date of issue/ publication	Date of entry into force in EU	Approved by the EU	Description of changes
Amendments to IAS 1, Presentation of financial statements - classification of liabilities as short-term and long-term	23.01.2020/ 15.07.2020	01.01.2023	No	Amendments to IAS 1 affect the requirements for presenting liabilities in the statement of financial position. In particular, they explain the difference between classification of liabilities as short-term or long-term ones – the classification shall be based on the rights existing at the end of the reporting period. The prospective approach will be applicable while introducing these amendments. The changes will not significantly affect the Bank's financial statements.
Amendments to IFRS 16: Leases - Lease liability in transactions such as Sale and Leaseback	22.09.2022	01.01.2024	No	The amendments clarify how a seller-lessee measures sale and leaseback transactions that meet the requirements of IFRS 15 to be accounted for as sales. The changes will not significantly affect the Bank's financial statements.

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

Standards / Interpretations	Date of issue/ publication	Date of entry into force in EU	Date of approval by EU	Description of changes
IFRS 17 Insurance contracts: First application of IFRS 17 and IFRS 9 – comparative data	09.12.2021	01.01.2023	9.09.2022	The amendments provide a transitional option for comparative data on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities, thereby improving the usefulness of comparative information for users of financial statements. The change will not significantly affect the Bank's financial statements.
Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	07.05.2021	01.01.2023	12.08.2022	The amendments aim to clarify how companies should account for deferred tax on leases and expired liabilities. The change will not significantly affect the Bank's financial statements.

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

4. GOING CONCERN

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

5. APPROVAL OF THE FINANCIAL STATEMENTS

The Interim condensed consolidated report of the BNP Paribas Bank Polska S.A. Capital Group for 3 quarters of 2022 ended 30 September 2022 was approved for publication by the Management Board on 9 November 2022.

6. SEASONAL AND CYCLICAL NATURE OF BUSINESS

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

7. ESTIMATES

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

a. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

In the first half of 2022, the Group has implemented a trigger based on an assessment of the relative change in the PD lifetime parameter. The assessment consists of verifying whether the ratio of the cumulative PD at the reporting date determined for the period from the reporting date to the maturity date and the cumulative PD at the initial recognition date determined for the period from the reporting date to the maturity date exceeds the threshold for the relative change in the PD lifetime parameter. If the threshold is exceeded, a significant increase in credit risk is identified (Stage 2). Due to the implementation of the trigger, there was an increase in the exposure in Stage 2 in the amount of PLN 1.108,939 thousand and PLN 27.225 thousand of allowances for expected credit losses were created.

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

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

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

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

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

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

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

1) the amount of past due liabilities exceeds PLN 400 for retail exposures or PLN 2.000 for non-retail exposures, and
2) the share of past due liabilities in the exposure is greater than 1%.

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

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

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

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

The following assets are measured collectively:

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

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

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

In Q3 2022, as part of the adjustment of the level of allowances to expectations of the future macroeconomic situation, the level of provisions on this account decreased by PLN 36,744 thousand. This amount includes:

- provisions related to the update of forecasts of macroeconomic variables included in the IFRS9 model applied, released in the amount of PLN 2,123 thousand, and
- adjustment of the level of additional provisions (as a Post Model Adjustments) related to risk factors not directly included in the macroeconomic model in the amount of PLN 34,620 thousand (including earlier creation of the provision, the balance as at 30 September 2022 was PLN 151,470 thousand).

In addition, in Q3 2022 the Group created a tie-up of provisions in the amount of PLN 21,000 thousand for customers in the PLN housing loan portfolio who are particularly sensitive to the current macroeconomic situation. Thus, the Group increased the level of additional provisions (Post Model Adjustments) related to customers with the greatest exposure to intense changes in the economic environment to PLN 88,640 thousand (the balance of the additional provision for this purpose as at 30 June 2022 amounted to PLN 67,640 thousand). The commitments made on this account resulted from the review of the loan portfolio, including:

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

In addition, as at 30 September 2022, the Group maintained a PLN 29,500 thousand provision in the form of Post Model Adjustments for planned changes to the LGD model (the amount of the allowance was unchanged as compared to the balance at the end of 2021).

Taking into account the elements described above, in the third quarter of 2022 the Group released PLN 13,620 thousand of additional provisions (in the form of Post Model Adjustments). The balance of additional provisions as at 30 September 2022 amounted to PLN 269,610 thousand, while the balance as at 31 December 2021 amounted to PLN 319,100 thousand.

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

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

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

Analysis/scenario	The percentage change in the amount of
Pessimistic scenario – considering pessimistic and baseline scenarios only	8%
Optimistic scenario – considering optimistic and baseline scenarios only	-2%
Baseline scenario – uniform distribution of optimistic and pessimistic scenarios	0%

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

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

Analysis/scenario	The percentage change in the amount of
PD decrease by 10%	-4%
PD increase by 10%	4%
LGD decrease by 10%	-10%
LGD increase by10%	8%

Adjustment to Recommendation R

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

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

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

Climate issues

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

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

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

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

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

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

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

b. Classification of financial instruments

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

c. Fair value of derivative instruments

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

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

d. Fair value of securities

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

e. Impairment of fixed assets

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

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

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

- the expected severance base, in accordance with the provisions of the Collective Bargaining Agreement,
- the expected increase in the severance base from the moment of valuation until the payment of severance,

- the recommended proportional dependence on seniority (in accordance with the provisions of the Collective Labour Agreement),
- gradual rights to services, unique for each team and proportional to their seniority at the Group.

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

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

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

Provisions resulting from actuarial valuation are updated quarterly.

g. Restructuring provision

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

h. Asset and provision for deferred income tax

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

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

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

Income tax related to the items recognised directly in equity is recognised in equity and in the statement of comprehensive income.

In the 3 quarters of 2022 and 2021, current income tax and deferred tax provision were calculated using the 19% rate.

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

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

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

As a result of the analysis concerning the impact of the judgment on the Group's revenues, in particular on relations expired before the judgment was issued, in 2019 the Group decided to create a provision for a proportional refund of commission in the event of early repayment of the loan in the amount of PLN 48,750 thousand. As at 30 September 2022 the provision amounted to PLN 15,076 thousand (as at 31 December 2021 the provision was PLN 19,156 thousand). The provision was estimated based on the estimation of the total amount of the provision for the early repaid loans and the expected percentage of customers who will claim for a refund of the due part of the commission. Assuming that the percentage of customers would be 5 p.p. higher than the assumed level, the amount of the provision would be higher by PLN 12.5 million.

Additionally, the Group created in 2019 a provision of PLN 20,800 thousand to cover the partial reimbursements of loan commissions in the event of their early repayment, for loans repaid after 31 December 2019. The estimate of the provision is based on the difference between the value of commissions to be reimbursed and the balance of unsettled commissions as at the expected date of early loan repayment. Due to increased utilisation of the provision in 2021 (as compared to the estimate made in 2019), based on complex portfolio analysis regarding the rate of early repayments, the required provision has been revalued. As of 30 September 2022 the provision amounted to PLN 12,194 thousand (as of 31 December 2021 the provision amounted to 11,542 thousand).

As a result of the CJEU judgment, the Group has implemented a process whereby a provision for estimated refunds of fees charged is made on an ongoing basis for newly originated loans. This provision is calculated as a percentage of commissions charged to the customer, which reflects the expected average difference between the amounts of commissions to be refunded to customers and the balance of outstanding commissions at the expected time of early repayment of the loan. This percentage is calculated based on the estimated level of early repayments and the expected timing of repayment. In the event of early loan repayment, this provision is released and for newly sold loans a provision will be created on an ongoing basis. As of 30 September 2022, the provision amounted to PLN 23,088 thousand (PLN 18,709 thousand as of 31 December 2021). 5 p.p. increase in the level of early repayments would result in a higher provision within a range from 8% to 13%, depending on the product.

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

Simultaneously, the Group recognises its liability due to the proportional reimbursement of commissions in the event of their early repayment in the period from the date of the judgment of the CJEU on 11 September 2019 to 31 December 2019. As of 30 September 2022, this liability amounted to PLN 2,307 thousand (PLN 2,363 thousand as of 31 December 2021).

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

j. Impact of suspension of performance of mortgage loan agreements granted in PLN in the period from 1 August 2022 to 31 December 2023

Following the enactment of the Community Financing for Business Ventures and Borrower Assistance Act ("the Act"), allowing customers to suspend the performance of their PLN mortgage contracts from 1 August 2022 to 31 December 2023 ("the suspension"), the Bank's Management Board approved an estimate of the impact of the Act on the Bank's results and operations on 15 July 2022.

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

Based on the observed and projected number of suspension requests, the Bank updated its estimate of the impact of the Act and recognised a PLN 965 million negative impact on the Bank's result in the third quarter of 2022, reducing the gross carrying amount of loans by the mentioned amount. The estimate is based on the assumption that between 75% and 80% of customers will apply for suspension. In the third quarter of 2022, customers accounting for 66.7% of the volume of the PLN mortgage portfolio requested suspension of contracts for a period of two months, and those accounting for 1.9% of the volume of this portfolio requested suspension of contracts for a period of one month.

The above calculation is based on the expected use by customers of their installment suspension rights. Therefore, it may change if the actual exercise of the allowances in the period from the third quarter of 2022 to the end of 2023 differs from the initially adopted assumptions.

The suspension of contracts did not change the classification of exposures into different credit risk stages or the assignment of the forbearance flag at the end of the third quarter of 2022.

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

Provision for potential claims resulting from proceedings related to CHF loan agreements and model used by the Group were presented in Note 51 Litigation and claims.

8. NET INTEREST INCOME

Interest income	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Amounts due from banks	103,580	210,996	(1,533)	1,993
Loans and advances to customers measured at amortised cost, including:	710,676	3,049,271	590,779	1,719,307
non-banking financial institutions	16,277	32,222	2,786	7,526
retail customers	(237,281)	857,602	304,064	885,656
economic operators	841,674	1,946,460	258,543	754,566
including retail farmers	178,405	427,829	71,336	209,492
public sector institutions	1,244	3,295	470	1,442
leasing receivables	88,762	209,692	24,916	70,117
Loans and advances to customers measured at amortised cost through profit or loss	27,050	62,457	1,264	4,011
Debt instruments measured at amortised cost	152,543	450,191	149,910	446,638
Debt instruments measured at fair value through profit or loss	2,191	5,892	1,063	3,431
Debt instruments measured at fair value through other comprehensive income	73,018	211,869	44,928	135,616
Derivative instruments as part of fair value hedge accounting	31,015	145,799	53,111	139,332
Derivative instruments as part of cash flow hedge accounting	2,962	8,697	2,931	4,981
Securities purchased under repurchase agreements	-	67	85	270
Total interest income	**1,103,035**	**4,145,239**	**842,538**	**2,455,579**

Interest expense	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Amounts due to banks	(158,715)	(343,770)	(29,459)	(85,997)
Debt securities issued	(5,280)	(14,215)	(7,255)	(21,629)
Amounts due to customers, including:	(542,078)	(912,365)	(7,732)	(35,930)
non-banking financial institutions	(15,682)	(34,143)	(1,147)	(6,749)
retail customers	(270,902)	(402,213)	(5,217)	(25,099)
economic operators	(221,656)	(407,387)	(1,317)	(3,937)
including retail farmers	(2,643)	(3,524)	(23)	(84)
public sector institutions	(33,838)	(68,622)	(51)	(145)
Lease liabilities	(4,684)	(10,820)	(1,250)	(3,396)
Derivatives and the amortization of a hedged item as part of fair value hedge accounting	(242,822)	(535,927)	(12,096)	(27,738)
Derivatives under cash flow hedge accounting	(10,555)	(19,879)	(394)	(726)
Securities sold subject to repurchase agreements	(10,893)	(26,714)	(5)	(26)
Other related to financial assets	(4,304)	(5,475)	636	(3,426)
Total interest expense	**(979,331)**	**(1,869,165)**	**(57,555)**	**(178,868)**
Net interest income	**123,704**	**2,276,074**	**784,983**	**2,276,711**

Net interest income, which is the Group's main source of revenue, amounted in the 3 quarters of 2022 to PLN 2,276,074 thousand and was lower YOY by PLN 637 thousand, i.e. by 0.03% mainly due to the negative impact of credit holidays. In the 3 quarters of 2022, compared to the 3 quarters of 2021, interest income was higher by PLN 1,689,660 thousand, i.e. by 68.8%, while interest expense increased by PLN 1,690,297 thousand, i.e. by 945.0%.

A significant external factor influencing the increase in the level of interest income and interest expense in the 3 quarters of 2022 compared to the 3 quarters of 2021 was the policy of the National Bank of Poland (NBP) regarding the formation of basic interest rates. In a bid to counteract rising inflation, the Monetary Policy Council continued the monetary tightening cycle that began in October 2021. By the end of the third quarter of 2022, the MPC had made eleven interest rate increases totalling 665 bps (to the level of 6.75% for the reference rate). At its meeting in early October 2022, the MPC did not change interest rates for the first time. Statements made by MPC members, including the President of the NBP, suggest that the Council has not completed the cycle of increases. An estimate of the sensitivity of the Group's interest income to changes in interest rates is presented in Note 52, in the section on interest rate risk in the banking book.

The increase in interest rates described above had a positive impact on the profitability of loan products in the 3 quarters of 2022. The significant increase in the gross loan portfolio (+5.1% YoY for the retail loan portfolio and +15.5% YoY for the corporate loan portfolio) was also a positive factor in the increase in interest income.

The level of interest income earned in three quarters of 2022 on loans and advances granted to individual customers, valued at amortized cost, significantly burdened the need to recognize in the income statement a negative impact on the Bank's result, related to the enactment of the Act on crowdfunding for business ventures on July 14, 2022 and assistance to borrowers, enabling borrowers to apply for the suspension, at no cost, of the repayment of 8 mortgage installments in PLN in the period from August 1, 2022 to December 31, 2023 (credit holidays).

In accordance with the International Financial Reporting Standard 9, banks must recognise the difference in the present value of the estimated cash flows arising from the loan agreements after taking into account the suspension of instalment payments and the gross present value of the loan portfolio in the income statement. Based on the observed and forecasted number of requests to suspension of performance of the contracts, the Bank recognised an amount of PLN 965 million of costs related to credit holidays in the interest result of the third quarter of 2022 in the interest income item " Loans and advances to customers measured at amortised cost, including, including retail customers" see Note 7j Estimated Values.

Additionally, in connection with the entry into force of the Act of 5 August 2022 on amending the Act on Mortgage Loans and on the Supervision of Mortgage Brokers and Agents and Certain Other Acts, the Bank recognized the amount of PLN -29,029 thousand related to the need to reimburse Customers for additional charges incurred until the mortgage registration.

As a result of the factors described above, the sum of interest income on loans and advances granted to customers, measured at amortized cost and at fair value through profit or loss, amounted to PLN 3,049,271 thousand. PLN in three quarters of 2022 and was higher by 1,388,410 thousand. PLN, i.e. by 80.6%, on the revenues generated in the three quarters of 2021.

Due to the aforementioned increase in market interest rates, the cost of acquiring deposits increased significantly in 2022 and remained close to zero until the end of the third quarter of 2021. This process has been slower than the increase in loan yields due, among other things, to the significant share of current deposits in the total funds raised from customers (at the end of the third quarter of 2022, it amounted to 66.7% compared to 91.3% at the end of the third quarter of 2021), 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 in the three quarters of 2022 amounted to PLN 912,365 thousand. PLN and was higher by 876,435 thousand. PLN, i.e. by 2,439.3% of the costs incurred in the three quarters of 2021.

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 measurement of hedging transactions is recognised in the result on hedge accounting. Interest on IRS transactions and hedged items is 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) in the 3 quarters of 2022 was negative at the level of PLN 401,310 thousand, compared to a positive impact of PLN 115,849 thousand in the 3 quarters of 2021 (a decrease of PLN 517,159 thousand YoY).

Excluding the costs related to credit holidays, the net interest income generated in the 3 quarters of 2022 would have amounted to PLN 3,241,074 thousand, up by PLN 964,363 thousand, or 42.4% YoY.

9. NET FEE AND COMMISSION INCOME

Fee and commission income	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
loans, advances and leases	78,126	242,909	75,311	223,682
account maintenance	58,389	192,067	55,222	175,620
cash service	9,859	31,671	8,604	23,696
cash transfers and e-banking	24,982	71,660	21,128	60,748
guarantees and documentary operations	12,666	40,223	13,493	36,757
asset management and brokerage operations	24,308	98,554	37,499	116,002
payment and credit cards	91,002	254,567	63,308	180,697
insurance mediation activity	42,061	117,542	30,253	78,512
product sale mediation and customer acquisition	5,607	13,925	2,285	8,471
other commissions	3,204	10,806	4,705	15,616
Total fee and commission income	**350,204**	**1,073,924**	**311,808**	**919,801**

Fee and commission expense	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
loans, advances and leases	(261)	(352)	(98)	(252)
account maintenance	(2,769)	(7,413)	(2,747)	(7,557)
cash service	(6,384)	(18,350)	(4,760)	(13,048)
cash transfers and e-banking	(669)	(7,132)	(554)	(1,930)
asset management and brokerage operations	(922)	(3,548)	(2,041)	(5,178)
payment and credit cards	(33,602)	(87,747)	(26,818)	(74,150)
insurance mediation activity	(5,486)	(16,966)	(4,592)	(14,110)
product sale mediation and customer acquisition	(6,068)	(18,052)	(7,995)	(22,854)
other commissions	(14,296)	(38,994)	(11,604)	(32,993)
Total fee and commission expense	**(70,457)**	**(198,554)**	**(61,209)**	**(172,072)**
Net fee and commission expense	**279,747**	**875,370**	**250,599**	**747,729**

The Group's net fee and commission income in the 3 quarters of 2022 amounted to PLN 875,370 thousand and was by PLN 127,641 thousand (i.e. 17.1%) higher than that obtained in the 3 quarters of 2021. This increase was possible mainly due to the adjustment measures taken by the Group in the area of pricing policy, higher transaction activity of clients and the continued high level of sales of products and services, especially in the first and second quarter of 2022.

Fee and commission income amounted to PLN 1,073,924 thousand and was higher by PLN 154,123 thousand (i.e. 16.8%) compared with the 3 quarters of 2021, while fee and commission expenses amounted to PLN 198,554 thousand and were higher by PLN 26,482 thousand (i.e. 15.4%).

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

- payment and credit card servicing by PLN 73,870 thousand, i.e. by 40.9% (inter alia, as a result of changes in pricing policy and constantly increasing number of card transactions). There was an increase in revenues from currency conversions of card transactions, revenues related to the maintenance and use of debit cards (including fees for card cash transactions), from cooperation with Euronet and Mastercard and from interchange fees,
- intermediation in the sale of insurance products by PLN 39,030 thousand, i.e. by 49.7% (inter alia, due to higher revenues from insurance related to mortgage loans, cash loans and from the cooperation with Cardif),
- loans, advances and leases by PLN 19,227 thousand, i.e. by 8.6% (inter alia, due to higher revenues from unused and used commitments and guarantees),
- account maintenance by PLN 16,447 thousand, i.e. by 9.4% (inter alia, as a result of higher revenues from account maintenance fees and high balances on business accounts, mobile payments and bailiff seizures),
- execution of cash transfers and e-banking services by PLN 10,912 thousand, i.e. by 18.0% (as a result of higher income from commissions on domestic and international transfers resulting, inter alia, from a significant increase in the volume of payments made by businesses).

Revenues from asset management and brokerage operations were lower by PLN 17,448 thousand (i.e. 15.0%) mainly due to lower revenues for the management and sale of mutual fund units and brokerage commissions due to the continued poor economic climate in 2022 (declines in bond and equity prices, rising inflation, continued interest rate rises, recession fears).

The increase in fee and commission expenses was mainly caused by higher costs of:

- payment and credit card servicing by PLN 13,597 thousand, i.e. by 18.3% (due to higher costs of commissions paid to organisations and entities processing card transactions and costs of loyalty programmes),
- cash service by PLN 5,302 thousand, i.e. by 40.6% (inter alia, due to higher costs of cash escort),
- cash transfers execution and e-banking service by PLN 5,202 thousand, i.e. by 269.5% (as a result of higher costs of GOonline Business).

At the same time, there was an increase in revenues from intermediation in the sale of the Bank's products and customer acquisition by PLN 5,454 thousand, i.e. by 64.4% (inter alia, due to factoring services), and a decrease in costs on this account by PLN 4,802 thousand, i.e. by 21.0% (inter alia, due to lower costs of intermediaries selling instalment loans and lower costs of selling online accounts).

10. NET TRADING INCOME

Net trading income	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Equity instruments measured at fair value through profit or loss	3,006	(7,447)	5,290	21,514
Debt instruments measured at fair value through profit or loss	37	(1,859)	(1,028)	(1,947)
Derivative instruments and result on foreign exchange transactions	208,812	490,771	157,338	473,850
Result on financial instruments measured at fair value through profit or loss and foreign exchange differences, total	**211,855**	**481,465**	**161,600**	**493,417**
including margin on foreign exchange and derivative transactions with customers	**196,326**	**570,485**	**142,381**	**415,566**

Net trading income in the 3 quarters of 2022 amounted to PLN 481,465 thousand and was slightly lower (by PLN 11,952 thousand, i.e. 2.4%) YoY. The level and volatility of this result are mainly shaped by the result on foreign exchange and derivative transactions with customers, the result on transactions concluded by CIB and the Asset and Liability Management Division as well as the valuation of equity instruments.

The decrease in the net trading income in the 3 quarters of 2022 compared with the corresponding period of the previous year was related, among other things, to the deterioration in the result on FX swaps entered into by the Asset and Liability Management Division, the valuation of equity instruments and the lower valuation of transactions hedging the valuation of the loan portfolio measured at fair value.

The result on equity instruments measured at fair value through profit or loss in the 3 quarters of 2022 was negative at the level of PLN 7,447 thousand, compared to a positive value of PLN 21,514 thousand in the corresponding period of the previous year. The deterioration was due to lower valuations of BIK, KIR, VISA and Mastercard companies.

The negative factors were almost entirely neutralised by an improvement in the margin on foreign exchange and derivative transactions with customers, related to an increase in cross-selling and customer simplification as well as higher business activity compared to the 3 quarters of 2021. This result amounted to PLN 570,485 thousand in the 3 quarters of 2022 and was by PLN 154,919 thousand (i.e. 37.3%) higher than that obtained in the corresponding period of 2021.

11. RESULT ON IVESTMENT ACTIVITIES

During the 3 quarters of 2022, the Group has not reclassified any financial assets measured at amortised cost to financial assets measured at fair value through other comprehensive income.

Result on investment activities	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Debt instruments measured at fair value through other comprehensive income	-	3,286	-	26,564
Loans and advances to customers measured at fair value through profit or loss	6,321	33,536	5,351	18,781
Result on investment activities, total	**6,321**	**36,822**	**5,351**	**45,345**

The result on investment activities in the 3 quarters of 2022 amounted to PLN 36,822 thousand, compared to PLN 45,345 thousand in the corresponding period of 2021 (-18.8% YoY).

The decrease in the result on investment activities was mainly related to a PLN 23,278 thousand (i.e. 87.6%) lower result on debt instruments measured at fair value through other comprehensive income. The lack of comparable results is mainly the result of changes in the yields of securities as a consequence of the increase in interest rates.

The factor positively influencing the result on investment activities was the improvement in the result on the portfolio of loans and advances to customers measured at fair value through profit or loss by PLN 14,755 thousand, which amounted to PLN 33,536 thousand (an increase of 78.6% compared with the corresponding period of the previous year).

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

Impairment allowances on financial assets and provision on contingent liabilities

3 quarters of 2022 from 01.01.2022 to 30.09.2022	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(1,235)	-	-	(1,235)	-
Loans and advances to customers measured at amortised cost	208,102	(306,597)	(181,150)	(279,645)	(6,672)
Contingent commitments granted	47,167	(13,595)	23,445	57,017	420
Securities measured at amortised cost	208	318	4,589	5,115	4,589
Total net impairment allowances on financial assets and provision on contingent liabilities	**254,242**	**(319,874)**	**(153,116)**	**(218,748)**	**(1,663)**

Impairment allowances on financial assets and provision on contingent liabilities

3 quarters of 2021 from 01.01.2021 to 30.09.2021	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(406)	-	-	(406)	-
Loans and advances to customers measured at amortised cost	(54,817)	54,401	(232,428)	(232,844)	(8,814)
Contingent commitments granted	32,312	21,254	455	54,021	805
Securities measured at amortised cost	217	96	(13,030)	(12,717)	(13,030)
Total net impairment allowances on financial assets and provision on contingent liabilities	**(22,694)**	**75,751**	**(245,003)**	**(191,946)**	**(21,039)**

In the 3 quarters of 2022, the Bank entered into agreements regarding the sale of credit receivables, described in detail in the Note 43 Loan portfolio sale.

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

The net impairment allowances on financial assets and provisions on contingent liabilities in the 3 quarters of 2022 was negative and amounted to PLN 218,748 thousand. Its impact on the Group's results was higher by PLN 26,802 thousand, i.e. 14.0%, compared with the corresponding period of 2021.

Considering the main operating segments[1]:

- the Retail and Business Banking segment recorded an increase (deterioration) of the negative result by 201,736 thousand,
- SME Banking segment – a positive result and its improvement by PLN 50,106 thousand,
- Corporate Banking segment (including CIB) - a positive result and its improvement by PLN 132,700 thousand,
- Other Banking operations recorded a negative result with a deterioration by PLN 7,870 thousand.

The development of the cost of risk in the first 3 quarters of 2022 was influenced by:

- release of provisions related to the negative impact of COVID due to the stabilisation of the pandemic situation and the expected limited impact of COVID in the subsequent periods (in the amount of PLN 200,130 thousand),
- creation of provisions due to the impact of forecasts related to the economic situation in the amount of PLN 208,293 thousand (of which: provisions related to the update of forecasts of macroeconomic variables included in the applied IFRS9 model in the amount of PLN 65,823 thousand, and additional provisions related to risk factors not directly included in the macroeconomic model in the amount of PLN 142,470 thousand),
- reviewing the credit portfolio with a view to identifying customers particularly sensitive to disturbances in the economy. The review resulted in the creation of provisions in the amount of PLN 88,640 thousand in the form of Post Model Adjustments,
- implementation of a rationale for identification of a significant increase in credit risk (Stage 2), based on the assessment of a relative change in the PD lifetime parameter. In connection with the implementation of the rationale, there was an increase in the exposure in Stage 2 by approximately PLN 1.1 billion and additional provisions of PLN 27,225 thousand were created,
- release of the provisions created in 2021 in the amount of PLN 65,170 thousand due to the reversal of changes in legislation, which had the effect of lowering expected recovery levels on the portfolio of loans to farmers (significantly affecting the result in the institutional loans segment),
- the persistence of low realisation of the cost of risk in the first 3 quarters of 2022, influenced by the good quality of loan servicing and the related level of Stage 3 entries.

During the 3 quarters of 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 232,527 thousand, the amount of impairment allowances created was PLN 189,757 thousand. The contractual price for the sale of these portfolios was set at PLN 58,181 thousand. The net impact on the Group's result due to the sale of portfolios amounted to PLN 15,411 thousand and is presented in the line Result of impairment allowances on financial assets and provisions for contingent liabilities.

In the 3 quarters of 2021, the Bank entered into agreements for the individual sale of loans from the corporate, retail and SME portfolios. The gross carrying amount of the portfolio sold was PLN 338,952 thousand, the amount of impairment allowances created was PLN 315,852 thousand. The contractual price for the sale of these portfolios was set at PLN 58,739 thousand. The net impact on the Bank's result from the sale of the portfolios amounted to PLN 35,639 thousand and is presented in the line Result of impairment allowances on financial assets and provisions for contingent liabilities.

The cost of credit risk, expressed as the ratio of the result of impairment allowances to the average gross loans and advances to customers measured at amortised cost (calculated on the basis of balances at the end of the quarters), amounted to 0.32% after 3 quarters of 2022 and was unchanged compared with the corresponding period of the previous year. Excluding the impact of the sale of receivables, it is estimated that the cost of risk would have been 0.34% in the 3 quarters of 2022 and 0.38% in the 3 quarters of 2021.

[1] data based on Note 47 Operating segments of the Interim Consolidated Report of the BNP Paribas Bank Polska S.A. Capital Group for the period of 9 months ended 30 September 2022.

13. GENERAL ADMINISTRATIVE COSTS

General administrative expenses	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Personnel expenses	(311,730)	(942,447)	(299,751)	(883,898)
Marketing expenses	(16,733)	(69,642)	(24,181)	(72,349)
IT and telecom expenses	(61,163)	(177,914)	(54,704)	(162,932)
Short-term lease and operating costs	(15,965)	(48,182)	(14,451)	(44,500)
Other non-personnel expenses	(118,085)	(338,499)	(83,156)	(214,575)
Business travels	(4,017)	(9,083)	(2,041)	(4,689)
ATM and cash handling expenses	(6,414)	(19,514)	(5,659)	(17,359)
Costs of outsourcing services related to leasing operations	(616)	(2,014)	(731)	(2,078)
Bank Guarantee Fund fee	4	(151,709)	(13,071)	(130,295)
Cost of the Commercial Banks Protection Scheme	(18,513)	(206,530)	-	-
Polish Financial Supervision Authority fee	(3,579)	(10,792)	(3,486)	(10,055)
Total general administrative expenses	**(556,811)**	**(1,976,326)**	**(501,231)**	**(1,542,730)**

The Other non-personnel expenses line presents costs related to legal services for CHF loan litigation in the amount of PLN 53,776 thousand in the 3 quarters of 2022 (the three quarters of 2021: PLN 34,026 thousand).

General administrative expenses (including depreciation and amortisation) of the BNP Paribas Bank Polska Capital Group in the 3 quarters of 2022 amounted to PLN 2,284,654 thousand and were higher by PLN 446,278 thousand or 24.3% than in the corresponding period of the previous year.

The largest YoY increase in costs by type (by PLN 227,944 thousand) occurred in the fees to Commercial Bank Protection Scheme and the Bank Guarantee Fund.

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

The Bank's contributions to the BFG, for the nine months of 2022, amounted to:

- annual contribution to the banks' forced restructuring fund - PLN 125,919 thousand (PLN 90,147 thousand for the corresponding period of the previous year); these contributions are paid in the first quarter of the year,
- contribution to the banks' guarantee fund - PLN 25,790 thousand (PLN 40,148 thousand for 3 quarters of 2021); paid in the second quarter of 2022. The BGF decided to suspend the collection of this contribution.

In June 2022, the company Commercial Banks Protection Scheme S.A. (SOBK) was established. The Bank is a shareholder of the company. As part of the company, an Assistance Fund was set up to finance the tasks of the scheme, for which the Bank incurred costs amounting to PLN 206,530 thousand.

A YoY increase in the level of costs by PLN 123,924 thousand was also recorded in other non-personnel expenses. This change was influenced, among others, by higher amounts of the following positions:

- costs of advisory services provided by the Group by PLN 33,825 thousand,
- fees for the Borrower Support Fund (BSCF) by PLN 18,227 thousand,
- notary and court fees by PLN 14,222 thousand (increase mainly related to CHF loans from PLN 1,811 thousand for the 9 months of 2021 to PLN 16,216 thousand for the 9 months of 2022) and legal costs by PLN 10,671 thousand (increase mainly related to litigation related to CHF loans from PLN 32,214 thousand for the 9 months of 2021 to PLN 37,560 thousand for the 9 months of 2022, i.e. by PLN 5,346 thousand),
- material costs reported by the leasing company by PLN 10,999 thousand,
- costs of meetings by PLN 6,111 thousand; in 2021 the scale of these activities was limited due to the COVID-19 pandemic (meetings were mainly held online),

- and lower costs under the foreign factoring support agreement with BGŻ BNP Paribas Faktoring Sp. z o.o. by PLN 5,593 thousand.

In addition, the increase in expenses was related to:

- personnel expenses - by PLN 58,549 thousand i.e. 6.6%, mainly related to basic salaries and surcharges resulting from this increase,
- IT expenses - by PLN 14,982 thousand, i.e. 9.2%, mainly due to higher licence fees and maintenance agreements, higher costs of main banking systems maintenance, higher costs related to BNP group systems and costs related to cyber security in connection with the war in Ukraine,
- business travel costs - by PLN 4,394 thousand.

14. DEPRECIATION AND AMORTISATION

Amortization	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Property, plant and equipment	(50,244)	(156,031)	(56,585)	(174,245)
Intangible assets	(51,609)	(152,297)	(40,863)	(121,401)
Total Amortization	**(101,853)**	**(308,328)**	**(97,448)**	**(295,646)**

Depreciation and amortisation expenses of the BNP Paribas Bank Polska Capital Group in the 3 quarters of 2022 amounted to PLN 308,328 thousand and were higher by PLN 12,682 thousand than in the corresponding period of 2021. The increase was mainly due to the Bank's further transformation and digitalisation and the capital expenditure incurred for this purpose. At the same time, finance lease costs relating to real estate (right-of-use depreciation costs) and computer equipment depreciation costs decreased. Depreciation and amortisation costs in Group companies remained at a comparable YoY level.

The Bank's capital expenditure from 1 January to 30 September 2022 amounted to PLN 203,310 thousand and was higher by PLN 48,959 thousand, or 31.7%, compared with the corresponding 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.

15. OTHER OPERATING INCOME

Other operating income	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Sale or liquidation of property, plant and equipment and intangible assets	7,734	15,004	5,351	38,876
Release of write-offs on other receivables	2,034	7,811	2,926	7,233
Sale of goods and services	(423)	448	4,264	11,500
Release of provisions for litigation and claims and other liabilities	12,668	49,028	5,061	26,116
Recovery of debt collection costs	5,305	14,626	4,887	16,481
Recovered indemnities	134	357	86	261
Income from leasing operations	11,172	42,819	13,901	31,243
Other operating income	11,666	32,039	(12,333)	2,107
Total other operating income	**50,290**	**162,132**	**24,143**	**133,817**

Other operating income in the 3 quarters of 2022 amounted to PLN 162,132 thousand and was higher by PLN 28,315 thousand, or 21.2%, compared with the corresponding period of 2021.

The level of other operating income was mainly influenced by:

- other operating income higher by PLN 29,932 thousand ,related to higher remuneration for intermediation in the sale of products of BNP Paribas Leasing Services Sp. z o.o,
- higher income from the release of provisions for litigation and other liabilities by PLN 22,912 thousand , i.e. by 87.7%, resulting, inter alia, from the termination of old cases concerning 3 corporate clients in Q1,2022. The related increase in other operating expenses can be seen in the Other operating expenses category,
- higher income from leasing operations by PLN 11,576 thousand (i.e. by 37.1%).

At the same time, revenue from the sale or liquidation of tangible and intangible assets was by PLN 23,872 thousand (i.e. 61.4%) lower than that realised in the corresponding period of 2021. The level of these revenues in the previous year was mainly due to the inclusion within this item of revenues from the sale of several branches of the Bank, which were mostly finalised in Q2,2021 (the costs associated with these transactions are included in Costs of sale or liquidation of property, plant and equipment and intangible assets in Other operating expenses).

16. OTHER OPERATING EXPENSES

Other operating expenses	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Loss on sale or liquidation of property, plant and equipment and intangible assets	(5,040)	(14,464)	(11,166)	(44,193)
Impairment allowance on other receivables	(4,253)	(10,445)	(4,050)	(10,542)
On account of provisions for litigation and other liabilities	(13,978)	(43,512)	(6,605)	(38,936)
Debt collection	(11,440)	(28,154)	(9,517)	(31,794)
Donations granted	(1,285)	(4,972)	(1,060)	(3,456)
Costs of leasing operations	(6,351)	(28,840)	(6,414)	(16,105)
Indemnities, penalties and fines	(3,612)	(4,566)	(5,523)	(6,532)
Other operating income	(21,290)	(83,001)	(14,501)	(59,178)
Total other operating income	**(67,249)**	**(217,954)**	**(58,836)**	**(210,736)**

Other operating expenses in the 3 quarters of 2022 amounted to PLN 217,954 thousand and were higher by PLN 7,218 thousand (i.e. 3.4%) compared with the corresponding period of 2021.

The level of other operating expenses was mainly influenced by:

- lower costs of sale or liquidation of property, plant and equipment and intangible assets by PLN 29,729 thousand (i.e. by 67.3%). The level of these expenses in the previous year was related mainly to the inclusion under this item of costs related to the sale of the Bank's branches (income related to these transactions is included in Income from sale or liquidation of property, plant and equipment and intangible assets in Other operating income),
- lower costs from debt collection by PLN 3,640 thousand (i.e. by 11.4%),
- other operating expenses higher by PLN 23,823 thousand, i.e. by 40.3%, (i.e. resulting from the creation of provisions for remuneration to intermediaries for the sale of products of BNP Paribas Leasing Services Sp. z o.o. and Arval Service Lease Polska Sp. z o.o. and the termination of old cases concerning 3 corporate customers in Q1,2022; the related increase in other operating income is visible in the category Release of provisions for litigation and claims and other liabilities),
- costs of leasing operations higher by PLN 12,735 thousand (i.e. by 79.1%).
- costs of provisions for litigation and other liabilities higher by PLN 4,576 thousand (i.e. by 11.8%)

17. INCOME TAX EXPENSE

	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Current income tax	(50,367)	(342,921)	(142,005)	(278,276)
Deferred income tax	64,762	74,419	27,233	(50,258)
Total income tax expense	**14,395**	**(268,502)**	**(114,772)**	**(328,534)**
Profit before income tax	(360,992)	457,314	268,631	778,336
Statutory tax rate	19%	19%	19%	19%
Income taxes on gross profit	**68,588**	**(86,890)**	**(53,317)**	**(150,437)**
Receivables written-off	(6,245)	(27,718)	(3,638)	(16,836)
Representation costs	299	(77)	(2,316)	(1,055)
PFRON	(449)	(1,367)	(379)	(1,179)
Prudential fee to the Bank Guarantee Fund	-	(28,825)	(2,483)	(24,756)
Tax on financial institutions	(21,292)	(59,818)	(16,232)	(47,001)
Allowance for research and development	-	7,015	405	7,185
Provisions for claims on CHF loans	(18,885)	(49,208)	(38,413)	(87,619)
Provisions for legal risks	1,095	3,260	(401)	(2,591)
Other differences	(8,716)	(24,875)	2,002	(4,245)
Total income / tax expense of the Group	**14,395**	**(268,502)**	**(114,772)**	**(328,534)**

18. EARNINGS PER SHARE

	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Basic		
Net profit	188,812	449,802
Weighted average number of ordinary shares (units)	147,567,862	147,484,031
Basic earnings (loss) per share (in PLN per one share)	1.28	3.05
Diluted		
Net profit used in determining diluted earnings per share	188,812	449,802
Weighted average number of ordinary shares (units)	147,567,862	147,484,031
Adjustments for:		
- stock options	109,617	105,196
Weighted average number of ordinary shares for the diluted earnings per share (units)	147,677,479	147,589,226
Diluted earnings (loss) per share (in PLN per one share)	1.28	3.05

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

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

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

19. CASH AND CASH BALANCES AT CENTRAL BANK

Cash and cash equivalents	30.09.2022	31.12.2021
Cash and other balances	2,903,249	3,049,607
Account in the National Bank of Poland	822,174	1,582,153
Gross cash and cash equivalents	**3,725,423**	**4,631,760**
Impairment allowances	(147)	(283)
Total cash and balances at Central Bank	**3,725,276**	**4,631,477**

Change of impairment allowances	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Opening balance	**(283)**	**(3)**
Increases due to acquisition or origination	(2,875)	(2,528)
Decreases due to derecognition	3,015	2,604
Net changes in credit risk	(4)	(76)
Closing balance	**(147)**	**(3)**

20. AMOUNTS DUE FROM BANKS

Amounts due from banks	30.09.2022			31.12.2021		
	Gross balance sheet value	Impairment allowance	Net balance sheet value	Gross balance sheet value	Impairment allowance	Net balance sheet value
Current accounts	7,273,102	(583)	7,272,519	234,103	(52)	234,051
Interbank deposits	910,470	(86)	910,384	726,430	(25)	726,405
Loans and advances	201,106	(67)	201,039	100,078	(5)	100,073
Other receivables	1,822,375	(6,320)	1,816,055	1,559,982	(5,361)	1,554,621
Total amounts due from banks	**10,207,053**	**(7,056)**	**10,199,997**	**2,620,593**	**(5,443)**	**2,615,150**

Change of impairment allowances on amounts due from banks	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Opening balance	**(5,443)**	**(1,668)**
Increases due to acquisition or origination	(1,021)	(2,733)
Decreases due to derecognition	1,508	1,634
Changes resulting from the change in credit risk (net)	(1,857)	695
Other changes (including foreign exchange differences)	(243)	(20)
Closing balance	**(7,056)**	**(2,092)**

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments	Nominal value	Fair value	
30.09.2022		Assets	Liabilities
Currency derivatives			
Foreign Exchange Forward (FX Forward + NDF)	17,607,135	950,719	320,486
Currency Swap (FX Swap)	28,138,561	582,936	1,034,132
Currency Interest Rate Swaps (CIRS)	9,151,589	427,080	623,389
OTC currency options	4,925,801	276,035	236,036
Total currency derivatives:	**59,823,086**	**2,236,770**	**2,214,043**
Interest rate derivatives			
Interest Rate Swap	51,053,595	1,883,926	2,028,131
OTC interest rate options	11,512,994	163,472	164,888
Total interest rate derivatives:	**62,566,589**	**2,047,398**	**2,193,019**
Other derivatives			
OTC commodity swaps	683,376	30,098	29,513
Currency Spot (FX Spot)	2,848,881	-	-
Total other derivatives:	**3,532,257**	**30,098**	**29,513**
Total trading derivatives:	**125,921,932**	**4,314,266**	**4,436,575**
including: measured using models	125,921,932	4,314,266	4,436,575

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

22. HEDGE ACCOUNTING

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

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

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.09.2022	17,376,763	11,708	1,841,256
31.12.2021	25,073,220	65,465	1,028,790

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

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

30.09.2022 - PLN 1,772,582 thousand
31.12.2021 - PLN 1,083,866 thousand

and the difference in the fair value measurement of the hedged items for which the hedging relationship was terminated during its term, amounting to

30.09.2022 - PLN 473,841 thousand

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

30.09.2022								
Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	11,708	1,841,256	250,000	1,500,000	6,142,408	6,274,481	3,209,875	17,376,763
Hedging derivatives - total	**11,708**	**1,841,256**	**250,000**	**1,500,000**	**6,142,408**	**6,274,481**	**3,209,875**	**17,376,763**

31.12.2021								
Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	65,465	1,028,790	500,000	545,994	6,189,910	14,700,739	3,136,577	25,073,220
Hedging derivatives - total	**65,465**	**1,028,790**	**500,000**	**545,994**	**6,189,910**	**14,700,739**	**3,136,577**	**25,073,220**

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

30.09.2022 PLN 1,357 thousand

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

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.09.2022	250,000	-	1,693

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

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

	30.09.2022							
Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	1,693	-	-	-	250,000	-	250,000
Hedging derivatives - total	**-**	**1,693**	**-**	**-**	**-**	**250,000**	**-**	**250,000**

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

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

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

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

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

Hedging derivatives	31.12.2021							
	Fair value		Nominal value					
	positive	negative	< 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	13,817	-	-	750,000	-	-	750,000
Hedging derivatives - total	**-**	**13,817**	**-**	**-**	**750,000**	**-**	**-**	**750,000**

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

Fair value hedging	30.09.2022	30.09.2021
Interest income on hedging derivatives	145,799	139,332
Interest expense on hedging derivatives	(472,359)	(27,738)
Change in fair value measurement of hedging transactions presented in Result on hedge accounting, including:	10,379	23,867
change in fair value of hedging instruments	(1,196,163)	(544,359)
change in fair value of hedged instruments	1,206,543	568,226

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

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

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.09.2022	625 000	-	199,632
31.12.2021	625,000	-	85,365

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

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

Hedging derivatives	30.09.2022							
	Fair value		Nominal value					
	positive	negative	< 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	199,632	-	-	-	-	625,000	625,000
Hedging derivatives - total	**-**	**199,632**	**-**	**-**	**-**	**-**	**625,000**	**625,000**

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

Hedging cash flows	30.09.2022	30.09.2021
Interest income on hedging derivatives	8,697	4,981
Interest expense on hedging derivatives	(19,879)	(726)

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

	30.09.2022	30.09.2021
Balance at the beginning of the period	**(85,303)**	**-**
Hedging gains or losses recognised in other comprehensive income during the reporting period	(109,652)	(20,932)
Balance at the end of the period	**(194,955)**	**(20,932)**

23. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST

	30.09.2022		
Loans and advances to customers measured at amortised cost	Gross balance sheet amount	Allowance	Net balance sheet amount
Loans and advances for:			
Non-banking financial entities	**1,022,236**	**(2,430)**	**1,019,806**
current account loans	768,782	(2,079)	766,703
investment loans	240,885	(221)	240,664
other loans	12,569	(130)	12,439
Retail customers	**39,615,133**	**(1,038,869)**	**38,576,264**
mortgage loans	27,214,853	(407,623)	26,807,230
other loans	12,400,280	(631,246)	11,769,034
Corporate customers	**49,157,568**	**(1,939,342)**	**47,218,226**
current account loans	24,102,340	(1,244,573)	22,857,767
investment loans	17,449,352	(481,811)	16,967,541
other loans	7,605,876	(212,958)	7,392,918
including retail farmers	**7,356,767**	**(475,754)**	**6,881,013**
current account loans	3,549,314	(250,743)	3,298,571
investment loans	3,794,354	(222,768)	3,571,586
other loans	13,099	(2,243)	10,856
Public sector institutions	**60,617**	**(859)**	**59,758**
current account loans	35,218	(631)	34,587
investment loans	25,081	(215)	24,866
other loans	318	(13)	305
Lease receivables	**5,376,601**	**(164,087)**	**5,212,514**
Total loans and advances to customers measured at amortised cost	**95,232,155**	**(3,145,587)**	**92,086,568**

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

At the end of September 2022, gross loans and advances to Customers (sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 96,340 566 thousand and increased by PLN 6,954,197 thousand or 7.8% compared to the end of 2021.

The gross portfolio of loans and advances measured at amortised cost in the period under review amounted to PLN 95,232,155 thousand and increased by PLN 7,189,188 thousand or 8.2% compared to the end of 2021.

Structure of gross loans and advances measured at amortised cost

The gross value of loans and advances to retail Customers amounted at the end of September 2022 to PLN 39,615,133 thousand (increase by PLN 797,417 thousand or 2.1% compared to the end of 2021). Their share in the loan portfolio measured at amortised cost in the analysed period was 41.6% (which means a decrease by 2.5 p.p. compared to the end of 2021). More than two-thirds (68.7%) of the credit exposure of individual Customers are real estate loans, which amounted to PLN 27,214,853 thousand at the end of September 2022. In the structure of housing loans, 83.1% are loans granted in PLN, while 16.7% are loans granted in CHF (compared to the end of the previous year, the share of CHF fell by 0.2 p.p.).

The gross value of the portfolio of loans granted to individual customers was negatively affected by the recognition in the third quarter of 2022 of the impact of the Act on crowdfunding for business ventures and assistance to borrowers, enabling customers to suspend the performance of mortgage loan agreements granted in PLN in the period from August 1, 2022 to August 31, 2022. December 2023 Based on the observed and forecasted number of requests for the suspension of the performance of contracts, the Bank recognized PLN 965 million of negative impact on the Bank's result and reduced the gross book value of the loan portfolio by this amount. Without this factor, the value of gross loans and advances to individual customers at the end of September 2022 would amount to PLN 40,580,133 thousand PLN and would increase by 1,762,417 thousand PLN, i.e. by 4.5% compared to the end of 2021.

The gross portfolio of loans and advances to corporate customers (excluding farmers) amounted to PLN 41,800,801 thousand (an increase of PLN 6,201,689 thousand or 17.4% compared with the end of 2021). Their share in the analysed loan portfolio at the end of September 2022 amounted to 43.9% (+3.5 p.p. as compared to the end of 2021). Almost half of this portfolio (49.2%) are current account loans.

The volume of loans granted to individual farmers at the end of September 2022 amounted to PLN 7,356,767 thousand, registering a decrease of 5.1%, compared to December 2021.

Lease receivables amounted to PLN 5,376,601 thousand (increase by 7.8% compared to the end of 2021). Their share in the loan portfolio measured at amortised cost in the period under review remained at a similar level as at the end of 2021 and amounted to 5.6%.

The volume of loans granted to non-banking financial entities and public sector institutions totalled PLN 1,082,853 thousand, registering a 22.9% increase compared to the end of 2021.

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

30.09.2022	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for:	**80,852,462**	**11,260,119**	**3,119,574**	**95,232,155**	**211,643**
Non-banking financial entities	1,020,286	239	1,711	1,022,236	95
Retail customers	34,905,086	3,651,915	1,058,132	39,615,133	41,815
Corporate customers:	40,868,778	6,395,666	1,893,124	49,157,568	169,733
including retail farmers	5,508,750	1,225,308	622,709	7,356,767	2
Public sector entities	59,730	887	-	60,617	-
Lease receivables	3,998,582	1,211,412	166,607	5,376,601	-
Impairment allowance on loans and receivables for	**(397,275)**	**(831,624)**	**(1,916,688)**	**(3,145,587)**	**(73,225)**
Non-banking financial entities	(819)	(72)	(1,539)	(2,430)	(82)
Retail customers	(124,669)	(260,735)	(653,465)	(1,038,869)	(2,879)
Corporate customers:	(258,602)	(510,449)	(1,170,291)	(1,939,342)	(70,264)
including retail farmers	(32,082)	(103,536)	(340,136)	(475,754)	-
Public sector entities	(589)	(270)	-	(859)	-
Lease receivables	(12,596)	(60,098)	(91,393)	(164,087)	-
Net loans and advances to customers measured at amortised cost	**80,455,187**	**10,428,495**	**1,202,886**	**92,086,568**	**138,418**

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

Impairment allowance for loans and advances measured at amortised cost:

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Opening balance (01.01.2021)	**(615,798)**	**(507,388)**	**(1,839,327)**	**(2,962,513)**
Increase due to acquisition or origination	(197,665)	(141,617)	(51,134)	(390,416)
Decrease due to derecognition	24,575	31,833	67,783	124,191
Changes resulting from the change in credit risk (net)	395,360	(211,841)	(336,595)	(153,076)
Use of allowances	278	591	281,357	282,226
Other changes (including foreign exchange differences)	(4,025)	(3,202)	(38,772)	(45,999)
Closing balance (30.09.2022)	**(397,275)**	**(831,624)**	**(1,916,688)**	**(3,145,587)**

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Opening balance (01.01.2021)	**(505,527)**	**(594,339)**	**(2,086,939)**	**(3,186,805)**
Increase due to acquisition or origination	(266,722)	(85,087)	(57,136)	(408,945)
Decrease due to derecognition	42,591	22,253	89,728	154,572
Changes resulting from the change in credit risk (net)	195,869	89,538	(325,911)	(40,504)
Changes arising from updates to the method of estimation used (net)	(26,280)	28,131	21,386	23,237
Use of allowances	-	49	276,393	276,442
Other changes (including foreign exchange differences)	(228)	60	(1,225)	(1,393)
Closing balance (30.09.2021)	**(560,297)**	**(539,395)**	**(2,083,704)**	**(3,183,396)**

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

Loans by currency	30.09.2022	31.12.2021
CHF	4,555,068	4,531,564
EUR	35,051	36,388
PLN	22,624,011	22,141,389
USD	723	1,656
Total	**27,214,853**	**26,710,997**

Value of CHF loan portfolio

	30.09.2022			
Value of CHF loan portfolio	Loans by currency	Loans by currency	Loans by currency	Loans by currency
Loans and advances for:				
Non-banking financial entities	**1,022,236**	**-**	**(2,430)**	**-**
current account loans	768,782	-	(2,079)	-
investment loans	240,885	-	(221)	-
other loans	12,569	-	(130)	-
Retail customers	**39,615,133**	**4,598,712**	**(1,038,869)**	**(304,919)**
mortgage loans	27,214,853	4,555,068	(407,623)	(292,429)
other loans	12,400,280	43,644	(631,246)	(12,490)
Corporate customers	**49,157,568**	**68,495**	**(1,939,342)**	**(13,524)**
current account loans	24,102,340	58,602	(1,244,573)	(6,397)
investment loans	17,449,352	9,730	(481,811)	(7,127)
other loans	7,605,876	163	(212,958)	-
including retail farmers	**7,356,767**	**1,021**	**(475,754)**	**(102)**
current account loans	3,549,314	989	(250,743)	(102)
investment loans	3,794,354	32	(222,768)	-
other loans	13,099	-	(2,243)	-
Public sector institutions	**60,617**	-	**(859)**	-
current account loans	35,218	-	(631)	-
investment loans	25,081	-	(215)	-
other loans	318	-	(13)	-
Lease receivables	**5,376,601**	**28,588**	**(164,087)**	**(7,006)**
Total loans and advances	**95,232,155**	**4,695,795**	**(3,145,587)**	**(325,449)**

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

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

	30.09.2022	31.12.2021
Subsidized loans	1,024,469	1,219,027
Total loans and advances to customers measured at fair value through profit or loss	**1,024,469**	**1,219,027**

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

	Gross balance sheet value	Fair value
30.09.2022	1,108,411	1,024,469
31.12.2021	1,343,402	1,219,027

Subsidised loans at fair value	Stage 1	Stage 2	Stage 3	Total
30.09.2022	736,012	226,166	62,291	1,024,469
31.12.2021	897,554	244,754	76,719	1,219,027

25. SECURITIES MEASURED AT AMORTISED COST

	30.09.2022		
Securities	Gross balance sheet value	Impairment allowance	Net balance sheet value
issued by domestic banks – covered bonds	1,237	(20)	1,217
issued by domestic banks	3,813,255	-	3,813,255
issued by other financial entities	586,500	-	586,500
issued by central governments – treasury bonds	18,665,793	(91)	18,665,702
issued by non-financial entities – bonds	114,316	(40,222)	74,094
issued by local governments – municipal bonds	77,246	(205)	77,041
Total securities measured at amortised cost	**23,258,347**	**(40,538)**	**23,217,809**

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

30.09.2022	Stage 1	Stage 2	Stage 3	**Total**	including POCI
Securities	**23,147,319**	**-**	**111,028**	**23,258,347**	**106,873**
issued by domestic banks – covered bonds	1,237	-	-	**1,237**	-
issued by domestic banks	3,813,255	-	-	**3,813,255**	-
issued by other financial entities	586,500	-	-	**586,500**	-
issued by central governments – treasury bonds	18,665,793	-	-	**18,665,793**	-
issued by non-financial entities – bonds	3,288	-	111,028	**114,316**	106,873
issued by local governments – municipal bonds	77,246	-	-	**77,246**	-
Impairment allowances on securities	**(324)**	**-**	**(40,214)**	**(40,538)**	**(36,059)**
issued by domestic banks – covered bonds	(20)	-	-	**(20)**	-
issued by central governments – treasury bonds	(91)	-	-	**(91)**	-
issued by non-financial entities – bonds	(8)	-	(40,214)	**(40,222)**	(36,059)
issued by local governments – municipal bonds	(205)	-	-	**(205)**	-
Total net securities measured at amortised cost	**23,146,995**	**-**	**70,814**	**23,217,809**	**70,814**

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

26. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments measured at fair value through profit or loss	30.09.2022	31.12.2021
	Balance sheet value	
Treasury bonds issued by central governments	16,585	27,046
Bonds issued by non-financial entities	25,194	41,286
Bonds convertible for non-financial entities bonds	54,826	51,121
Equity instruments	218,193	226,988
Units	462	47
Certificates issued by non-financial entities	869	821
Total financial instruments measured at fair value through profit or loss	**316,129**	**347,309**

27. SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities	30.09.2022	31.12.2021
Bonds issued by banks	2,190,613	2,608,513
Treasury bonds issued by central governments	2,908,285	4,101,875
Bonds issued by other financial institutions	2,421,029	2,432,965
Securities measured at fair value through other comprehensive income	**7,519,927**	**9,143,353**

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

28. INTANGIBLE ASSETS

Intangible assets	30.09.2022	31.12.2021
Licenses	595,830	533,757
Other intangible assets	32,831	17,227
Expenditure on intangible assets	123,353	177,491
Total intangible assets	**752,014**	**728,475**

In the 3 quarters of 2022, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 187,692 thousand (in the 3 quarters of 2021: PLN 171,622 thousand), while the net balance sheet amount of the disposed of and liquidated components amounted to PLN 2,125 thousand (in the 3 quarters of 2021: PLN 6,798 thousand).

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

As of 30.09.2022, the Group had significant contractual obligations incurred in connection with the acquisition of intangible assets in the amount of PLN 7,969 thousand (PLN 3,505 thousand as of 31.12.2021).

29. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	30.09.2022	31.12.2021
Fixed assets, including:	411,341	455,206
land and buildings	96,958	104,873
IT equipment	119,670	145,741
office equipment	47,311	52,065
other, including leasehold improvements	147,402	152,527
Fixed assets under construction	12,713	22,970
Right of use, including:	653,525	765,347
land and buildings	627,198	743,564
cars	25,851	21,655
other, including leasehold improvements	476	128
Total property, plant and equipment	**1,077,579**	**1,243,523**

In the 3 quarters of 2022, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 31,066 thousand (in the 3 quarters of 2021 it amounted to PLN 30,934 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 10,513 thousand (in the 3 quarters of 2021 it amounted to PLN 20,667 thousand).

As of 30.09.2022, the Group had significant contractual liabilities incurred in connection with the acquisition of property, plant and equipment in the amount of PLN 6,392 thousand (PLN 391 thousand as of 31.12.2021).

30. LEASES

Group as a lessee

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

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

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

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

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

	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Lease expenses recognized in the statement of profit or loss	**(94,066)**	**(101,549)**
interest on lease liabilities	(10,820)	(3,396)
depreciation of right of use assets	(83,135)	(96,569)
expenses related to short-term lease (recognized in general administrative expenses)	(111)	(1,584)

Undiscounted lease payments by maturity	30.09.2022	31.12.2021
< 1 year	137,424	127,496
1-5 years	451,356	461,962
> 5 years	263,784	312,375
Total	**852,564**	**901,833**

	30.09.2022	31.12.2021
Book value of liabilities due to discounted lease payments	767,577	860,004

31. OTHER ASSETS

Other assets:	30.09.2022	31.12.2021
Receivables from contracts with customers:		
sundry debtors	304,961	247,178
accrued income	117,173	106,560
payment card settlements	20,200	16,194
social insurance settlements	4,384	6,623
Other:		
interbank and intersystem settlements	401,258	121,977
deferred expenses	75,015	48,056
tax and other regulatory receivables	40,385	48,181
other lease receivables	42,447	36,040
other	96,651	84,690
Total other assets (gross)	**1,102,474**	**715,499**
Impairment allowances on other receivables from sundry debtors	(85,540)	(58,904)
Total other assets (net)	**1,016,934**	**656,595**

32. AMOUNTS DUE TO OTHER BANKS

Amounts due to other banks	30.09.2022	31.12.2021
Current accounts	171,918	518,981
Interbank deposits	245,968	1,967,290
Loans and advances received	5,730,947	5,351,400
Other liabilities	262,142	174,573
Total amounts due to banks	**6,410,975**	**8,012,244**

"Other liabilities" as at 30.09.2022 included liabilities due to securities sold under repurchase agreements in the amount of PLN 142,195 thousand (as at 31.12.2021 the amount of such liabilities amounted to PLN 92,809 thousand).

There were no breaches of contractual provisions and covenants related to the financial situation of the Bank and disclosure obligations in the 3 quarters of 2022 and 2021.

33. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers	30.09.2022	31.12.2021
NON-BANKING FINANCIAL INSTITUTIONS	**1,928,065**	**1,315,721**
Current accounts	897,258	1,200,041
Term deposits	522,418	11,420
Loans and advances received	506,504	101,666
Other liabilities	1,885	2,594
RETAIL CUSTOMERS	**50,234,738**	**44,771,970**
Current accounts	28,634,219	38,430,796
Term deposits	21,077,748	5,880,637
Other liabilities	522,771	460,537
CORPORATE CUSTOMERS	**58,645,758**	**53,418,415**
Current accounts	45,019,023	47,213,927
Term deposits	12,714,221	5,428,183
Other liabilities	912,514	776,305
Incl. RETAIL FARMERS	**2,552,911**	**2,717,618**
Current accounts	2,351,401	2,658,847
Term deposits	185,454	41,112
Other liabilities	16,056	17,659
PUBLIC SECTOR CUSTOMERS	**3,871,278**	**1,586,835**
Current accounts	1,647,731	1,487,523
Term deposits	2,219,810	78,654
Other liabilities	3,737	20,658
Total amounts due to customers	**114,679,839**	**101,092,941**

Amounts due to customers at the end of September 2022 amounted to PLN 114,679,839 thousand and were higher by PLN 13,586,898 thousand, i.e. by 13.4% compared with the end of 2021.

In terms of entities, the increase in amounts due to customers was recorded in all customer groups. The largest volume increase concerned individual customers, whose balance as at 30 September 2022 amounted to PLN 50,234,738 thousand and was by PLN 5,462,768 thousand (i.e. by 12.2%) higher than at the end of the previous year. At the same time, the share of deposits from individual customers in the structure of total amounts due to customers decreased to 43.8% compared to 44.3% at the end of 2021.

Amounts due to corporate customers amounted to PLN 58,645,758 thousand and increased by PLN 5,227,343 thousand, i.e. by 9.8% compared to the end of 2021, as a result of an increase in term deposits (by PLN 7,286,038 thousand) partially offset by a decrease in the volume of funds held in current accounts (by PLN 2,194,904 thousand). The share of this segment in the structure of total amounts due to customers decreased to 51.1% against 52.8% at the end of December 2021.

The volume of amounts due to public sector institutions as well as deposits from non-banking financial institutions increased in 2022 compared to the end of 2021 by, respectively: PLN 2,284,443 thousand (i.e. by 144.0%) and PLN 612,344 thousand (i.e. by 46.5%).

The share of current accounts in the structure of total amounts due to customers at the end of September 2022 amounted to 66.4%, registering a significant decrease of 20.9 p.p. compared to the end of 2021. Funds deposited in current accounts amounted to PLN 76,198,231 thousand and decreased by PLN 12,134,056 or 13.7%. The decrease was driven by: lower balances in individual customer accounts (by PLN 9,796,577 thousand, i.e. 25.5%) and corporate customers (by PLN 2,194,904 thousand, i.e. 4.6%).

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 31.9% and increased by 20.6 p.p. compared to the end of 2021. In value terms, term deposits increased by PLN 25,135,303 thousand to the level of PLN 36,534,197 thousand, up by 220.5% compared to December 2021.

The share of other liabilities and loans and advances received in total in the structure of amounts due to customers amounted to 1.7%, up by 0.4 p.p. compared with the end of 2021. Their total volume amounted to PLN 1,947,411 thousand.

34. DEBT SECURITIES ISSUED

	30.09.2022	31.12.2021
Debt securities issued	**435,961**	**722,628**

Debt securities issued	9 months to 30.09.2022	9 months to 30.09.2021
Opening balance	**722,628**	**1,318,380**
Redemption of certificates of deposit	(286,531)	(471,228)
Changes in discount, interests, commission and fees on certificates of deposit amortized using EIR, foreign currency exchange differences	(136)	(92)
Closing balance of debt securities issued	**435,961**	**847,060**

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

35. SUBORDINATED LIABILITIES

Subordinated liabilities	30.09.2022	31.12.2021
	4,496,847	**4,334,572**

Change in the balance of subordinated liabilities	9 months to 30.09.2022	9 months to 30.09.2021
Opening balance	**4,334,572**	**4,306,539**
Change in the balance of interest, commissions and fees settled by EIR	12,347	4,690
Foreign exchange differences	149,928	1,366
Closing balance	**4,496,847**	**4,312,595**

36. OTHER LIABILITIES

Other liabilities	30.09.2022	31.12.2021
Liabilities due to contracts with customers		
Sundry creditors	175,843	207,148
Payment card settlements	156,407	158,617
Deferred income	88,665	89,110
Escrow account liabilities	626	581
Social insurance settlements	29,159	34,769
Other liabilities		
Interbank and intersystem settlements	899,183	284,944
Provisions for non-personnel expenses	410,866	343,656
Provisions for other employees-related liabilities	207,780	246,935
Provision for unused annual holidays	44,476	42,426
Other regulatory liabilities	69,640	54,689
Other lease liabilities	67,458	28,320
Other	114,495	65,094
Total other liabilities	**2,264,598**	**1,556,289**

37. PROVISIONS

	30.09.2022	31.12.2021
Provision for restructuring	45,783	56,280
Provision for retirement benefits and similar obligations	19,414	15,858
Provision for contingent financial liabilities and guarantees granted	100,157	155,638
Provisions for litigation and claims	1,840,492	1,463,347
Other provisions	8,243	8,229
Total provisions	**2,014,089**	**1,699,352**

Provisions for restructuring	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Opening balance	**56,280**	**82,918**
Provisions recognition	7,780	4,057
Provisions utilization	(18,007)	(28,074)
Provisions released	(270)	(378)
Closing balance	**45,783**	**58,523**

Provision for retirement benefits and similar obligations	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Opening balance	**15,858**	**18,188**
Provisions recognition	4,778	2,083
Provisions utilization	(405)	(648)
Provisions released	(817)	(1,499)
Closing balance	**19,414**	**18,124**

Provisions for contingent financial liabilities and guarantees granted	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Opening balance	**155,638**	**214,443**
Provisions recognition	41,812	88,933
Provisions released	(18,579)	(43,058)
Changes resulting from changes in credit risk (net)	(80,249)	(102,752)
Changes resulting from the update of the estimation method used (net)	-	2,853
Other changes	1,535	528
Closing balance	**100,157**	**160,947**

Provisions for litigation and claims	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Opening balance	**1,463,347**	**335,629**
Provisions recognition	398,227	514,892
Provisions utilization	(209,958)	(23,129)
Provisions released	(4,453)	(2,976)
Other changes, including foreign exchange differences	193,329	19,850
Closing balance	**1,840,492**	**844,266**

Other provisions	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Opening balance	**8,229**	**8,232**
Provisions recognition	15	11
Provisions utilization	(1)	(14)
Provisions released	-	(14)
Closing balance	**8,243**	**8,215**

38. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents	30.09.2022	31.12.2021
Cash and balances at Central Bank (Note 19)	3,725,276	4,631,477
Current accounts of banks and other receivables	7,273,200	234,061
Interbank deposits	848,143	647,278
Total cash and cash equivalents	**11,846,619**	**5,512,816**

39. SHARE-BASED PAYMENTS

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

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

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

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

On 9 December 2021, the Supervisory Board approved a modified Remuneration Policy for persons with material impact on the risk profile of BNP Paribas Bank S.A. The changes consisted mainly in adjusting the provisions of the Policy to the Ordinance of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks and the guidelines contained in the CRD5 Directive and consisted, among others, in extending the deferral period.

Phantom share-based programme

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

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

Financial instruments (phantom shares) - programme amendments in the 3 quarters of 2022.

	30.09.2022		31.12.2021	
	Financial instrument		Financial instrument	
	units	value (PLN '000)	units	value (PLN '000)
Opening balance	**117,770**	**5,616**	**220,298**	**11,455**
executed during the period	(54,441)	(3,701)	(98,748)	(5,581)
current valuation *	-	2,390	-	-
expired	-	-	(3,780)	(258)
Closing balance	**63,329**	**4,305**	**117,770**	**5,616**

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

In the 3 quarters of 2022, the Bank did not perform any payments due to exercising rights to deferred phantom shares (under the programme for 2017, 2018 and 2019).

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

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

Programme based on the Bank's shares

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2022, for the variable remuneration granted for 2019, 2020 and 2021 and in connection with the forecast of the variable remuneration for 2022, which will be granted in 2023, in the part concerning shares to be issued in the future, the Bank has recognized in the capitals an amount of PLN 4,470 thousand. At the same time, an amount of PLN 13,601 thousand (recognised in the previous years) is presented in capital. The actuarial value of the shares issued in 2022 in the amount of PLN 4,558 thousand is included in the mentioned amounts.

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

	30.09.2022		**31.12.2021**	
	financial instrument		**financial instrument**	
	units	value (PLN '000))	units	value (PLN '000))
Opening balance	**108,851**	**7,403**	**68,910**	**4,638**
granted in a given period	37,191	2,718	39,941	2,765
realised in a given period	(24,282)	(1,634)	-	-
Closing balance	**121,760**	**8,487**	**108,851**	**7,403**

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

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

40. ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOW

Cash flows from operating activities – other adjustments	9 months to 30.09.2022	9 months to 30.09.2021
FX differences from subordinated loans	149,928	1,366
Securities measurement through profit or loss	(1,667)	67,275
Allowance for securities	(5,113)	13,394
Other adjustments	41,735	22,871
Cash flows from operating activities – total other adjustments	**184,883**	**104,906**

41. CONTINGENT LIABILITIES

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

Contingent liabilities	30.09.2022	31.12.2021
Contingent commitments granted	**42,691,233**	**43,750,937**
financial commitments	30,377,940	33,487,647
guarantees	12,313,293	10,263,290
Contingent commitments received	**59,755,541**	**36,321,578**
financial commitments	16,070,172	13,592,590
guarantees	43,685,369	22,728,988

42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1

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

Level 2

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

Level 3

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

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

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

During the third quarter of 2022, a review of the quotes available in the market was carried out with regard to their availability, reliability and liquidity. As a result of this review, the rules for assigning individual instruments to valuation levels were adjusted. The changes resulted in an expansion of the group of instruments assigned to level 2 to include instruments denominated in G7 currencies and instruments with longer time to maturity.

As of 30.09.2022, particular instruments were included in the following valuation levels:

1. the first level: Treasury bonds and bonds issued by European Investment Bank (fair value is determined directly by reference to published active market quotations), quoted shares;
2. the second level: bonds issued by PFR, interest rate options in EUR, USD and GBP, FX options maturing within 2 years, base interest rate and FX swaps denominated in G7 currencies maturing within 15 years, and base interest rate and FX swaps denominated in other currencies maturing within 10 years, FRA maturing within 2 years, FX Forward, NDF and FX swaps denominated in G7 currencies maturing within 10 years, FX Forward transactions, NDF and FX swaps denominated in other currencies maturing within 3 years, commodity swaps maturing within 1 year, interest rate swaps denominated in G7 currencies, interest rate swaps denominated in other currencies maturing within 10 years, structured instruments (whose fair value is determined using measurement techniques which are based on available, verifiable market data);
3. the third level: interest rate options in PLN, FX options maturing over 2 years, base interest rate and FX swaps denominated in G7 currencies maturing over 15 years, base interest rate and FX swaps denominated in other currencies maturing over 10 years, FRA contracts maturing over 2 years, FX Forward transactions, NDF and FX swaps denominated in G7 currencies maturing over 10 years, FX Forward transactions, NDF and FX swaps denominated in other currencies maturing over 3 years, commodity swaps maturing over 1 year, interest rate swaps denominated in currencies other than G7 currencies maturing over 10 years, structured instruments (whose fair value is determined using measurement techniques (models) which are not based on available, verifiable market data), derivatives for which significant Fair Value Correction or Credit Value Adjustment was created and corporate bonds other than CATALYST-listed ones, shares which are not listed on the WSE and other exchanges, subsidised loans (fair value determined using measurement techniques (models) which are not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2.

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

30.09.2022	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**7,536,974**	**2,904,518**	**2,745,007**	**13,186,499**
Derivative financial instruments	-	2,894,261	1,420,005	4,314,266
Hedging instruments	-	10,257	1,451	11,708
Financial instruments measured at fair value through other comprehensive income	7,519,927	-	-	7,519,927
Financial instruments measured at fair value through profit or loss	17,047	-	299,082	316,129
Loans and advances to customers measured at fair value through profit or loss	-	-	1,024,469	1,024,469
Liabilities measured at fair value:	**-**	**5,052,524**	**1,426,632**	**6,479,156**
Derivative financial instruments	-	3,228,431	1,208,144	4,436,575
Hedging instruments	-	1,824,093	218,488	2,042,581

31.12.2021	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**9,170,446**	**1,412,875**	**2,093,752**	**12,677,073**
Derivative financial instruments	-	1,347,410	554,509	1,901,919
Hedging instruments	-	65,465	-	65,465
Financial instruments measured at fair value through other comprehensive income	9,143,353	-	-	9,143,353
Financial instruments measured at fair value through profit or loss	27,093	-	320,216	347,309
Loans and advances to customers measured at fair value through profit or loss	-	-	1,219,027	1,219,027
Liabilities measured at fair value:	**-**	**2,525,860**	**520,144**	**3,046,004**
Derivatives	-	1,458,287	459,745	1,918,032
Hedging instruments	-	1,067,573	60,399	1,127,972

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

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

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

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

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

30.09.2022	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Derivative financial instruments – liabilities	Hedging instruments – liabilities
Opening balance	**554,509**	**-**	**1,539,243**	**(459,745)**	**(60,399)**
Total gains/losses recognized in:	865,496	1,451	39,090	1,667,889	278,887
statement of profit or loss	865,496	1,451	39,090	1,667,889	278,887
Purchase	-	-	5,133	-	-
Settlement / Expiry	-	-	(259,916)	-	-
Closing balance	**1,420,005**	**1,451**	**1,323,551**	**1,208,144**	**218,488**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period					
	865,496	**1,451**	**39,090**	**1,667,889**	**278,887**

30.09.2021	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Derivative financial instruments – liabilities	Hedging instruments - liabilities
Opening balance	**287,094**	**94,873**	**1,911,704**	**(348,105)**	**-**
Total gains/losses recognized in:	24,602	(94,835)	16,759	56,187	(33,988)
statement of profit or loss	24,602	(94,835)	16,759	56,187	(17,428)
Purchase	-	-	-	-	(16,560)
Sale	-	-	3,431	-	-
Settlement / Expiry	-	-	(786)	-	-
Closing balance	-	-	(303,218)	-	-
Opening balance	**311,696**	**38**	**1,627,890**	**(291,917)**	**(33,988)**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period					
	24,602	**(94,835)**	**16,759**	**56,187**	**(17,428)**

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

The yield curve used for fair value measurement of liabilities (such as customer and interbank deposits) and receivables (such as loans to customers and interbank deposits) of the Group comprises:
- the credit risk free yield curve;
- the cost of obtaining financing above the credit risk free yield curve;
- the market margin that reflects credit risk for receivables.

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

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

30.09.2022	Book value	Fair value	Level
Financial assets			
Cash and cash balances at Central Bank	3,725,276	3,725,276	3
Amounts due from banks	10,199,997	9,623,617	3
Loans and advances to customers measured at amortised cost	92,086,568	89,784,620	3
Securities measured at amortised cost	23,217,809	18,677,634	1,3
Other financial assets	687,710	687,710	3
Financial liabilities			
Amounts due to banks	6,410,975	6,345,584	3
Amounts due to customers	114,679,839	113,669,824	3
Subordinated liabilities	4,496,847	4,474,670	3
Leasing liabilities	767,577	767,577	3
Other financial liabilities	1,328,676	1,328,676	3
Debt securities issued	435,961	435,961	3

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

a) Amounts due from banks and amounts due to banks

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

b) Loans and advances to customers

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

The fair value includes the impact of 50% of eligible customers taking a credit holiday.

c) Securities measured at amortised cost

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

d) Liabilities due to subordinated loan

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

e) Liabilities due to customers

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

f) Lease liabilities

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

g) Debt securities issued

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

43. LOAN PORTFOLIO SALE

In the 3 quarters of 2022, the Group concluded agreements for the sale of a portfolio of loans from the retail, SME and corporate portfolios.

The gross carrying amount of the sold portfolio measured at amortised cost was PLN 232,527 thousand, the amount of impairment allowances created was PLN 189,757 thousand.

The contractual price for the sale of these portfolios was set at PLN 58,181 thousand. The net impact on the Group's result due to the sale of portfolios amounted to PLN 15,411 thousand and is presented in the line Result of impairment allowances on financial assets and provisions for contingent liabilities.

44. SECURITIZATION

Securitization

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

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

SPV issued bonds with a total value of PLN 2,180,850 thousand on the basis of securitized assets and received a loan of PLN 119,621 thousand, which was secured by a registered pledge on the rights to cash flows from securitized assets. At the end of September 2022, the value of bonds and loan amounted to PLN 459,676 thousand.

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

In the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of securitized assets. In connection with the above, the Group recognises securitized assets in “Loans and advances to customers” as of 30 September 2022 at gross value of PLN 488,871 thousand.

The Group acts as a servicing entity in the transaction:

Balance sheet values and fair values of financial assets covered by securitization and related liabilities	Balance sheet amount		Fair value	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Assets	488,871	775,591	420,680	706,029
Liabilities	459,676	761,924	459,676	761,924

45. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

30.09.2022	BNP Paribas S.A. Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
Assets	**11,965,369**	**472**	**392,500**	**790**	**12,359,131**
Receivables on current accounts, loans and deposits	9,411,484	472	337,691	790	**9,750,437**
Derivative financial instruments	2,525,685	-	-	-	**2,525,685**
Derivative hedging instruments	28,200	-	-	-	**28,200**
Other assets	-	-	54,809	-	**54,809**
Liabilities	**12,214,696**	**43,059**	**1,224,662**	**2,656**	**13,485,073**
Loans and advances received	3,815,759	-	562,221	-	**4,377,980**
Current accounts and deposits	8,632	43,059	372,193	2,656	**426,540**
Subordinated liabilities	4,206,735	-	290,112	-	**4,496,847**
Derivative financial instruments	2,127,711	-	-	-	**2,127,711**
Derivative hedging instruments	2,055,859	-	-	-	**2,055,859**
Other liabilities	-	-	136	-	**136**
Contingent liabilities					
Financial commitments granted	-	-	153,387	651	**154,038**
Guarantee commitments	13,546	115,828	2,722,824	-	**2,852,198**
Commitments received	1,428,015	322,002	2,552,432	-	**4,302,449**
Derivative instruments (nominal value)	63,465,528	-	-	-	**63,465,528**
Hedging derivative instruments (nominal value)	18,593,177	-	-	-	**18,593,177**
Statement of profit or loss	**(791,630)**	**163**	**(76,089)**	**(6)**	**(867,562)**
3 quarters of 2022 from 01.01.2022 to 30.09.2022					
Interest income	50,670	526	14,146	30	**65,372**
Interest expense	(273,722)	(363)	(35,905)	(36)	**(310,026)**
Fee and commission income	-	-	2,484	-	**2,484**
Net trading income	(490,505)	-	43	-	**(490,462)**
Other operating income	-	-	17,451	-	**17,451**
General administrative expenses	(78,073)	-	(65,150)	-	**(143,223)**

31.12.2021	BNP Paribas S.A. Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
Assets	**2,583,416**	**4,264**	**346,167**	**841**	**2,934,688**
Receivables on current accounts, loans and deposits	1,585,212	4,264	344,303	811	**1,934,590**
Derivative financial instruments	932,697	-	-	-	**932,697**
Derivative hedging instruments	65,465	-	-	-	**65,465**
Other assets	42	-	1,864	30	**1,936**
Liabilities	**12,383,493**	**29,944**	**1,802,173**	**2,684**	**14,218,294**
Loans and advances received	4,180,119		763,972	-	**4,944,091**
Current accounts and deposits	1,978,727	29,944	761,579	2,684	**2,772,934**
Subordinated liabilities	4,058,054	-	276,518	-	**4,334,572**
Derivative financial instruments	1,038,620	-	-	-	**1,038,620**
Derivative hedging instruments	1,127,973	-	-	-	**1,127,973**
Other liabilities	-	-	104	-	**104**
Contingent liabilities					
Financial commitments granted	-	-	295,448	633	**296,081**
Guarantee commitments	105,365	200,134	1,448,341	-	**1,753,840**
Commitments received	812,994	304,155	1,774,204	-	**2,891,353**
Derivative instruments (nominal value)	60,082,978	-	-	-	**60,082,978**
Derivative hedging instruments (nominal value)	26,448,220	-	-	-	**26,448,220**
Statement of profit or loss	**(506,276)**	**95**	**(46,281)**	**-**	**(552,462)**
3 quarters of 2021 from 01.01.2021 to 30.09.2021					
Interest income	-	6	102	-	**108**
Interest expense	(77,957)	-	(8,416)	-	**(86,373)**
Fee and commission income	591	89	7,845	-	**8,525**
Fee and commission expense	-	-	(49)	-	**(49)**
Net trading income	(368,577)	-	7	-	**(368,570)**
Other operating income	-	-	2,892	-	**2,892**
General administrative expenses	(60,333)	-	(48,662)	-	**(108,995)**

Remuneration of the Management Board and Supervisory Board

Management Board	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Short-term employee benefits	14,624	12,072
Long-term benefits	3,591	3,428
Termination benefits	-	855
Share-based payments*	3,920	3,274
Issued shares**	1,405	1,514
Total	**23,540**	**21,143**

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

**the value of shares issued based on actuarial valuation

Supervisory Board	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Short-term employee benefits	1,206	1,107
Total	**1,206**	**1,107**

46. CONSOLIDATED CAPITAL ADEQUACY RATIO

	30.09.2022	31.12.2021
Total own funds	14,922,112	15,502,698
Total risk exposure	100,415,006	91,651,096
Total capital ratio	14.86%	16.91%
Tier 1 capital ratio	10.67%	12.33%

47. OPERATING SEGMENTS

Segment reporting

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

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

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

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

Description of operating segments

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

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

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

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

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

SME Banking provides services to:

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

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

Corporate Banking clients are divided into the following groups:

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

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

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

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

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

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

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

	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss for 3 quarters 2022 from 01.01.2022 to 30.09.2022*								
Net interest income	783,189	235,988	628,455	51,307	577,135	**2,276,074**	364,664	531,134
external interest income	2,546,035	359,269	926,472	241,931	71,530	**4,145,239**	766,583	854,439
external interest expenses	(1,506,813)	(150,032)	(350,461)	(958)	139,099	**(1,869,165)**	(175,483)	(93,092)
internal interest income	1,290,804	273,952	694,983	1,451	(2,261,189)	**-**	279,633	-
internal interest expenses	(1,546,837)	(247,202)	(642,539)	(191,116)	2,627,695	**-**	(506,069)	(230,213)
Net fee and commission income	472,979	103,972	271,494	29,284	(2,359)	**875,370**	115,287	95,327
Dividend income	-	-	5,151	-	5,500	**10,651**	255	-
Net trading income	102,153	78,302	274,553	186,338	(159,880)	**481,465**	63,334	59
Result on investment activities	-	-	-	-	36,821	**36,822**	-	-
Result on hedge accounting	-	-	-	-	10,379	**10,379**	-	-
Other operating income and expenses	(28,287)	(1,739)	(7,123)	-	(18,673)	**(55,822)**	(362)	(16,143)
Result on derecognition of assets / liabilities	(2,652)	-	-	-	-	**(2,652)**	-	-
Net impairment losses on financial assets and contingent liabilities	(288,019)	25,539	34,761	13,469	(4,497)	**(218,748)**	(46,728)	(55,609)
Result on provisions for legal risk related to foreign currency loans	(356,737)	-	-	-	-	**(356,737)**	-	-
Total operating expenses	(1,005,927)	(120,785)	(312,719)	(87,539)	(449,357)	**(1,976,326)**	(13,737)	(224,634)
Depreciation and amortization	275	-	-	-	(308,604)	**(308,328)**	-	434
Expense allocation (internal)	(487,757)	(135,073)	(127,527)	13,690	736,667	-	-	(83,496)
Operating result	**(810,783)**	**186,204**	**767,045**	**206,549**	**423,132**	**772,148**	**482,713**	**247,072**
Tax on financial institutions	(161,057)	(23,197)	(76,683)	(13,952)	(39,946)	**(314,834)**	-	(36,904)
Profit before income tax	**(971,840)**	**163,007**	**690,362**	**192,597**	**383,186**	**457,314**	**482,713**	**210,168**
Income tax expense						(268,502)		
Net profit for the period						**188,812**		
Statement of financial position for the as of 30.09.2022*								
Segment assets	49,922,566	7,582,161	30,051,551	5,801,871	53,029,078	**146,387,229**	14,984,898	14,003,659
Segment liabilities	65,251,501	16,051,448	39,073,020	-	15,147,851	**135,523,820**	13,491,818	-

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

	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss for 3 quarters 2022 from 01.01.2021 to 30.09.2021*								
Net interest income	1,265,674	176,624	398,655	37,632	398,126	**2,276,711**	291,150	462,039
external interest income	1,217,349	125,928	312,988	60,215	739,099	**2,455,579**	292,387	615,632
external interest expenses	(51,906)	(662)	(2,854)	(70)	(123,375)	**(178,868)**	(1,510)	(26,437)
internal interest income	457,533	91,243	181,548	(203)	(730,121)	**-**	75,827	-
internal interest expenses	(357,302)	(39,886)	(93,026)	(22,309)	512,524	**-**	(75,554)	(127,155)
Net fee and commission income	405,190	95,338	223,632	33,467	(9,898)	**747,729**	106,388	89,977
Dividend income	-	-	1,257		5,556	**6,813**	255	-
Net trading income	75,332	58,938	203,046	125,808	30,293	**493,417**	40,824	95
Result on investment activities	-	-	-		45,345	**45,345**	-	-
Result on hedge accounting	-	-	-		23,867	**23,867**	-	-
Other operating income and expenses	(31,302)	(6,605)	(13,280)	135	(25,867)	**(76,919)**	(4,853)	(29,103)
Net impairment losses on financial assets and contingent liabilities	(86,283)	(24,567)	(82,015)	(2,455)	3,373	**(191,946)**	(23,865)	(60,681)
Result on provisions for legal risk related to foreign currency loans	(460,929)	-	-	-	-	**(460,929)**	-	-
Total operating expenses	(767,931)	(89,632)	(176,726)	(67,608)	(440,834)	**(1,542,730)**	(11,945)	(194,551)
Depreciation and amortization	(76,689)	(2,245)	(20,593)	(6,330)	(189,789)	**(295,646)**	(467)	(14,066)
Expense allocation (internal)	(395,763)	(129,575)	(86,008)	6,591	604,755	-	-	(77,672)
Operating result	**(72,701)**	**78,276**	**447,968**	**127,240**	**444,927**	**1,025,712**	**402,746**	**181,301**
Tax on financial institutions	(125,363)	(19,621)	(61,043)	(12,378)	(28,971)	**(247,376)**	-	(30,529)
Profit before income tax	**(198,064)**	**58,655**	**386,925**	**114,862**	**415,956**	**778,336**	**402,746**	**150,772**
Income tax expense						**(328,534)**		
Net profit for the period						**449,802**		
Statement of financial position as of 31.12.2021*								
Segment assets	49,983,663	7,587,840	25,076,146	4,599,816	44,530,015	**131,777,481**	14,475,073	13,463,664
Segment liabilities	59,702,047	13,707,750	33,993,707	-	13,012,344	**120,415,850**	11,178,104	-

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

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

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

Shareholder	Number of shares	Percentage interest in share capital	Number of votes at the general shareholders' meeting	Percentage share in the total number of votes at the general shareholders' meeting
BNP Paribas, total:	128,991,553	87.40%	128,991,553	87.40%
BNP Paribas directly	93,501,327	63.35%	93,501,327	63.35%
BNP Paribas Fortis SA/NV directly	35,490,226	24.05%	35,490,226	24.05%
Other shareholders	18,601,597	12.60%	18,601,597	12.60%
Total	**147,593,150**	**100.00%**	**147,593,150**	**100.00%**

As of 4 April 2022, the Bank's share capital amounts to PLN 147.593 thousand.

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

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

The total number of votes resulting from all the Bank's shares is 147,593,150 votes. The number of votes resulting from the 2022 M series shares granted is 74,368 votes and the total number of votes resulting from the M series shares granted is 174,232 votes.

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

Changes in the shareholder structure in the first half of 2022

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

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

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

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

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

The shareholdings of individual members of the Management Board in the Bank and share entitlements have changed since the publication of the previous report, i.e. 11 August 2022.

MEMBER OF THE BANK'S MANAGEMENT BOARD	SHARES[1] 11.08.2022	SUBSCRIPTION WARRANTS[2] 11.08.2022	SHARES[1] 10.11.2022	SUBSCRIPTION WARRANTS[2] 10.11.2022
Przemysław Gdański	17,137	9,336	17,137	9,336
Jean-Charles Aranda	2,338	3,002	2,338	3,002
André Boulanger	3,129	7,081	3,129	7,081
Przemysław Furlepa	2,722	4,076	2,722	4,076
Wojciech Kembłowski	3,195	4,050	3,195	4,050
Kazimierz Łabno	1,862	2,285	1,862	2,285
Magdalena Nowicka	-	2,046	-	2,046
Volodymyr Radin	895	1,230	895	1,230
Agnieszka Wolska	-	614	-	614

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

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

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

49. DIVIDEND PAID

The Group did not pay any dividends for 2021.

50. DISTRIBUTION OF RETAINED EARNINGS

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

51. LITIGATION AND CLAIMS

Legal risk

As of 30 September 2022, there were no proceedings in the court, arbitration tribunal or state administration authorities regarding liabilities or receivables of the Bank, the value of which would exceed 10% of the Bank's equity.

Court decision regarding calculation of the interchange fee

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

The total fine levied on Bank BGŻ BNP Paribas S.A. (presently BNP Paribas Bank Polska S.A.) amounted to PLN 12.54 million and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9.65 million; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2.89 million. The penalty was paid by the Bank on 19 October 2015. The Bank prepared a last resort appeal against the aforesaid court decision and brought it on 25 April 2016. On 25 October 2017, the Supreme Court overruled the judgment of the Court of Appeal and remitted the case. Acquisition of the core business of RBPL did not change the situation of the Bank as RBPL was not a party to this claim.

On 23 November 2020, the Court of Appeal quashed the judgment of the first instance court and remitted the case for re-examination.

Corporate claims against the Bank (interchange fee)

As of 30 September 2022 the Bank received:

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

Proceedings regarding recognizing a standard contract as prohibited

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

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

The Bank appealed against the decision within the statutory deadline. The Bank has established a provision for the above penalty in full amount. The first hearing was set for 29 June 2022. The court requested the Bank to submit additional explanations and documents and adjourned the hearing until 21 September 2022, on which the court delivered his judgment and annulled the decision, written reasons have not yet been produced.

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 financial systems, the transaction is considered authorised, and if the customer denies this, the transaction must be the result of customer negligence.

On 31 August 2022, the Bank replied to the UOKiK, using the following reasoning:

The Bank refunds 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 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 carry out proper authentication, and not authorisation. Under Polish law, the Bank is obliged to demonstrate that authorisation has been carried out. The government has just started work on amending this law. Its final wording is not known yet.

When rejecting complaints, the Bank correctly informs customers of the verification of the correct authentication of the transaction, which at this stage constitutes proof of its authorisation. 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.

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).

The Bank sent a response to UOKiK confirming the launch of the new application form for all holidays on Goonline on 8 September.

In addition, the Bank disagrees with the allegations as BNP accepted and processed all individual applications created by customers (for any number of months). 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 application.

Litigation concerning CHF credit agreements in the banking sector

After the judgment of the Court of Justice of the European Union in the CHF-indexed mortgage case (C-260/18), the number of lawsuits related to CHF mortgages against banks is gradually increasing. According to the Association of Polish Banks (ZBP), the number of pending lawsuits related to CHF loan agreements at the end of August 2022 reached over 99 thousand compared to 77 thousand at the end of 2021. During the eight months of 2022, over 22 thousand new claims related to foreign currency loans were issued against the banks. This resulted in an increase in provisions for these proceedings created by banks having CHF mortgage loan portfolios. The amount of these provisions created by listed banks in 2021 amounted to approximately PLN 7.8 billion, and in the first quarter of 2022 to PLN 4.2 billion, contributing to the total value of provisions created for this purpose in the amount of PLN 18.7 billion at the end of 2021 and PLN 22.9 billion at the end of the first quarter of 2022.

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

The gross balance sheet value of mortgage and housing loans granted to individual customers in CHF as of 30 September 2022 amounted to PLN 4.56 billion, compared to PLN 4.53 billion at the end of 2021.

As of 30 September 2022 the Bank was the defendant in 3,188 (1,247 new cases in the 3 quarters of 2022) pending court proceedings (including validly closed cases, clients brought a total of 3,417 claims against the Bank), in which the Bank's customers demanded the annulment of mortgage loan agreements regarding foreign currency loans or loans denominated in CHF, or declaration that the contract is permanently ineffective. The claims are based in particular on a contravention of Article 69 of the Banking Act or on the occurrence of abusive clauses which cause the contract cannot be remained in force (article 353^2 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 September 2022 was PLN 1,490.94 million (as of 31 December 2021 was PLN 858.03 million), and in legally binding cases PLN 109.06 million (PLN 41.36 million as of 31 December 2021).

The following judgments have been issued in 229 proceedings that have been legally concluded: 62 judgments in favour of the Bank, including 39 proceedings in case of which a settlement agreement was concluded, and in 167 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 September 2022 amounted to PLN 1,681.4 million (as at 31 December 2021 it amounted to PLN 1,290.4 million), with an impact on the Bank's income statement of PLN 134.0 million in the 3 quarters of 2022 (in the 3 quarters of 2021 it amounted to PLN 676.6 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 127.5 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. The resolution of the full panel of the Civil Chamber of the Supreme Court on the questions of the First President of the Supreme Court (III CZP 11/21), which was supposed to resolve the basic legal issues, will not be issued in the near future due to the question addressed to the CJEU. A number of Supreme Court judgments have been handed down in recent months (according to data at the end of September obtained from cooperating law firms, there were 60 judgements, of which less than half concerned denominated loans); however, written justifications of the judgement are only known in a small number of cases (10 cases related to denominated loans), which does not eliminate uncertainty about the line of case law.

The Bank estimates the probability of losing a case based on historical judgments, separately for the foreign currency and denominated loan portfolios. Due to the observed volatility in case law, the Bank, when estimating the probability of an adverse judgment, takes into account judgments made after 31 December 2020.

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

Should the assumed average loss change by +/- 5%, with all other significant assumptions unchanged, the amount of the provision would change by +/- PLN 73 million.

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

Parameter	Scenario	Impact on Bank's loss due to legal risk
Percentage of lawsuits lost	+5 p.p.	+ PLN 67million
	-5 p.p.	- PLN 73 million

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

Parameter	Parameter	Scenario
Percentage of future lawsuits	+20%	+ PLN 104 million
	-20%	- PLN 104 million

Additionally, if 1% of customers with CHF loans filed a lawsuit against the Bank, the loss due to legal risk would increase by approx. PLN 39 million.

When calculating the expected loss on legal risk related to CHF loans, the Bank takes into account the available historical data, including the content of judgments in concluded cases. The Bank monitors the number of collected certificates and the changing number of lawsuits in order to update the provision estimate accordingly.

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

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

There was one ruling before the CJEU in 2022 concerning the above issues. On 8 September 2022, the CJEU handed down a judgment in three joined cases concerning indexed and denominated loans granted in Poland (C-80/21 to C-82/21). The Court confirmed that:

– a national court may not replace an abusive contract term (in order to avoid the invalidity of the contract) **by an interpretation of the parties' statement of intent or by a provision of national law of a dispositive nature**,
– it is possible to declare only part of a contract term abusive, provided that that abusive part can be severed in a way which does not affect the substance of the rest of the contract term. If the deletion would amount to altering the content of the term by changing its essence, this is prohibited. It is for the national court to examine in this respect,
– the limitation period for a consumer's claims for reimbursement of sums unduly paid on the basis of an abusive contractual term starts to run from the time when the consumer became aware, or should have become aware, of the unfair nature of the contractual term. On the other hand, it is for the national court to determine that point in time, taking into account the circumstances of the particular case.

Currently, the theses of the resolution of the 7 judges of the Civil Chamber of the Supreme Court of 7 May 2021 in the case ref. III CZP 6/21 (resolution having the force of legal principle) are taken into account in judicial decisions. In the ruling responding to a legal issue presented by the Financial Ombudsman, the Supreme Court indicated by reasoning the grounds that:

(1) the borrower may agree to the continued validity of terms which may be unfair, in which case they take effect from the date of conclusion of the contract,
(2) if the contract falls due to the unfair terms contained therein, each party has a claim for repayment of the performance made by that party (the so-called two-condition theory) ,
(3) the limitation period for the Bank's claims for reimbursement of the principal begins to run only from the moment when the agreement has become definitively ineffective (the basis for the performance has been lost),
(4) the agreement becomes permanently ineffective from the moment when the borrower, having been informed of all the consequences of the failure of the agreement, including the possible specific negative consequences of such a failure, makes a declaration to not keep the agreement in force. The borrower should be informed of the consequences of the failure of the agreement by the court in the course of the proceedings.

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

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

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

If the answer to the above question is negative:

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

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

Irrespective of the answers to questions 1 to 3:

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

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

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

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

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

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. 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. The above shows that there is no clear position of the Supreme Court in this regard.

Individual settlements offered by the Bank

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

As of 4 November 2022, the Bank has made individual settlement proposals to 6,041 Customers and 1,271 Customers accepted the terms of the proposals presented. This resulted in 932 settlement agreements.

52. RISK MANAGEMENT

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

CREDIT RISK

Credit risk is inherent in the core financial operations of the Group, the scope of which includes both lending and providing funding with the use of capital market products. Consequently, credit risk is identified as the risk with the highest potential to affect the present and future profits and equity of BNP Paribas Bank Polska S.A. The materiality of credit risk is confirmed by 73% share in the total internal capital estimated by the Group for purposes of covering major risks involved in the Bank's operations, in addition to its 90% share in the total value of regulatory capital.

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

Credit risk management principles adopted by the Group include:

- each credit transaction requires comprehensive credit risk assessment expressed in internal rating or scoring;
- in-depth and careful financial analysis serves as the basis for regarding the customer's financial information and collateral-related data as reliable; prudential analyses performed by the Group always take into account a safety margin;
- as a rule, financing is provided to the customer based on its ability to generate cash flows that ensure payment of its liabilities to the Group;
- credit risk assessment is additionally verified by credit risk assessment personnel, independent of the business;
- pricing terms of a credit transaction have to take account of the risk involved in such a transaction;
- credit risk is diversified on such dimensions as geographical regions, industries, products and customers;
- credit decisions may only be taken by competent employees;
- the Group enters into credit transactions only with customers it knows, and long-term relationships are the basis for cooperation with customers;
- the customer and the transactions made with the customer are monitored transparently from the perspective of the customer, in a manner strengthening the relationship between the Bank and the customer.

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

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

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

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

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

The Group's concentration limits are monitored in accordance with Article 387 of the Regulation No. 575/2013. The limits, defined in Article 395 of the Regulation No. 575/2013, had not been exceeded as at the end of September 2022. As at the end of September 2022, the Group's exposure to customers/groups of customers with equity or organizational relationships had not exceeded the concentration limit. The Group's largest exposure represented 22.32% of Tier 1 capital and it was a commitment to the BNP Group entities.

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

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

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

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

Systemic measures that limit concentration risk include:

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

A concentration analysis by industry, conducted by the Group, focuses on all credit exposures of the Group to institutional customers. The Group defines industries based on Polish statistical classification of economic activities (NACE/PKD 2007). The Group's exposure to industries analysed at the end of September 2022, similarly as at the end of December 2021, is concentrated in the following industries: Agriculture, Forestry, Hunting and Fishing, manufacturing. As at the end of September 2022, the share of manufacturing amounts to 24% similarly to the end of 2021, while the share of agriculture, forestry and fishing decreased by 4 p.p. as compared to the end of 2021 to the level of 18% of industrial exposure.

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

	Exposure*		Share of non-performing loans	
Sector	30.09.2022	31.12.2021	30.09.2022	31.12.2021
AGRICULTURE, FORESTRY, HUNTING AND FISHING	9,871,974	10,465,499	7.7%	7.4%
MINING AND QUARRYING	86,588	37,820	3.2%	10.6%
INDUSTRIAL PROCESSING	12,888,866	11,796,094	2.4%	2.9%
PRODUCTION AND SUPPLY OF ELECTRICITY, GAS, STEAM, HOT WATER AND AIR TO SYSTEMS	1,676,296	1,625,848	0.2%	0.3%
WATER SUPPLY; SEWAGE AND WASTE MANAGEMENT AS WELL AS REMEDIATION ACTIVITIES	222,500	178,067	1.5%	1.9%
CONSTRUCTION	3,395,418	2,523,808	5.6%	7.0%
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES, INCLUDING MOTORBIKES	8,507,385	7,210,738	4.1%	4.9%
TRANSPORT AND STORAGE	2,571,156	2,091,731	2.5%	3.1%
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	283,759	257,179	21.7%	19.3%
INFORMATION AND COMMUNICATION	2,626,495	1,066,367	0.7%	1.3%
FINANCIAL AND INSURANCE ACTIVITIES	1,508,271	971,971	4.7%	7.6%
REAL ESTATE ACTIVITIES	5,664,224	5,134,198	2.0%	2.2%
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	3,068,119	3,140,265	1.6%	1.4%
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	1,196,854	1,038,545	3.6%	4.6%
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	59,420	82,711	0.0%	0.0%
EDUCATION	79,650	86,123	8.4%	9.9%
HEALTH CARE AND SOCIAL ASSISTANCE	878,852	755,823	2.6%	2.5%
CULTURE, ENTERTAINMENT AND RECREATION ACTIVITIES	19,741	17,343	10.8%	18.5%
OTHER ACTIVITIES	117,209	108,059	3.9%	5.1%
Total	**54,722,776**	**48,588,189**	**3.8%**	**4.3%**

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

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

The structure of overdue receivables

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

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

	30.09.2022					
Structure of overdue receivables (net balance sheet value)*	without impairment				with impairment	Total
	0 days	1-30 days	31-60 days	61-90 days		
Mortgage loans and advances	26,670,619	59,305	10,723	4,232	227,188	26,972,067
Cash loans	8,962,774	77,930	10,295	5,451	141,746	9,198,195
Car loans	1,719,043	4,260	1,383	435	12,065	1,737,187
Credit cards	893,314	11,618	1,817	843	20,142	927,733
Investment loans	23,745,632	325,742	16,882	3,876	309,262	24,401,394
Limits in current account	12,705,914	114,619	13,967	2,661	147,284	12,984,445
Working capital loans to companies	10,021,100	413,149	27,252	7,777	311,075	10,780,352
Leasing	4,947,822	160,267	21,120	8,101	74,517	5,211,828
Other	856,013	11,967	6,411	1,547	21,898	897,836
Total	**90,522,231**	**1,178,857**	**109,850**	**34,923**	**1,265,177**	**93,111,037**

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

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

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

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

As at 30.09.2022, the Bank does not observe increased credit risk for new loan production as well as for the existing mortgage loan portfolio. Both Vintage ratios and NPL (non-performing loan) levels in the mortgage segment are stable, at the levels not higher than those observed in the Polish banking market.

Forbearance practices

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

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

- a change to the repayment schedule, especially extending the loan maturity date;
- cancellation of overdue amounts (e.g. capitalization of an overdue amount, which can be repaid at a later date);
- redemption of principal, interest or fees;
- consolidation of loans into one new product, if the amounts of payments of the consolidated loan are lower than the sum of payments of these loans separately before the consolidation occurred;

- decrease of the base interest rate or margin;
- originating a new loan to repay the existing debt;
- conversion of an existing credit,
- amendment or waiver of significant provisions of the agreement (e.g. a condition of the agreement that was breached as a result of financial difficulties),
- additional collateral presented by the Borrower (if present together with another event meeting the definition of a facility) or sale of the collateral agreed with the Bank, with the proceeds from the repayment of the collateral being used to repay the Bank's loan obligation.

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

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

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

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

where:

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

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

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

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

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

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

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

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

30.09.2022

Loans and advances to customers subject to a moratorium	Number of clients to which the moratorium was granted	Loans subject to ongoing and expired moratoria	including statutory moratoria	including ongoing moratoria	
				without impairment	without impairment
Gross value	**32,096**	**4,768,960**	**304,461**	**68**	**13,129**
Retail customers	24,844	2,670,122	303,999	68	12,791
Corporate clients:	5,567	1,720,439	462	-	338
including retail farmers:	1,290	405,174	145	-	-
Public sector institutions:	2	984	-	-	-
Leasing receivables	1,683	377,415	-	-	-
Allowance	x	**(426,083)**	**(79,322)**	**(1)**	**(3,782)**
Retail customers	x	(215,890)	(79,192)	(1)	(3,478)
Corporate clients:	x	(182,369)	(130)	-	(304)
including retail farmers:	x	(46,622)	(42)	-	-
Public sector institutions:	x	(262)	-	-	-
Leasing receivables	x	(27,562)	-	-	-
Loans and advances to customers subject to the moratorium, total	**32,096**	**4,342,877**	**225,139**	**67**	**9,347**

31.12.2021

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

30.09.2022	Residual term for ongoing moratoria	
Gross value	Total	up to 3 months
Retail customers	12,859	12,859
Corporate clients:	338	338
Loans and advances to customers subject to the moratorium, total	**13,197**	**13,197**

31.12.2021

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

30.09.2022

Loans and advances to customers covered by public guarantee programs	Number of customers who received a public guarantee	Value	up to 6 months	Value	up to 6 months	Value	up to 6 months
			Including: residual maturity of the public guarantee				
Gross value	**6,122**	**2,813,921**	**487,173**	**1,022,474**	**766,702**	**273,111**	**264,461**
Corporate clients:	6,122	2,813,921	487,173	1,022,474	766,702	273,111	264,461
including retail farmers:	337	72,863	4,203	362	23,816	44,482	-
Allowance	x	**(33,997)**	**(5,414)**	**(6,202)**	**(6,260)**	**(9,437)**	**(6,684)**
Corporate clients:	x	(33,997)	(5,414)	(6,202)	(6,260)	(9,437)	(6,684)
including retail farmers:	x	(174)	(1)	-	(24)	(149)	-
Total loans and advances to customers covered by public guarantee programs (net)	**6,122**	**2,779,924**	**481,759**	**1,016,272**	**760,442**	**263,674**	**257,777**

31.12.2021

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

As at 30 September 2022 the value of expired moratoriums amounted to PLN 4,755,763 thousand (PLN 5,696,483 thousand as at 31 December 2021).

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

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

COUNTRY RISK

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

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

As at the end of the third quarter of 2022, 59% of the Bank's exposure to countries other than Poland were transactions related to the Bank's foreign lending activities. Treasury transactions (including placement and derivative transactions) accounted for 25% while the remaining part, i.e. 16% was related to foreign trade transactions (letters of credit and guarantees). France accounted for 50%, Luxembourg for 18%, the Netherlands for 9%, Austria for 6% Italy and Belgium both for 4%. The remaining exposure was concentrated in Germany, Mexico Great Britain and Switzerland.

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

COUNTERPARTY RISK

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

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

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

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

INTEREST RATE RISK IN BANKING PORTFOLIO

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

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

The use of interest rate limits remained stable in the 3 quarters of 2022.

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

Immediate shift of interest rates by 100bps:	30.09.2022	31.12.2021
Up	311,528	204,081
Down	(155,935)	(196,869)

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

Impact of Reference indicators Reform on BNP Paribas Bank Polska S.A.

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

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

As at 30.09.2022. The Bank held:
- USD LIBOR-based financial assets of USD 70.8 million, of which USD 25.4 million maturing beyond 30.06.2023,
- USD LIBOR based financial liabilities of USD 10.3 million maturing in full before 30.06.2023,
- CHF LIBOR-based financial assets of CHF 5.4 million,

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

As at 30.09.2022 the Bank also held interest rate swaps (IRS) under fair value hedge accounting based on USD LIBOR for USD 70.0 million, of which USD 55.0 million matures beyond 30.09.2023. As at 30.06.2022, the Bank did not have hedging relationships based on CHF LIBOR and GBP LIBOR or currency interest rate swaps (CIRS), which require LIBOR to be swapped for alternative rates.

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

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

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

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

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

In connection with the planned reform of reference indices leading to the replacement of the WIBOR interest rate reference index with a new reference index, a National Working Group ("NWG") has been established to prepare a schedule of activities for the smooth and safe implementation of the changes in this respect. Representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund, the Warsaw Stock Exchange, the National Depository for Securities, Bank Gospodarstwa Krajowego, the WSE Benchmark, as well as top commercial banks, cooperative bank associations, investment fund associations and insurance companies, industry organisations comprising financial market entities, participate in the work of the NWG. International or foreign institutions may also be invited to participate in the work of the NWG. The work of the NWG is supervised and coordinated by the Steering Committee, which includes the Ministry of Finance, the Office of the Financial Supervision Authority, the WSE Benchmark, the Polish Development Fund and ING Bank Śląski as a representative of the financial sector. The NGR Steering Committee selected the WIRON index (formerly WIRD) as an alternative interest rate benchmark. The input data for WIRON is information representing ON (overnight) transactions. The administrator of WIRON within the meaning of the BMR Regulation is the WSE Benchmark, registered with the European Securities and Markets Authority. The NGR Steering Committee also approved a Roadmap for the process of replacing the WIBOR benchmarks with the WIRON index. The document sets out the basic assumptions for the work of the NGR. Going forward, the NGR Steering Committee intends to recommend standards for the use of WIRON in banking, leasing and factoring products and financial instruments.

The Bank is participating in the NGR's work related to the reform of WIBOR and has started work to adjust its activities accordingly in this respect.

As at 30.09.2022, the Bank has identified:
- financial assets based on WIBOR in the amount of PLN 53,937.8 million,
- financial liabilities based on WIBOR and WIBID in the amount of PLN 9,552.3 million.

The Bank also held interest rate swaps (CIRS/IRS) based on WIBOR in the amount of:
- PLN 950.0 million on the asset side, of which PLN 250.0 million under fair value hedge accounting
- PLN 15,496.5 million on the liability side, of which PLN 12,951.5 million under fair value hedge accounting.

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

- the lack of a transition period to allow an efficient derivatives market to take shape for the new indicator,

- high uncertainty regarding the valuation of on-balance sheet and off-balance sheet items,

- early closure of IRS contracts by central clearing houses in the case of absence of valuation options,

- abrupt and difficult to manage changes in financial institutions' interest rate risk exposures,

- questioning of flows arising from the application of spread adjustments that do not ensure economic equivalence in settlements between parties.

The Bank assesses that the potential risks that may materialise during the implementation of the reform related to the replacement of the WIBOR interest rate with the new reference rate may consequently lead to significant systemic disruptions in the functioning of the entire national economy.

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

MARKET RISK

Exposure to market risk in the trading book in the 3 quarters of 2022 was kept at a relatively low level. Interest rate risk in the trading book, measured by sensitivity to 1 basis point movement of interest rate curves in the reported period, amounted a maximum of PLN 140 thousand and EUR 71 thousand. The VaR measure of interest rate risk increased compared to the first half-year by approximately 15%, to PLN 3.2 million, which did not result from an increase in open positions but from increased volatility in financial markets and in particular from a series of increases in interest rates in PLN. Nevertheless the average utilisation of the VaR limit for the open interest rate position in the trading book was at the level of below 45% of the allocated limits.

Foreign exchange risk was kept at a low level, i.e. around 28% of the limit utilisation, and similarly to interest rate risk, and as in the first half-year (24% on average) it did not make a significant contribution to the overall risk level. The Bank maintained a small open position in foreign exchange and interest rate options to ensure servicing of customer transactions.

The war in Ukraine, which started in February, the pandemic, the energy crisis and rising inflation were accompanied by rising interest rates and volatility in the foreign exchange market. Despite the dynamic global situation, the Bank, through an appropriate risk management process, maintains its market risk profile at a relatively low level without observing any negative impact from the above-mentioned factors.

LIQUIDITY RISK

During the 3 quarters of 2022, the Bank maintained supervisory measures of short- and long-term liquidity above regulatory and internal limits. The LCR was on average 148.4% during the 3 quarters of the year. The maximum LCR was 172% and the minimum 135%.

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

Throughout the period, the Bank's liquidity ratios were at a very safe level. During the 3 quarters of the year, the Bank recorded a significant increase in corporate deposits (nearly PLN 6.5 billion) and slightly lower increase in retail deposits (nearly PLN 5.9 billion). Loans grew mainly for corporate customers, while in the case of retail customers this increase was significantly lower, which is mainly due to increases in market interest rates and a reduction in the creditworthiness of customers especially in the case of mortgages. The Bank aimed at a higher total increase in deposits than in loans, among other things due to changes in the amount of the obligatory reserve the Bank has to maintain in its NBP account. Funds acquired from non-banking customers continue to be the primary source of funding. The pandemic situation no longer has an impact on the Bank's liquidity, and interest in loans was gradually recovered in the previous year but decreased significantly due to loan costs – increased market interest rates from the level of 1.75% at the end of 2021 to 6.75% at the end of September 2022.

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

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

OPERATIONAL RISK

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

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

Procedures

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

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

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

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

Internal environment

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

As part of the legal risk management process, the Legal Division monitors, identifies and performs analyses of changes to laws of general application and their effect on the Group's operations and is involved in court and administrative proceedings which affect the Group. The Compliance Monitoring Department is responsible for daily non-compliance risk analysis in addition to development of appropriate risk controls and their improvement.

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

Management Board and the Risk Committee of the Supervisory Board are informed about the effectiveness of solutions implemented by the Bank in this respect.

Risk management

The Bank places a strong focus on identification and assessment of the factors that trigger its present exposure to operational risk in relation to banking products. It is the Bank's objective to reduce the operational risk level through improvement of its internal processes as well as mitigating the risk inherent in the process of launching new products and services and outsourcing operations to third parties.

In accordance with the Operational Risk Management Policy of BNP Paribas Bank Polska S.A., the operational risk analysis is aimed at acquiring an understanding of the interdependence between the risk generating factors and operational event types, and it is performed primarily with the objective to define the operational risk profile.

The operational risk profile is an assessment of the level of significance of this risk, understood as the scale and structure of operational risk exposures, determining the exposure levels to this risk (i.e. operational losses), expressed in the structural dimensions selected by the Bank and the scale dimensions. Periodic assessment and review of the Bank's operational risk profile is based on an analysis of the Bank's current risk parameters, changes and risks occurring in the Bank's environment, implementation of the business strategy, as well as the adequacy of the organizational structure and the effectiveness of the risk management and internal control system.

Internal control system

The purpose of internal control is effective risk control, including risk prevention or early detection. The role of the internal control system is to achieve general and specific objectives of the internal control system, which should be considered at the design stage of control mechanisms. The principles of the internal control system are described in the "Policy on internal control at BNP Paribas Bank Polska S.A." document, approved by the Bank's Management Board. This document describes the main principles, organizational framework and standards for the functioning of the control environment at the Bank, complying with the PFSA requirements provided in Recommendation H and the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and the internal control system, the remuneration policy in banks. Detailed internal regulations concerning specific areas of the Bank's activity are adapted to the specifics of the Bank's operations. The appropriate organizational units of the Bank, in accordance with the scope of the tasks assigned to them, are responsible for developing detailed regulations relating to the area of internal control.

The internal control system at the Bank is based on the 3 defence lines model, which consists of:

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

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

Monitoring and reporting

The Bank periodically monitors the efficiency of the operational risk management system and its appropriateness for its current risk profile. The organization of the operational risk management system is reviewed as part of periodic control exercised by the Internal Audit Division, which is not directly involved in the operational risk management process but provides professional and unbiased opinions supporting achievement of the Bank's objectives. The operational risk management system is overseen, and its appropriateness and efficiency are assessed by the Supervisory Board.

Capital requirements due to operational risk

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

Subsidiaries

In accordance with supervisory regulations, the Bank supervises the operational risk related to the activities of its subsidiaries. Operational risk management in subsidiaries is carried out within dedicated units/persons appointed for this purpose. The manner and methods of operational risk management in subsidiaries are organised adequately to the scope of activity of an entity and its business profile, in accordance with the rules in force in the Group.

Pandemic-related risks

As part of operational risk management, the Bank monitors the risk related to the epidemic emergency of the COVID-19 pandemic, and undertakes appropriate measures to ensure the safety of employees and clients of the Bank and to ensure uninterrupted implementation of processes related to the conducted business activities.

Risks arising from the war in Ukraine

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

CAPITAL ADEQUACY

Own funds and capital ratios

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

Since 1 January 2014, banks have been subject to new principles applicable to calculation of capital ratios, following the implementation of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on macro-prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (CRR2) in relation to leverage ratio, net stable funding ratio, own funds and eligible liabilities requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

On 27 June 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020, amending Regulations (EU) No 272/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, entered into force, allowing, inter alia, a reduction in risk weights for some SME loans, a temporary partial exclusion from the calculation of Common Equity Tier 1 items of the amount of unrealised profits or losses measured at fair value through other comprehensive income in relation to the COVID-19 pandemic.

As at 30 September 2022, the adjustment related to the temporary partial exclusion from the calculation of common equity tier 1 items of the amount of unrealised profits or losses measured at fair value through other comprehensive income in relation to pandemic COVID-19 amounted to PLN 416,121 thousand.

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

As at 30 September 2022, the adjustment to Tier 1 capital related to other intangible assets amounted to PLN 389,599 thousand.

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

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

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

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

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

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

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

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

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

30.09.2022	The minimum supervisory consolidated solvency ratios of the Group	Consolidated capital adequacy ratios of the Group
CET I	7.86%	10.67%
Tier I	9.36%	10.67%
Total Capital Ratio	11.36%	14.86%
31.12.2021		
CET I	7.25%	12.33%
Tier I	8.75%	12.33%
Total Capital Ratio	10.75%	16.91%

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

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

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

The target MREL requirments defined was set by the Fund on June 3rd , 2022, in co-operation with the SRB, for BNP Paribas Bank Polska S.A. at:
• 15.99% of TREA, the total risk exposure amount (TREA) calculated in accordance with Art. 92 sec. 3 and paragraph 4 of Regulation (EU) No 575/2013 (hereinafter referred to as MREL-TREA) and
• 5.91% TEM, the Total Exposure Measure (TEM) calculated in accordance with Art. 429 and art. 429a of Regulation (EU) No 575/2013 (hereinafter MREL-TEM)
on individual basis.
The Bank is required to meet the MREL requirement from December 31st , 2023.

At the same time, the Fund, in co-peration with the SRB, set on, June 3rd , 2022, interim targets. which the Bank should meet by the end of each calendar year:
• for TREA: 11.99% as at the moment of notification of joint MREL requirements decision , and 13.99% at the end of 2022,
• for TEM: 3.00% as the moment of notification of joint MREL requirements decision and 4.46% at the end of 2022,

On September 22nd , 2022, the Fund announced the MREL methodology update, in particular, the the path update to the meet target minimum level of own funds and eligible liabilities expressed as a percentage of the total risk exposure amount (MREL-TREA). The Fund adopted new assumptions regarding the setting of the interim MREL-TREA requirement for entities for which the resolution plans or group resolution plans assume the use of the resolution instrument. In the current planning cycle, the Fund will define the interim MREL-TREA requirement, which entities should meet by December 31st , 2022, based on the same formula as in the case of the interim MREL-TREA requirement, which entities are required to meet from January 1st , 2022.

The above means for the Bank that the MREL requirement in relation to TREA will be 11.99% at the end of 2022 (and not 13.99% as previously defined).

The Fund informed that it will apply the amended rules for determining the interim MREL requirement in accordance with the schedule for accepting reviews and updates of resolution plans and group resolution plans. In the case of domestic entities that are subsidiaries in cross-border groups, for which the adoption of plans and the determination of the minimum levels of own funds and eligible liabilities takes place in the form of a joint decision, it may happen that the adoption of joint decisions taking into account the MREL-TREA goals modified path will take place after January 1st, 2023.

In such cases, until the adoption of new joint decision taking into account the updated interim MREL-TREA requirements, the Fund, when monitoring the fulfillment of the interim MREL-TREA requirement, will take into account the fact of the ongoing changes.In the context of the above, the Bank assumed that the MREL requirement in relation to TREA will be 11.99% at the end of 2022 until a new joint decision of the resolution authorities is obtained, i.e. the Single Resolution Board (SRB), Central Bank of Hungary, Finanstilsynet, Bank of England and BFG on the minimum level of own funds and eligible liabilities ("MREL").

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

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

Commercial Bank Protection Scheme

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

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

The purpose of the protection scheme is:

a) to ensure the liquidity and solvency of Participating Banks under the terms and conditions and to the extent set out in the protection scheme agreement; and

b) to promote:

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

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

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

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

On the basis of a unanimously adopted resolution of the General Meeting of the Management Unit, the Bank paid the amount of PLN 18,513 thousand into the Assistance Fund on 15 September 2022, which was charged to the Bank's results (general administrative expenses) in the third quarter of 2022.

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

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

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

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

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

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

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

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

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

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

54. MAJOR EVENTS IN THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN THE THREE QUARTERS OF 2022

I. CORPORATE EVENTS

15.07.2022	**Adoption of the Law on community financing for economic ventures and assistance to borrowers** This law allowed mortgage borrowers to suspend their loan instalments with interest for a period of four months in the current and the following year (two months each in Q3 and Q4,2022 and one month in each quarter of 2023). In July, the Bank estimated the total negative impact on the Bank's result in the range of approximately PLN 700 million to approximately PLN 915 million, assuming that between 50% and 65% of Customers entitled to apply for a suspension of the execution of mortgage loan agreements granted in PLN in the period from 1 August 2022 to 31 December 2023 will exercise this option. Based on the data on customers' use of this option, in October the Bank revised the estimate given earlier and recognised an amount of PLN 965 million of credit holiday costs in interest income in Q3 2022.
29.07.2022	**Entry into the National Court Register of the amendments to the Statute of BNP Paribas Bank Polska S.A.** regarding the Bank's share capital increase up to PLN 147,593,150 as a result of the acquisition of series M shares by the eligible persons.
5.08.2022	**Rating action taken by Fitch Ratings** Fitch Ratings has placed the Bank's Viability Rating (VR) of "bbb-" on Rating Watch Negative list. This rating action has no impact on the Bank's other ratings.
9.09.2022	**Entry in the National Court Register of the amendments to the Articles of Association of BNP Paribas Bank Polska S.A. adopted at the Annual General Meeting of the Bank on 27 June 2022** concerning the conditional increase in the Bank's share capital through the issue of up to 1,200,000 Series N ordinary bearer shares.

II. WAR IN UKRAINE - THE BANK'S IMMEDIATE AND COMPREHENSIVE RESPONSE TO THE CRISIS SITUATION

- Simplified onboarding process with dedicated service offer for Ukrainian citizens
- Social activities undertaken by the Bank and employees - provision of accommodation, involvement of employees in volunteering, collections among employees to purchase items needed by refugees, psychological support
- Implementation of employee projects under the ‘Wolontariat#RazemdlaUkrainy’ initiative
- Thematic webinars for employees as part of the wellbeing programme " DOBRZE", e.g. how to talk to children about war
- Creation, together with the BNP Paribas Foundation, of a Solidarity Fund to support the families of Ukrainian employees of BNP Paribas and UKRSIBBANK
- Financial support provided by the BNP Paribas Foundation to help refugees from Ukraine and social organisations working for their integration in Poland

The impact of the war in Ukraine on the Bank's risk management is described in Note 52 Risk Management.

55. FACTORS WHICH, IN THE BANK'S OPINION, WILL AFFECT THE RESULT OF THE CAPITAL GROUP IN THE PERSPECTIVE OF AT LEAST THE FOLLOWING QUARTER

The following most important external factors, in the Bank's opinion, may affect the Group's performance in future periods:

- **War in Ukraine.** The ongoing war in Ukraine since 24 February remains a significant factor that will shape the domestic and global economic situation in the coming months. The impact of military actions on the global economy can be seen, among other things, through high commodity prices or increased risk aversion. This negatively affects global economic growth rates and increases inflation in relation to the scenarios assumed before the outbreak of war. In Poland, the war in Ukraine resulted in an influx of approximately 7 million refugees, of which around 2 million stayed in Poland, boosting consumption in the short term and affecting the labour market. In the longer term, the effects of the war on Poland's economic environment are difficult to assess and will depend on the timing as well as the conditions for the end of hostilities.
- **Forecasts from major financial institutions.** According to the International Monetary Fund (hereinafter: IMF) the global economic activity is experiencing a broader and sharper-than-expected slowdown, and inflation is at its highest in decades. According to the IMF's October forecasts, global economic growth will slow to 3.2% in 2022 and to 2.7% in 2023. This is the weakest growth profile since 2001, with the exception of the global financial crisis and the deep phase of the COVID-19 pandemic. As regards the inflation, the IMF expects inflation to be at the level of 8.8% this year and to decline to 6.5% in 2023. According to the Fund, the main risks to the outlook are the Russian invasion of Ukraine, rising global inflationary pressures and the economic slowdown in China. For the eurozone, the IMF forecasts GDP growth of 3.1% this year, with the dynamics of this growth slowing down to the level of 0.5% the following year. This is a revision of +0.5 and -0.7 p.p., respectively, as compared to the July report. The decline in activity in Western European countries will also affect economic growth in Poland. The International Monetary Fund has revised Poland's GDP growth outlook to 3.8% in 2022 and to 0.5% in 2023.
- **Pandemic and new mutations of the virus.** The most severe phase of the COVID-19 virus crisis appears to have passed in many parts of the world. In the European Union, Member States have removed most of the pandemic-related restrictions. In Asia, the number of new cases is gradually normalizing, but China maintains a very restrictive policy against COVID-19 infections. Blockades in key production and trade areas in China are compounding the disruption to global value chains, although in an environment of weakening demand they are not as severe. Recently, the number of registered cases in Europe has been increasing, which may indicate the risk of another wave of the pandemic. However, given the large number of people vaccinated, the increase in cases is likely to have a noticeably smaller impact on the economy than in previous years.
- **Monetary policy by major central banks.** In addition to the geopolitical situation, central bank policy will be an important factor influencing the pace of the economic growth this and coming year. Since the beginning of 2022, a clear shift towards tightening monetary policy conditions has been evident not only among the largest central banks but also among the smaller ones. The US Federal Reserve (hereinafter: Fed) continues a cycle of interest rate increases since March. The federal funds rate increased by 300 bps in total. In addition, the Fed signalled firmness in its fight against inflation despite the risk of an economic slowdown in the US. The European Central Bank (hereinafter: ECB) has also recently adopted a stronger position in this respect. On 1 July 2022, the Asset Purchase Programme (APP) came to an end. In July 2022, the ECB's Governing Council also began a cycle of interest rate increases. Since then, the deposit rate has increased by 125 bps. According to the ECB's communication, further interest rate developments by the Governing Council will be data-driven and their decisions will be geared towards achieving the 2% inflation target over the medium term.
- **Monetary authorities' actions in Poland.** Since October 2021, the Monetary Policy Council (hereinafter: MPC, Council) has conducts the cycle of monetary policy tightening in Poland. In October 2022, however, the MPC decided to keep the interest rate unchanged at the level of 6.75%. Statements by MPC members, including the NBP's President, indicate that the Council has not completed the cycle of increases. Further decisions on interest rate changes will depend on the results of the Inflation Report prepared by the NBP in November. The scale of any further monetary policy tightening will be linked to incoming data on the condition of the economy and inflation, as well as the current exchange rate of the zloty.

  The Bank expects a positive impact of interest rate rises on interest income in 2022. The actual impact of interest rate rises on the Bank's interest result will depend on factors such as the pace and scale of further rises, the realisation of business assumptions or the change in balance sheet structure. A significant negative impact on interest income in the second quarter of 2022 will be caused by the Community Financing for Business Ventures and Borrower Assistance Act, the estimated impact of which is described below.
- **The zloty's behaviour against key currencies.** For most of the third quarter, the EUR/PLN exchange rate was in the range of 4.60-4.80. The situation worsened at the beginning of September, when the exchange rate began to rise to 4.90. The rise in the EUR/PLN exchange rate was the result of higher risk aversion in the market, which was related, inter alia, to the

escalation of hostilities in Ukraine. In addition, the zloty remained quite weak due to high uncertainty about the prospects for economic growth in Europe, which is related to the energy crisis in the Old Continent. Domestic factors also had a negative impact on the zloty's behaviour, including the decision to keep central bank interest rates unchanged. In the coming months, the zloty may be heavily influenced by sentiment on global equity markets. An increase in risk aversion will amplify capital outflows from Europe and, thus, weaken the zloty. The unblocking of EU funds also remains a risk factor for the PLN exchange rate.

- **The economic situation in Poland.** In the second quarter, annual GDP growth slowed down from 8.5% to 5.5%. On a quarterly basis, the economy decreased by 2.1%. The main factor behind the decline in GDP was the lower contribution of inventory accumulation. In the second quarter, inventory accumulation added only 2 p.p. to GDP growth, as opposed to 7.7 p.p. in the first quarter. Private consumption remained stable and added another 3.6 p.p. Net exports, on the other hand, recorded a deficit and negatively affected annual GDP dynamics by subtracting 1.2 p.p. The economic activity data published so far point to a further slowdown in the second half of the year. Uncertainty concerning the path of economic growth remains at a relatively high level and is largely dependent on the global economy, the future development of fiscal and monetary policy (policy-mix) in Poland, as well as the course of the war in Ukraine. According to the National Bank of Poland's July forecasts, annual GDP growth will gradually slow down to 3.3% in Q3 and 1.9% YoY in Q4. For the whole of 2022, economic growth will be at the level of 4.7% and 1.4% in the following year. The maintenance of relatively high GDP growth in 2022 will mainly be the result of solid growth in Q1, which will mitigate the impact of declines in subsequent quarters on the annual figures. According to the NBP, in the further horizon of the projection, domestic economic activity will be increasingly adversely affected by the expected slowdown in GDP growth in the main developed economies and a significant decline in the inflow of European funds after the end of spending funds from the 2014-2020 EU perspective.
- **Situation on the domestic labour market.** The observed signals of an economic slowdown have so far not been reflected in the domestic labour market. The registered unemployment rate has been declining steadily and at the end of the third quarter was at a record low of 4.8%. Continued high demand for labour is driving wage growth. In the third quarter, average wages in the corporate sector rose by 14.3%, up from 13.5% YoY in Q2. According to the Inflation Report published by the National Bank of Poland in July, wage growth in the whole economy will reach 10.8% this year. In the following years, the dynamics will also be high, exceeding 9.0%, and will slow down to 6.1% in 2024. The dynamic growth in wages is a result of, among other things, very good situation on the Polish labour market and high CPI inflation, which increases employees' wage demands. On the other hand, wage pressures may be partly mitigated by weakening demand and a falling number of vacancies.
- **Dynamic increase in inflation.** Both this year and, probably, the following year, are likely to be marked by a very high inflation level. In the third quarter, the price level in Poland increased by more than 16% on an annual basis. The dynamic acceleration of inflation in Poland was caused mainly by the situation on global commodity markets. The increase in gas and oil prices translates into higher fuel and energy prices. In addition, disruptions in supply chains persist, which, combined with the aforementioned increases in raw material prices, translated into higher production costs. In addition to external factors, the acceleration of inflation was strongly influenced by the increase in core inflation, which excludes energy and food prices. In the third quarter, prices in core categories increased by an average of 10% YoY. According to the Inflation Report prepared by the National Bank of Poland, the price level will increase on average by 14.2% this year and by 12.3% next year. A return of inflation to the NBP's inflation target range (1.5-3.5%) will not be possible until the end of 2024. High inflation and the situation on the labour market may translate into an increase in the Bank's operating costs in the coming quarters.
- **Potential increase in public finance imbalances.** In 2021, the general government deficit narrowed to around 1.9% of GDP from 7.0% of GDP in 2020. In the following years, the European Commission forecasts assume a gradual increase of the deficit to 4.0% in 2022 and 4.4% in 2023. This has been influenced by the outbreak of war and a significant increase in humanitarian spending on refugees. However, there are significant risks to this forecast due to the government's Anti-Inflation Shield and reduced receipts due to the tax reform reducing the personal income tax rate from 17% to 12%. An additional challenge to the budget may be the increased spending on defence announced by the government, and a series of subsidies to offset the impact of high energy prices on household budgets.
- **Increase in risk aversion in financial markets.** The main factors that will influence market sentiment until the end of 2022 will be the development of the monetary policy of the major central banks and situation on the energy commodities market. The ongoing cycle of interest rates increases in the United States may significantly weaken risk appetite in the equity market. Additionally, the war in Ukraine is a factor that may contribute to discounts on the main financial markets. In the event of increased risk aversion, the zloty, like other emerging market currencies, loses value. A fall in the value of the Polish currency on the foreign exchange market may additionally increase upward pressure on prices in Poland and increase expectations for an increase in interest rates.
- **Borrower Assistance Act.** On 14 July 2022, the Act on Community Financing for Business Ventures and Borrower Assistance (hereinafter: the Act) was enacted. Under the mentioned Act, a borrower will be able to request a suspension of performance of mortgage contracts granted in PLN between 1 August 2022 and 31 December 2023, i.e. a total of 8 instalments (4 in 2022 and 4 in 2023), at no cost. These terms are different from those used in standard credit holidays, where the borrower still has to pay the interest part of the instalment. Under International Financial Reporting Standard 9, banks will have to recognise the difference in the present value of the estimated cash flows arising from the loan agreements after taking into account the suspension of instalment payments and the gross present value of the loan portfolio in the income

statement. The impact on banks' results will depend on customer interest. The banks' losses on this account, assuming widespread popularity of this solution, amount to PLN 20 billion according to the NBP and PLN 22.6 billion according to the ZBP. According to the estimates published by listed banks, on average around 68% (between 50% and 90%) of their customers with a mortgage loan will decide to take advantage of credit holidays. The total negative impact on the third quarter 2022 results for the nine banks, according to the above estimates and participation assumptions, was around PLN 12.4-12.8 billion. According to the only available data on actual participation (BIK - data for August), 1.5 million customers decided to use credit holidays, which translates into 44% of loan agreements and 58% of the portfolio value. It is reasonable to assume that these figures may increase in the following months, but a full participation scenario does not seem possible.

The impact of the Act on the Bank's results is presented in Note 7j Estimated Values

- **Loan portfolio quality** Regularly recurring concerns about the quality of the loan portfolio have not materialised yet. On the contrary, indicators in all major product categories have even set new minima. There is a great uncertainty about the coming winter and the associated higher electricity, gas or coal prices. Business owners are in a particularly difficult situation, as they are not protected by adequate tariffs, causing their bills to rise several times over. In this situation, it is precisely among businesses, and more precisely in the SME sector, that the first symptoms of portfolio deterioration may appear. The available NBP data for August 2022 again do not confirm these fears. The impaired loans ratio is still on a downward trajectory and reached 9.6%, a YoY decrease of 2.0 p.p. Among households, the situation in Swiss franc housing loans is noteworthy. There was a 1.2 p.p. YoY increase in the impaired loan ratio to the level of 6.4%. However, this is not a sign of a significant deterioration in the portfolio, but merely the effect of a decreasing base. The nominal level of impaired loans increased by only 6%, which, taking into account unfavourable exchange rate movements and the maturity level of the portfolio, is a negligible change. At the same time, the total value of the portfolio of CHF loans in the banking sector fell by 15% YoY, so that their total volume is already below PLN 70 billion. We can observe a similar phenomenon in PLN mortgage loans, where, since the February peak, the base has decreased by PLN 21 billion to PLN 482 billion. It should be assumed that this is related to overpayments and total repayments of these loans.
- **Replacement of WIBOR.** A new index is still being developed in order to replace WIBOR as early as in 2023. Initial announcements suggested that the replacement would be immediate and would cover already existing contracts. This raised some legal questions. According to the information contained in the roadmap published by the PFSA, it was decided to carry out this change in a softer way. The new WIRON rate would be based on short-term ('overnight') transactions, which, in a cycle of interest rate rises, would lower its valuation in relation to the 3M WIBOR, which is most popular in credit agreements. The market introduction would be gradual, between 2023 and 2025, and the rate will initially only apply to new contracts. In 2025, WIBOR would cease to be calculated and contracts based on that index would be converted to WIRON taking into account an adjustment spread. In light of the many other difficulties and burdens, this change in its current form can be described as almost neutral for the banking sector. However, another risk should be noted. The new index will be introduced at the likely peak of interest rate rises. This means that its advantage over WIBOR 3M will then be almost imperceptible. Moreover, during the interest rate cut cycle, WIBOR 3M will decrease faster than WIRON. This is a natural situation, built into the mechanics of this indicator.
- **Capital position.** At the end of August 2022, the banking sector's total equity stood at PLN 194 billion (according to PFSA data). Since its peak in November 2020, this represents a decline of PLN 34 billion (i.e. 15%), as a result of a number of unfavourable events. The main reason is the revaluation of government bonds, the value of which has clearly fallen (yields have risen). Banks hold a large portfolio of these securities due to the lack of other options for allocating funds in a situation of high excess liquidity. The excess was created in a period of low demand for loans, with an inflow of funds from, among other things, PFR financial shields. In addition, the banking sector has been burdened by, among other things, the cost of credit holidays, levies on the Borrower Support Fund, a contribution to the private institutional protection scheme. The need for further allowances on foreign currency loans also continues. In this situation, many banks are beginning to experience capital shortfalls of varying scale. The shortfalls can only be offset by generating profits, which is already extremely difficult, and there is a risk of their further decrease through new regulations such as the considered tax on excess profits. At the same time, other paths for raising capital, such as issuing shares, remain difficult to implement. In the long term, the continued support of the economy by the banking sector thus remains in question.
- **Forced restructuring of Getin Noble Bank:** On 30 September 2022, the Bank Guarantee Fund initiated a forced restructuring of this bank. This was necessary due to its difficult financial situation and the risk of its failure. This generated risks for the stability of the banking sector and threatened the security of funds entrusted by customers. As part of the restructuring, Getin Noble Bank's operations were transferred to a new bridge bank called VeloBank. It is owned by the BFG, which holds 51% of the shares, and by System Ochrony Banków Komercyjnych S.A., which holds 49% of the shares. (hereinafter: SOBK), formed by the 8 largest commercial banks. Swiss franc loans were excluded from the new bank and Getin Noble Bank shares were cancelled. The bridge bank was recapitalised with PLN 10.34 billion, of which PLN 6.87 billion came from the BFG's own funds and PLN 3.47 billion was the commitment of SOBK's funds. It is intended that the bridge bank will operate smoothly for up to two years, after which it should be acquired by a new investor. The funds thus raised will again be injected into the BFG and the SOBK.
- **Foreign currency mortgage loans.** Information on the impact and current situation of CHF loans is described in Note 51. Litigation of the Financial Statements.

56. SUBSEQUENT EVENTS

The Group did not identify any subsequent events.

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Interest income	1,004,036	3,911,743	814,208	2,376,528
Interest income calculated with the use of effective interest rate method	941,045	3,689,333	755,839	2,224,773
interest income on financial instruments measured at amortised cost	868,027	3,477,464	710,911	2,089,157
interest income on financial instruments measured at fair value through other comprehensive income	73,018	211,869	44,928	135,616
Income of a similar nature to interest on instruments measured at fair value through profit or loss	62,991	222,410	58,369	151,755
Interest expense	(903,691)	(1,707,612)	(48,400)	(152,492)
Net interest income	**100,345**	**2,204,131**	**765,808**	**2,224,036**
Fee and commission income	339,718	1,032,013	302,233	890,813
Fee and commission expense	(71,960)	(203,813)	(62,918)	(177,583)
Net fee and commission income	**267,758**	**828,200**	**239,315**	**713,230**
Dividend income	2,509	10,651	5,358	7,791
Net trading income (including result on foreign exchange)	212,066	481,709	161,185	493,159
Result on investment activities	(10,353)	17,207	5,351	45,345
Result on fair value hedge accounting	(9,145)	10,379	42,429	23,867
Result on derecognition	(273)	(2,652)	-	-
Net impairment losses on financial assets and contingent liabilities	(36,943)	(195,371)	(56,074)	(173,664)
Result on provisions for legal risk related to foreign currency loans	(134,000)	(356,737)	(201,952)	(460,929)
General administrative expenses	(531,878)	(1,900,963)	(491,564)	(1,508,679)
Depreciation and amortization	(101,928)	(308,481)	(97,069)	(294,501)
Other operating income	38,719	129,730	31,616	136,052
Other operating expenses	(57,794)	(190,559)	(48,649)	(184,890)
Operating result	**(260,917)**	**727,244**	**355,754**	**1,020,817**
Tax on financial institutions	(112,066)	(314,834)	(85,433)	(247,376)
Profit (loss) before tax	**(372,983)**	**412,410**	**270,321**	**773,441**
Income tax expenses	12,924	(263,847)	(113,041)	(325,497)
Net profit (loss)	**(360,059)**	**148,563**	**157,280**	**447,944**
attributable to equity holders of the Group	(360,059)	148,563	157,280	447,944
Earnings (loss) per share (in PLN per one share)				
Basic	(2.44)	1.01	1.07	3.04
Diluted	(2.44)	1.01	1.07	3.04

Interim condensed separate statement on comprehensive income

	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Net profit (loss) for the period	**(360,059)**	**148,563**	**157,280**	**447,944**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**21,862**	**(689,393)**	**(124,876)**	**(298,352)**
Measurement of gross financial assets measured at fair value through other comprehensive income	24,595	(741,451)	(128,978)	(347,404)
Deferred income tax on the valuation of gross financial assets measured through other comprehensive income	(4,673)	140,876	24,506	66,007
Measurement of cash flow hedge accounting derivatives	2,395	(109,652)	(26,036)	(20,932)
Deferred income tax on valuation of gross derivatives hedging cash flows	(455)	20,834	5,632	3,977
Items that will not be reclassified to profit or loss	**(2,339)**	**(1,828)**	**(389)**	**825**
Actuary valuation of employee benefits	(2,888)	(2,257)	(481)	1,018
Deferred income tax on actuarial valuation of gross personnel expenses	549	429	92	(193)
Other comprehensive income (net)	**19,523**	**(691,221)**	**(125,265)**	**(297,527)**
Total comprehensive income	**(340,536)**	**(542,658)**	**32,015**	**150,417**
attributable to equity holders of the Group	(340,536)	(542,658)	32,015	150,417

Interim condensed separate statement on financial position

ASSETS	30 September 2022	31 December 2021
Cash and balances at Central Bank	3,725,211	4,631,410
Amounts due from banks	10,116,584	2,254,621
Derivative financial instruments	4,314,266	1,901,919
Adjustment of hedged and hedging item fair value	13,065	65,465
Loans and advances to customers measured at amortised cost	86,597,352	80,124,751
Loans and advances to customers measured at fair value through profit or loss	1,024,469	1,219,027
Securities measured at amortised cost	23,217,809	23,268,041
Securities at fair value through profit or loss	299,082	320,216
Securities measured at fair value through other comprehensive income	7,519,927	9,143,353
Investments in subsidiaries	108,419	122,033
Intangible assets	765,895	744,169
Property, plant and equipment	1,067,627	1,233,221
Deferred tax assets	960,680	719,650
Other assets	951,429	613,384
Total assets	**140,681,815**	**126,361,260**
LIABILITIES	30 September 2022	31 December 2021
Amounts due to other banks	746,988	2,621,155
Derivative financial instruments	4,436,575	1,918,032
Adjustment of hedging and hedged item fair value	(203,842)	44,107
Amounts due to customers	115,170,851	101,823,600
Subordinated liabilities	4,496,847	4,334,572
Lease liabilities	767,391	860,009
Other liabilities	2,178,235	1,504,486
Current tax liabilities	221,073	164,660
Provisions	2,013,168	1,697,996
Total liabilities	**129,827,286**	**114,968,617**
EQUITY	30 September 2022	31 December 2021
Share capital	147,593	147,519
Supplementary capital	9,110,976	9,110,976
Other reserve capital	3,135,111	2,946,115
Revaluation reserve	(1,286,928)	(595,707)
Retained earnings	(252,223)	(216,260)
retained profit	(400,786)	(400,786)
net profit for the period	148,563	184,526
Total equity	**10,854,529**	**11,392,643**
Total liabilities and equity	**140,681,815**	**126,361,260**

Interim condensed separate statement of changes in equity

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	Net profit for the period	Share capital
Balance as of 1 January 2022	**147,519**	**9,110,976**	**2,946,115**	**(595,707)**	**(400,786)**	**184,526**	**11,392,643**
Total comprehensive income for the period	**-**	**-**	**-**	**(691,221)**	**-**	**148,563**	**(542,658)**
Net profit for the period	-	-	-	-	-	148,563	148,563
Other comprehensive income for the period	-	-	-	(691,221)	-	-	(691,221)
Distribution of retained earnings	**-**	**-**	**184,526**	**-**	**-**	**(184,526)**	**-**
Distribution of earnings intended for capital	-	-	184,526	-	-	(184,526)	-
Share issue	**74**	**-**	**-**	**-**	**-**	**-**	**74**
Management stock options*	**-**	**-**	**4,470**	**-**	**-**	**-**	**4,470**
Balance as of 30 September 2022	**147,593**	**9,110,976**	**3,135,111**	**(1,286,928)**	**(400,786)**	**148,563**	**10,854,529**

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

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

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

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Share capital
					Retained profit	Net profit for the period	
Balance as of 1 January 2021	**147,419**	**9,110,976**	**2,208,982**	**255,887**	**(400,786)**	**731,060**	**12,053,538**
Total comprehensive income for the period	**-**	**-**	**-**	**(297,527)**	**-**	**447,944**	**150,417**
Net financial result for the period	-	-	-	-	-	447,944	447,944
Other comprehensive income for the period	-	-	-	(297,527)	-	-	(297,527)
Distribution of retained earnings	**-**	**-**	**731,060**	**-**	**-**	**(731,060)**	**-**
Distribution of retained earnings intended for capital	-	-	731,060	-	-	(731,060)	**-**
Share issue	**100**	**-**	-	-	-	-	**100**
Management stock options*	**-**	**-**	**5,024**	**-**	**-**	**-**	**5,024**
Balance as of 30 September 2021	**147,519**	**9,110,976**	**2,945,066**	**(41,640)**	**(400,786)**	**447,944**	**12,209,079**

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

Interim condensed separate statement on cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Net profit (loss)	**148,563**	**447,944**
Adjustments for:	**5,792,699**	**1,012,168**
Income tax expenses	263,847	325,497
Depreciation and amortization	308,481	294,501
Dividend income	(10,651)	(7,791)
Interest income	(3,911,743)	(2,376,528)
Interest expense	1,707,612	152,492
Change in provisions	312,915	431,619
Change in amounts due from banks	(341,890)	(151,276)
Change in assets due to derivative financial instruments	(2,359,947)	443,454
Change in loans and advances to customers measured at amortised cost	(6,127,961)	(7,263,490)
Change in loans and advances to customers measured at fair value through profit or loss	194,558	236,714
Change in amounts due to banks	(1,879,219)	(2,241,850)
Change in liabilities related to derivative financial instruments	2,160,942	(676,057)
Change in amounts due to customers	13,133,398	8,506,545
Change in other assets and receivables due to current income tax	(326,186)	61,267
Change in other liabilities and provisions due to deferred tax	391,892	793,356
Other adjustments	206,113	104,400
Interest received	3,547,858	2,542,857
Interest paid	(1,476,361)	(162,578)
Lease payments with reference to short-term leases not included in the lease liability measurement	(959)	(964)
Net cash flows from operating activities	**5,941,262**	**1,460,112**

CASH FLOWS FROM INVESTING ACTIVITIES:	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Investing activities inflows	**51,682,552**	**62,037,370**
Sale and repurchase of securities	51,659,901	62,007,435
Sale of intangible assets and property, plant and equipment	12,000	22,144
Dividends received and other inflows from investing activities	10,651	7,791
Investing activities outflows	**(50,913,359)**	**(62,322,985)**
Purchase of shares in subsidiaries	(6,000)	-
Purchase of securities	(50,688,600)	(62,120,429)
Purchase of intangible assets and property, plant and equipment	(218,759)	(202,556)
Net cash flows from investing activities	**769,193**	**(285,615)**

CASH FLOWS FROM FINANCING ACTIVITIES:	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Investing activities inflows	**74**	**16,224**
Net proceeds from the issue of shares and return of capital contributions	74	16,224
Investing activities outflows	**(99,608)**	**(62,342)**
Repayment of the leasing liability	(99,608)	(62,342)
Net cash flows from financing activities	**(99,534)**	**(46,118)**
TOTAL NET CASH AND CASH EQUIVALENTS	**6,610,921**	**1,128,379**
Cash and cash equivalents at the beginning of the period	**5,152,220**	**3,485,875**
Cash and cash equivalents at the end of the period	**11,763,141**	**4,614,254**
Effect of exchange rate fluctuations on cash and cash equivalents	95,454	22,763

EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

- The most important events in BNP Paribas Bank Polska S.A. Capital Group in the three quarters of 2022 in Note 54,
- Subsequent events in Note 56.

2. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

30.09.2022	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**11,965,369**	**472**	**350,345**	**790**	**92,183**	**12,409,159**
Receivables on current accounts, loans and deposits	9,411,484	472	300,829	790	90,908	**9,804,483**
Derivative financial instruments	2,525,685	-	-	-	-	**2,525,685**
Hedging derivative instruments	28,200	-	-	-	-	**28,200**
Other assets	-	-	49,516	-	1,275	**50,791**
Liabilities	**8,398,937**	**43,059**	**662,305**	**2,656**	**137,222**	**9,244,179**
Current accounts and deposits	8,632	43,059	372,193	2,656	136,584	**563,124**
Subordinated liabilities	4,206,735	-	290,112	-	-	**4,496,847**
Derivative financial instruments	2,127,711	-	-	-	-	**2,127,711**
Hedging derivative instruments	2,055,859	-	-	-	-	**2,055,859**
Lease liabilities	-	-	-	-	176	**176**
Other liabilities	-	-	-	-	462	**462**
Contingent liabilities						
Financial commitments granted	-	-	153,387	651	-	**154,038**
Guarantees granted	13,546	115,828	2,722,824	-	1,023,344	**3,875,542**
Commitments received	1,428,015	322,002	2,552,432	-	959,343	**5,261,792**
Derivative financial instruments (nominal value)	63,465,528	-	-	-	-	**63,465,528**
Derivative hedging financial instruments (nominal value)	18,593,177	-	-	-	-	**18,593,177**
Statement of profit or loss	**(671,695)**	**163**	**(18,072)**	**(6)**	**25,405**	**(664,205)**
3 quarters of 2022 from 01.01.2022 to 30.09.2022						
Interest income	50,670	526	11,368	30	268	**62,862**
Interest expense	(153,787)	(363)	(11,264)	(36)	83	**(165,367)**
Fee and commission income	-	-	-	-	3,890	**3,890**
Fee and commission expense	-	-	-	-	(5,221)	**(5,221)**
Net trading income	(490,505)	-	-	-	-	**(490,505)**
Other operating income	-	-	9,921	-	26,214	**36,135**
Other operating expenses	-	-	(8,983)	-	(120)	**(9,103)**
General administrative expenses	(78,073)	-	(19,114)	-	291	**(96,896)**

31.12.2021	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**2,583,416**	**4,264**	**35,489**	**841**	**5,745**	**2,629,755**
Receivables on current accounts, loans and deposits	1,585,212	4,264	34,536	811	4,013	**1,628,836**
Derivative financial instruments	932,697	-	-	-	-	**932,697**
Hedging derivative instruments	65,465	-	-	-	-	**65,465**
Other assets	42	-	953	30	1,732	**2,757**
Liabilities	**8,203,374**	**29,944**	**1,038,097**	**2,684**	**102,758**	**9,376,857**
Current accounts and deposits	1,978,727	29,944	761,579	2,684	102,623	**2,875,557**
Subordinated liabilities	4,058,054	-	276,518	-	-	**4,334,572**
Derivative financial instruments	1,038,620	-	-	-	-	**1,038,620**
Hedging derivative instruments	1,127,973	-	-	-	-	**1,127,973**
Lease liabilities	-	-	-	-	135	**135**
Contingent liabilities						
Financial commitments granted	-	-	295,448	633	1,051,000	**1,347,081**
Guarantees granted	105,365	200,134	1,448,341	-	965,874	**2,719,714**
Commitments received	812,994	304,155	1,774,204	-	-	**2,891,353**
Derivative financial instruments (nominal value)	60,082,978	-	-	-	-	**60,082,978**
Derivative hedging financial instruments (nominal value)	26,448,220	-	-	-	-	**26,448,220**
Statement of profit or loss	**(484,641)**	**95**	**(13,190)**	**-**	**33,176**	**(464,560)**
3 quarters of 2021 from 01.01.2021 to 30.09.2021						
Interest income	-	6	102	-	41	**149**
Interest expense	(56,322)	-	(3,747)	-	(1)	**(60,070)**
Fee and commission income	591	89	4,817	-	4,403	**9,900**
Fee and commission expense	-	-	(49)	-	(6,212)	**(6,261)**
Net trading income	(368,577)	-	-	-	-	**(368,577)**
Other operating income	-	-	-	-	34,458	**34,458**
Other operating expenses	-	-	-	-	(170)	**(170)**
General administrative expenses	(60,333)	-	(14,313)	-	657	**(73,989)**

Remuneration of the Management Board and Supervisory Board

Management Board	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Short-term employee benefits	13,766	11,183
Long-term benefits	3,591	3,428
Termination benefits	-	855
Share-based payments*	3,920	3,274
Issued shares**	1,405	1,514
Total	**22,682**	**20,254**

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

** the value of shares issued based on actuarial valuation

Supervisory Board	3 quarters of 2022 from 01.01.2022 to 30.09.2022	3 quarters of 2021 from 01.01.2021 to 30.09.2021
Short-term employee benefits	1,206	1,107
Total	**1,206**	**1,107**

3. SEPARATE CAPITAL ADEQUACY RATIO

	30.09.2022	31.12.2021
Total own funds	14,950,168	15,528,874
Total risk exposure	96,141,992	87,410,438
Total capital ratio	15.55%	17.77%
Tier 1 capital ratio	11.18%	12.96%

4. SEASONAL OR CYCLICAL NATURE OF BUSINES

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

5. DIVIDEND PAID

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

6. DISTRIBUTION OF RETAINED EARNINGS

In accordance with the Bank's General Meeting Resolution dated 27 June 2022 the profit of the Bank after tax (net profit) for 2021 in the amount of PLN 184,526 thousand, was fully allocated to the reserve capital.

7. CONTINGENT LIABILITIES

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

Contingent liabilities	30.09.2022	31.12.2021
Contingent commitments granted	**40,111,096**	**37,794,803**
financial commitments	28,821,147	29,961,150
Guarantees	11,289,949	7,833,653
Contingent commitments received	**55,790,141**	**30,676,140**
financial commitments	14,151,460	13,005,690
Guarantees	41,638,681	17,670,450

8. SUBSEQUENT EVENTS

Subsequent events are described in Note 56 of the Interim consolidated report for the first three quarters of 2022.

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

09.11.2022	**Przemysław Gdański** *President of the Management Board*	*qualified electronic signature*
09.11.2022	**Jean-Charles Aranda** *Vice-President of the Management Board*	*qualified electronic signature*
09.11.2022	**André Boulanger** *Vice-President of the Management Board*	*qualified electronic signature*
09.11.2022	**Przemysław Furlepa** *Vice-President of the Management Board*	*qualified electronic signature*
09.11.2022	**Wojciech Kembłowski** *Vice-President of the Management Board*	*qualified electronic signature*
09.11.2022	**Kazimierz Łabno** *Vice-President of the Management Board*	*qualified electronic signature*
09.11.2022	**Magdalena Nowicka** *Vice-President of the Management Board*	*qualified electronic signature*
09.11.2022	**Volodymyr Radin** *Vice-President of the Management Board*	*qualified electronic signature*
09.11.2022	**Agnieszka Wolska** *Vice-President of the Management Board*	*qualified electronic signature*

Warsaw, 9 November 2022